



On Real International Holdings Limited

安悅國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8245



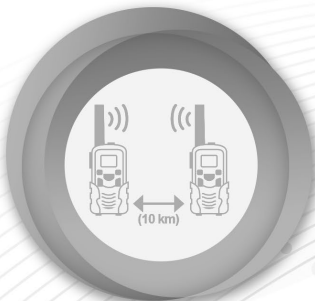
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*This report, for which the directors (the “**Directors**”) of On Real International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*





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FINANCIAL HIGHLIGHTS

- Revenue of the Company for the three months ended 30 June 2020 amounted to approximately HK\$84.7 million, representing an increase of approximately 3.4% as compared with that of approximately HK\$81.9 million for the three months ended 30 June 2019.
- Loss attributable to the owner of the Company for the three months ended 30 June 2020 amounted to approximately HK\$3.8 million compared with loss of approximately HK\$1.9 million for the three months ended 30 June 2019.
- Basic and diluted losses per share for the three months ended 30 June 2020 amounted to approximately HK cents 0.63 (losses per share for the three months ended 30 June 2019: HK cents 0.49 (restated)).
- The Directors do not recommend the payment of any dividend in respect of the three months ended 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

The board of Directors (the “**Board**”) of the Company is pleased to present the unaudited condensed consolidated results of the Group for the three months ended 30 June 2020, together with the unaudited comparative figures for the corresponding period in 2019.

BUSINESS REVIEW

The Group is a two-way radio product designer and manufacturer established in 2001. We derive the revenue principally from designing, manufacturing and selling two-way radios and baby monitor products on original design manufacturing basis.

The revenue increased from approximately HK\$81.9 million for the three months ended 30 June 2019 to approximately HK\$84.7 million for the three months ended 30 June 2020, representing an increase of approximately 3.4%. The major reason was the increase of the Group’s revenue of two-way radios for the three months ended 30 June 2020. Such increase was mainly due to the increase of number of purchase orders from customers during the three months ended 30 June 2020.

The revenue of two-way radios increased by approximately 4.7% from approximately HK\$61.2 million for the three months ended 30 June 2019 to approximately HK\$64.1 million for the three months ended 30 June 2020 mainly due to the increase of number of purchase orders from customers. The revenue of baby monitor increased by 10.7% from approximately HK\$503,000 for the three months ended 30 June 2019 to approximately HK\$557,000 for the three months ended 30 June 2020 due to the increase of number of purchase orders.

The revenue of servicing business significantly increased by approximately 640 times from approximately HK\$12,000 for the three months ended 30 June 2019 to approximately HK\$7.7 million for the three months ended 30 June 2020, mainly due to the increase in provision of electronic manufacturing servicing business.

The Group’s revenue of other products decreased by approximately 38.6% from approximately HK\$20.2 million for the three months ended 30 June 2019 to approximately HK\$12.4 million for the three months ended 30 June 2020 mainly due to decrease in demand and decrease of number of purchase orders from our other products.

The Company will continue to diversify the revenue stream and expand the customer base by expanding product offerings and exploring business opportunity with current and potential customers.

The following tables set forth the breakdowns of the turnover of the Group by product categories for each of the three months ended 30 June 2020 and 2019:

	Unaudited					
	For the three months ended 30 June					
	2020		2019		Increase (Decrease)	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Two-way radios	64,051	75.6	61,174	74.7	2,877	4.7
Baby monitors	557	0.7	503	0.6	54	10.7
Servicing business	7,680	9.1	12	0.1	7,668	63,900
Other products	12,372	14.6	20,162	24.6	(7,790)	(38.6)
	84,660	100	81,851	100.0	2,809	3.4

PROSPECT

Our business objectives are to grow our existing business by strengthen our product portfolio, enhancing our information management system and strengthen our marketing efforts. We will continue looking into opportunities to diversify our revenue stream. For instance, we will be exploring the way to leverage our research and development capability to provide design engineering service to our customers. We will also be searching opportunities to leverage our developed sales channels and network for distributing related products.

In coming year, the Group is expecting to deploy more subcontracting arrangement to enhance the flexibility in terms of fixed cost commitment as per previous year's plan. The subcontracting arrangement may shift outside the People's Republic of China (the "PRC") to diversify the production processes and fulfill the requirement from the customers. We will continue to put effort in developing new model of our products and diversify our revenue streams which are expected to bring growth potential for turnover to the Group and returns to the shareholders of the Company (the "Shareholders"). To reducing the impact of ongoing trade war between the PRC and the US, the Group intends to develop new production facilities outside the PRC, such as Malaysia and Vietnam. The Group looks at and considers potential investment opportunities from time to time and looking for business opportunity of the Company. The Group will also be looking at enhancing our business revenue and profitability by introducing new product categories and/or leverage our research and development capability to provide design engineering service to our customers.

We expect that the trade war between the PRC and the US will continue impacting our business. The revenue and gross margin will be affected due to the additional tariff of the two way radios and the additional cost in setting up the logistic and operation of subcontracting the manufacturing in Malaysia and Vietnam.

The recent outbreak of Novel Coronavirus (“**COVID-19**”) has spread to worldwide. It has a certain impact on the production of the Group since early 2020. Also, it has brought about additional uncertainties in the Group’s operating environment and may impact the Group’s operations and financial position. The Group will continue to pay close attention to the COVID-19 and to evaluate its impact on the financial position, cash flows and operating results of the Group.

FINANCIAL REVIEW

Cost of Sales and Gross Profit

The majority of the Group’s cost of sales comprised of raw material cost, direct labour costs and subcontracting fees. Our cost of sales increased by approximately 11.0% from approximately HK\$72.6 million for the three months ended 30 June 2019 to approximately HK\$80.6 million for the three months ended 30 June 2020, which is in line with the increase in revenue. The gross margin decreased from approximately 11.3% for the three months ended 30 June 2019 to approximately 4.8% for the three months ended 30 June 2020, the decrease in the gross margin was mainly due to the profit margin dropped for the products of two-way radios during the three months ended 30 June 2020.

Selling and distribution expenses

The selling and distribution expenses increased from approximately HK\$0.9 million for the three months ended 30 June 2019 to approximately HK\$1.1 million for the three months ended 30 June 2020, which was mainly due to more transportation expenses incurred compared with the corresponding period in 2019.

Administrative expenses

The administrative expenses decreased from approximately HK\$9.8 million for the three months ended 30 June 2019 to approximately HK\$7.2 million for the three months ended 30 June 2020, which was mainly due to decrease of the expenses of research and development fee and consulting fee.

Loss attributable to the owners of the Company

Loss attributable to the owner of the Company for the three months ended 30 June 2020 amounted to approximately HK\$3.8 million compared with loss of approximately HK\$1.9 million for the three months ended 30 June 2019.

Dividend

The Board does not recommend the payment of a dividend for the three months ended 30 June 2020.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2020, the Group did not hold any significant investments.

The Group did not have material investment and disposal during three months ended 30 June 2020.

The Group did not have any other immediate plans for material investment and capital assets as at the date of this report.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2020, none of the Directors or chief executive of the Company or their associates had any interests and short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (iii) which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange. There were no debt securities issued by the Group during the three months ended 30 June 2020.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2020, so far as known to the Directors, the following shareholders had, or were deemed to have, interests or short positions, in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares of the Company

Name	Capacity	Number of shares	Percentage of shareholding
Solution Smart Holdings Limited (" Solution Smart ") (Note 1)	Beneficial owner	112,589,600	18.81%
Mr. Chung Wai Sum (" Mr. Chung ") (Note 1)	Interest in a controlled corporation	112,589,600	18.81%
SMK Investment Company Limited (" SMK ") (Note 2)	Beneficial owner	90,997,600	15.20%
Mr. Kor Sing Mung Michael (Note 2)	Interest in a controlled corporation	90,997,600	15.20%

Notes:

1. Mr. Chung Wai Sum is the sole beneficial shareholder of Solution Smart. Therefore, Mr. Chung is deemed to be interested in 112,589,600 shares of the Company held by Solution Smart under the SFO.
2. Mr. Kor Sing Mung Michael, is the sole beneficial shareholder of SMK. Therefore, Mr. Kor Sing Mung Michael is deemed to be interested in 90,997,600 shares of the Company held by SMK under the SFO.

Save as disclosed above, the Directors are not aware of any other person who has an interest or short position in the shares or underlying shares (including interest in options, if any) of the Company as recorded in the register required to be kept under section 336 of the SFO as at 30 June 2020.

DIRECTORS' INTEREST IN CONTRACTS

Apart from the transactions disclosed under the heading "Related Party Transactions" as set out in note 11 of this report, there were no other contracts of significance in relation to the Group's business to which the Group was a party and which a Director had a material interest, whether directly or indirectly, subsisted during the three months ended 30 June 2020.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the three months ended 30 June 2020, the Directors are not aware of any business or interest of the Directors, the management of the Company and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

CORPORATE GOVERNANCE

The Company is committed to ensure a high standard of corporate governance in the interests of the shareholders and devotes considerable effort to maintain high level of business ethics and corporate governance practices. The Company has complied with the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules throughout the three months ended 30 June 2020. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the three months ended 30 June 2020.

The Company fully complied with all the Code Provisions throughout the three months ended 30 June 2020.

DIRECTORS’ SECURITIES TRANSACTIONS

The Group had adopted Rules 5.46 to 5.67 of the GEM Listing Rules (“**Model Code**”) as its own code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard of dealings.

Having made specific enquiry with all the Directors and all the Directors of the Company had confirmed compliance with the required standard of dealings set out in the Model Code and the code of conduct for Directors’ securities transactions during the three months ended 30 June 2020.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its shares during the three months ended 30 June 2020. Neither the Company nor any of its subsidiaries had purchased or sold any of Company’s shares during the three months ended 30 June 2020.

SHARE OPTION SCHEME

The share option scheme of the Company (“**Scheme**”) was adopted pursuant to a resolution passed by the Company’s shareholders on 16 September 2015 (“**Adoption Date**”) for the primary purpose is to attract, retain and motivate talented Participants, to strive for future developments and expansion of the Group. Eligible participants of the Scheme include any employees, any executives, non-executive Directors (including independent non-executive Directors), advisors, consultants of the Company or any of its subsidiaries.

The Scheme will remain valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, after which period no further Share Options will be granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect and Share Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue. The principal terms of which were summarized in the paragraph headed “Share Option Scheme” in Appendix IV to the Company’s prospectus dated 18 September 2015. No share options was granted, exercised, lapsed or cancelled for the three months ended 30 June 2020. No share options was outstanding as at 30 June 2020.

AUDIT COMMITTEE

The existing audit committee of the Company (the “**Audit Committee**”) consists of three independent non-executive Directors of the Company, chaired by Mr. Wong Ching Wan and the other two members are Mr. Chan Shiu Man and Mr. Cheng Chai Fu.

The unaudited first quarterly financial results of the Group for the three months ended 30 June 2020 have been reviewed by the Audit Committee.

By Order of the Board
On Real International Holdings Limited
Chan Lung Ming
Chairman and Executive Director

Hong Kong, 12 August 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 30 June 2020

The Board is pleased to announce the unaudited consolidated results of the Group for the three months ended 30 June 2020, together with the comparative figures for the corresponding period in 2019 which have been reviewed and approved by the Audit Committee, as follows:

	Note	Three months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3	84,660	81,851
Cost of sales		(80,563)	(72,588)
Gross profit		4,097	9,263
Other income	4	1,277	1,497
Other (losses) and gains	5	(83)	(692)
Selling and distribution expenses		(1,148)	(883)
Administrative expenses		(7,177)	(9,763)
Finance costs	7	(737)	(1,192)
Loss before income tax	6	(3,771)	(1,770)
Income tax expense	8	–	(132)
Loss for the year		(3,771)	(1,902)
Other comprehensive (expense) income			
Item that may be reclassified			
subsequently to profit or loss:			
Exchange differences arising on			
translation of foreign operations		25	1,047

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2020

	Note	Three months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Total comprehensive expense for the period		(3,746)	(855)
Loss for the period attributable to:			
Owners of the Company		(3,771)	(1,902)
Non-controlling interests		–	–
Total comprehensive expense for the period attributable to:			
Owners of the Company		(3,746)	(855)
Non-controlling interests		–	–
		(3,746)	(855)
Loss per share (HK cents)			(Restated)
Basic and diluted	9	(0.63)	(0.49)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three months ended 30 June 2020

	Attributable to owners of the Company						Total	Non-controlling interests	Total equity
	Share Capital	Share Premium	Capital Reserve	PRC Statutory Reserve	Exchange Reserve	Accumulated loss			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2020 (Audited)	7,481	93,897	1,465	2,670	909	(42,972)	63,450	68	63,518
Loss for the period	-	-	-	-	-	(3,771)	(3,771)	-	(3,771)
Other comprehensive income									
Exchange difference arising on translation of foreign operations	-	-	-	-	25	-	25	-	25
Total comprehensive (expense) income	-	-	-	-	25	(3,771)	(3,746)	-	(3,746)
Balance at 30 June 2020 (Unaudited)	7,481	93,897	1,465	2,670	934	(46,743)	59,704	68	59,772
Balance at 1 April 2019 (Audited)	4,800	75,468	(5,826)	5,346	2,376	(18,883)	63,281	71	63,352
Loss for the period	-	-	-	-	-	(1,902)	(1,902)	-	(1,902)
Other comprehensive income									
Exchange difference arising on translation of foreign operations	-	-	-	-	1,047	-	1,047	-	1,047
Total comprehensive (expense) income	-	-	-	-	1,047	(1,902)	(855)	-	(855)
Balance at 30 June 2019 (Unaudited)	4,800	75,468	(5,826)	5,346	3,423	(20,785)	62,426	71	62,497

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 30 June 2014 as an exempted company with limited liability under Companies Law, Cap 22 (Law 3 of 1961 as consolidated and revised), of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is G/F., 200 Hennessy Road, Wan Chai, Hong Kong.

The Company is an investment holding company. The principal activities of the Group are, designing, trading and manufacturing of two-way radios, baby monitors and other communication devices and servicing business of the above products.

The Company was listed on the GEM on 30 September 2015.

This unaudited condensed consolidated financial information is presented in thousands of Hong Kong dollars (“**HK\$’000**”), unless otherwise stated.

2 BASIC OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

This unaudited condensed consolidated first quarterly financial information for the three months ended 30 June 2020 has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited condensed consolidated first quarterly financial information should be read in conjunction with the consolidated annual financial statements for the year ended 31 March 2020, preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2020.

3 SEGMENT INFORMATION

Total revenue recognised during the respective period are as follows:

	Three months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sales of goods	76,980	81,839
Servicing	7,680	12
	84,660	81,851

The revenue from external parties is derived from numerous external customers and the revenue reported to the management is measured in a manner consistent with that in the condensed consolidated income statements.

The Group is principally engaged in the designing, trading and manufacturing of two-way radios, baby monitors and other products and servicing business of the above products.

The executive directors have been identified as the chief operating decision makers. The executive directors have determined the operating segments based on the reports reviewed by them that are used to make strategic decisions.

Management considers the business from a product perspective whereby management assesses the performance of two-way radios, baby monitors, and other products and servicing business based on gross profit arising in the course of the ordinary activities which are recurring in nature.

Capital expenditure comprises additions to property, plant and equipments.

3 SEGMENT INFORMATION (CONTINUED)

The segment information provided to the executive Directors for the reportable segments for the three months ended 30 June 2020 and 30 June 2019 is as follows:

	Two-way radios HK\$'000	Baby monitors HK\$'000	Service business HK\$'000	Other products (Note (i)) HK\$'000	Total HK\$'000
For the three months ended 30 June 2020 (Unaudited)					
Total segment revenue (from external customers)	64,051	557	7,680	12,372	84,660
Segment results for the period	3,203	14	228	652	4,097
Other segment items:					
Amortisation of intangible assets	-	-	-	-	-
Depreciation of property, plant and equipments	177	-	14	39	230
For the three months ended 30 June 2019 (Unaudited)					
Total segment revenue (from external customers)	61,174	503	12	20,162	81,851
Segment results for the period	4,844	(196)	(1)	4,616	9,263
Other segment items:					
Amortisation of intangible assets	81	243	-	-	324
Depreciation of property, plant and equipments	292	1	-	91	384

Note (i): Other products include transistors, integrated circuits, plastic casings, rechargeable battery chargers, ultrasonic cleansers, inductive emergency flashlights, LCD display module and accessories such as headsets, belt clips, chargers and power adaptors, etc.

3 SEGMENT INFORMATION (CONTINUED)

A reconciliation of total segment result to the (loss)/profit for the respective period is provided as follows:

	Three months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Segment results	4,097	9,263
Other income	1,277	1,497
Other losses and gains	(83)	(692)
Selling, distribution and administrative expenses	(8,325)	(10,646)
Finance cost	(737)	(1,192)
Loss before income tax	(3,771)	(1,770)

An analysis of revenue by geographic location, based on shipping destination, is set out below:

	Three months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
The United States of America (the "US")	38,097	44,280
Europe (Note 1)	1,586	3,563
The Netherlands	1,034	1,899
Asia (Note 2)	21,667	5,722
The United Kingdom ("UK")	1,154	2,225
Germany	20,969	12,990
Others (Note 3)	153	11,172
	84,660	81,851

3 SEGMENT INFORMATION (CONTINUED)

Note 1: Europe includes but is not limited to France, Italy and Belgium but excludes the UK, Germany and the Netherlands.

Note 2: Asia includes but is not limited to the PRC and Hong Kong.

Note 3: Others includes but is not limited to Brazil, Canada and Russia. Revenue is allocated based on the shipping destination.

Non-current assets are located in the PRC and Hong Kong.

4 OTHER INCOME

	Three months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Bank interest income	28	15
Sales of mould	368	–
Gain on disposal of property, plant and equipments	165	–
Sale of scrap	9	810
Machinery rental income	–	167
Others	707	505
	1,277	1,497

5 OTHER (LOSSES) AND GAINS

	2020 HK\$'000 (Unaudited)		2019 HK\$'000 (Unaudited)	
Exchange losses, net	(83)	(692)		
	(83)	(692)		

6 LOSS BEFORE INCOME TAX

	Three months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Cost of inventories recognised as expenses	70,671	60,335
Employee benefit expenses	3,279	6,140
Subcontracting fees	5,642	8,477
Amortisation of intangible assets	–	324
Depreciation of property, plant and equipment	230	384
Operating leases		
– Office premises and staff quarters	311	619
– Factories	109	158
– Plant and machinery	159	159

7 FINANCE COSTS

	Three months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest on:		
– Bank and other borrowings	737	1,192

8 INCOME TAX EXPENSE

The PRC enterprise income tax is provided at the rate of 25% (2019: 25%) during the three months ended 30 June 2020.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements since the Group has no estimated assessable profits for the three months ended 30 June 2020 and the three months ended 30 June 2019.

8 INCOME TAX EXPENSE (CONTINUED)

The amount of income tax expense charged to the condensed consolidated income statements represents:

	Three months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
PRC income tax	–	132
Hong Kong profits tax	–	–
	–	132

9 LOSSES PER SHARE

(a) Basic

Basic (losses)/earnings per share is calculated by dividing the (losses)/earnings for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during each of the three months ended 30 June 2020 and 2019.

	Three months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited) (Restated)
Losses attributable to owners of the Company (HK\$'000)	(3,771)	(1,902)
Weighted average number of ordinary shares in issue ('000) (Note)	598,500	390,194
Basic losses per share (HK cents per share)	(0.63)	(0.49)

Note: The weighted average number of ordinary shares in issue for the three months ended 30 June 2019 have been retrospectively adjusted for the share consolidation and rights issue taken place on 6 February 2020 and 18 February 2020 respectively.

(b) Diluted

Diluted losses per share is the same as basic losses per share due to the absence of dilutive potential ordinary shares during the respective periods.

10 DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the three months ended 30 June 2020 and 2019.

11 RELATED-PARTY TRANSACTIONS

For the purposes of these condensed consolidated financial statements, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the three months ended 30 June 2020 and 30 June 2019.

	Three months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Rental expenses charged by a related company	461	441

Note:

Rental expenses charged was paid to Xinxing On Time Electronics Limited ("**Xinxing On Time**"). Mr. Tam Wing Ki, the director of subsidiary of the Company, has direct interest in Xinxing On Time.

12 EVENT AFTER REPORT PERIOD

Since January 2020, the outbreak of COVID-19 has impact on the global business environment. Pending the development and spread of COVID-19 subsequent to the date of this report, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this report. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.