



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



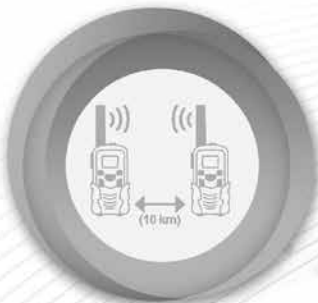
## CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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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# CORPORATE INFORMATION

## **DIRECTORS**

Executive Directors: Mr. Chan Lung Ming (*Chairman*)  
Mr. Yeung Shing Wai  
Ms. Sin Pui Ying

Non-executive Director: Mr. Tao Hong Ming

Independent  
Non-executive Directors: Mr. Wong Ching Wan  
Mr. Chan Shiu Man  
Mr. Cheng Chai Fu

**AUDIT COMMITTEE** Mr. Wong Ching Wan (*Chairman*)  
Mr. Chan Shiu Man  
Mr. Cheng Chai Fu

**REMUNERATION COMMITTEE** Mr. Chan Shiu Man (*Chairman*)  
Mr. Wong Ching Wan  
Mr. Cheng Chai Fu

**NOMINATION COMMITTEE** Mr. Cheng Chai Fu (*Chairman*)  
Mr. Chan Shiu Man  
Mr. Wong Ching Wan

**COMPANY SECRETARY** Mr. Hui Man Ho Ivan

**COMPLIANCE OFFICER** Mr. Yeung Shing Wai

**AUTHORISED REPRESENTATIVES** Mr. Yeung Shing Wai  
Mr. Hui Man Ho Ivan

**REGISTERED OFFICE** Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

**PRINCIPAL PLACE OF BUSINESS IN HONG KONG** G/F., 200 Hennessy Road  
Wan Chai  
Hong Kong

**PRINCIPAL SHARE  
REGISTRAR AND  
TRANSFER OFFICE IN  
THE CAYMAN ISLANDS**

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

**HONG KONG BRANCH  
SHARE REGISTRAR  
AND TRANSFER  
OFFICE**

Boardroom Share Registrars (HK) Limited  
Room 2103B, 21/F  
148 Electric Road  
North Point, Hong Kong

**PRINCIPAL BANKERS**

The Hongkong and Shanghai Banking Corporation Limited  
1 Queen's Road Central  
Hong Kong

**AUDITOR**

Elite Partners CPA Limited  
10/F., 8 Observatory Road  
Tsim Sha Tsui, Kowloon  
Hong Kong

**STOCK CODE**

8245

**COMPANY'S WEBSITE**

[www.on-real.com](http://www.on-real.com)

# FINANCIAL HIGHLIGHTS

- Revenue of the Company for the six months ended 30 September 2020 amounted to approximately HK\$187.1 million, representing an increase of approximately 10.7% as compared with that of approximately HK\$169.0 million for the six months ended 30 September 2019.
- Loss attributable to the owner of the Company for the six months ended 30 September 2020 amounted to approximately HK\$15.0 million as compared to a loss of approximately HK\$9.0 million for the six months ended 30 September 2019.
- Basic and diluted loss per share for the six months ended 30 September 2020 amounted to approximately HK cents 2.50 (for the six months ended 30 September 2019: loss per share HK cents 2.30 (restated)).
- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 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 six months ended 30 September 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 revenue principally from designing, manufacturing and selling two-way radios and baby monitor products on original design manufacturing basis.

The Group’s revenue increased from approximately HK\$169.0 million for the six months ended 30 September 2019 to approximately HK\$187.1 million for the six months ended 30 September 2020, representing an increase of approximately 10.7%. Such increase was mainly due to increase of number of purchase orders from customers during the six months ended 30 September 2020.

The Group’s revenue of two-way radios increased by approximately 13.5% from approximately HK\$129.3 million for the six months ended 30 September 2019 to approximately HK\$146.8 million for the six months ended 30 September 2020 mainly due to the increase of number of purchase orders from customers.

The Group’s revenue of baby monitors decreased by approximately 26.7% from approximately HK\$1.5 million for the six months ended 30 September 2019 to approximately HK\$1.1 million for the six months ended 30 September 2020 mainly due to the decrease in demand of our audio baby monitor products.

The revenue of servicing business significantly increased by approximately 1.8 times from approximately HK\$0.4 million for the six months ended 30 September 2019 to approximately HK\$7.7 million for the six months ended 30 September 2020, mainly due to the increase in provision of electronic manufacturing servicing business.

The Group’s revenue of other products decreased by approximately 16.8% from approximately HK\$37.8 million for the six months ended 30 September 2019 to approximately HK\$31.4 million for the six months ended 30 September 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 table sets forth the breakdown of the revenue of the Group by product categories for each of the six months ended 30 September 2019 and 2020:

	Six months ended 30 September					
	2020		2019		Increase (Decrease)	
	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%	HK\$'000	%
Two-way radio	146,845	78.5	129,338	76.5	17,507	13.5
Baby monitors	1,090	0.6	1,488	0.9	(398)	(26.7)
Service business	7,713	4.1	394	0.2	7,319	1,857.6
Other products	31,445	16.8	37,783	22.4	(6,338)	(16.8)
<b>Total</b>	<b>187,093</b>	<b>100.0</b>	<b>169,003</b>	<b>100.0</b>	<b>18,090</b>	<b>10.7</b>

## PROSPECT

Our business objectives are to grow our existing business by strengthening our product portfolio, enhancing our information management system and enhancing 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**") such as Malaysia 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 United States (the "**US**"), the Group intends to develop new production facilities outside the PRC, such as Malaysia and Vietnam. The Group looks for and considers potential investment business 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. The Group's cost of sales increased by approximately 18.2% from HK\$149.0 million for the six months ended 30 September 2019 to HK\$176.1 million for the six months ended 30 September 2020. The gross margin decreased from approximately 11.8% for the six months ended 30 September 2019 to approximately 5.9% for the six months ended 30 September 2020, the decrease in the gross margin was mainly due to the profit margin dropped for the products of two-way radios during the six months ended 30 September 2020.

### **Selling and Distribution Expenses**

The selling and distribution expenses increased from approximately HK\$1.7 million for the six months ended 30 September 2019 to approximately HK\$2.2 million for the six months ended 30 September 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\$24.4 million for the six months ended 30 September 2019 to approximately HK\$22.7 million for the six months ended 30 September 2020, which was mainly due to decrease of expenses of research and development fee and consulting fee.

### **Loss attributable to the owners of the Company**

Loss attributable to the owners of the Company for the six months ended 30 September 2020 amounted approximately HK\$15.0 million compared with loss of approximately HK\$9.0 million in the same period last year. The increase in loss was due to the squeeze on gross margin of the two-way radios and other products.

## **Liquidity, Financial Resources and Capital Structure**

Historically, the Group has funded the liquidity and capital requirements primarily through operating cash flows and bank borrowings. As at 30 September 2020, we had various short term loan, bank borrowings and lease liabilities of approximately HK\$64.7 million, including factoring loans for trade receivables (as at 31 March 2020: approximately HK\$53.4 million), representing an increase of approximately HK\$11.3 million as compared to that as at 31 March 2019.

Net current assets decreased from approximately HK\$60.4 million as at 31 March 2020 to approximately HK\$42.7 million for the six months ended 30 September 2020, which was mainly due to increase of the trade payables and borrowings during the six months ended 30 September 2020.

The Company requires cash primarily for working capital needs. As at 30 September 2020, the Company had approximately HK\$21.7 million in cash and bank balances (as at 31 March 2020: approximately HK\$46.8 million), representing a decrease of approximately HK\$25.1 million as compared to that as at 31 March 2020.

As of 30 September 2020, the equity attributable to the owners of the Company were approximately HK\$48.0 million, of which share capital was approximately HK\$7.5 million, capital reserve was approximately HK\$1.5 million, PRC statutory surplus reserve was approximately HK\$2.7 million, exchange reserve was approximately HK\$0.4 million and accumulated loss were approximately HK\$57.9 million. The equity attributable to the owners of the Company decreased by approximately 24.4% from approximately HK\$63.5 million as at 31 March 2020. There were no debt securities issued by the Group during the six months ended 30 September 2020.

## Capital Commitments

As at 30 September 2020, the Company did not have any capital commitments on acquisition of property, plant and equipment (as at 31 March 2020: HK\$9,000).

## Gearing Ratio

As at 30 September 2020, the gearing ratio of the Group was approximately 134.9% (as at 31 March 2020: approximately 84.1%). The gearing ratio is calculated based on the borrowings divided by the equity attributable to owners of the Company as at 30 September 2020. The increase of the gearing ratio was mainly attributable to the increase in the amount of borrowings for short term loan to support the settlement to suppliers.

## Pledged of Assets

As at 30 September 2020, the Group's banking facilities were secured by:

- (i) certain of the Group's trade receivables (net of allowance for credit losses) with carrying amount of approximately HK\$49,109,000 (as at 31 March 2020: approximately HK\$32,869,000);
- (ii) pledged bank deposits with carrying amount of approximately HK\$1,082,000 (as at 31 March 2020: approximately: HK\$1,085,000);
- (iii) a corporate guarantee from the Company with an aggregate amount of approximately HK\$65,000,000 (as at 31 March 2020: approximately: HK\$65,000,000).

## Contingent Liabilities

On 20 January 2020, the Company received a third-party notice with legal case no. HCA1643/2019 between the Barton Eagle Limited (the “**Plaintiff**”), Lam Tak Hung (the “**Defendant**”) and the Company. The Plaintiff claimed against the Defendant approximately HK\$8 million under a guarantee for debts own by the Company. The Defendant claims against the Company to be indemnified against the Plaintiff’s claim and the cost of this action on the grounds that the Company are the principal debtor of the alleged debt. The management of the Company is seeking the legal opinion for the above case.

Up to the date of this report, the outcome of the proceedings is still uncertain. As the Directors considered it is premature and not practical to draw a conclusion of the outcome of the claims and that the ultimate liability, if any, will not have a material adverse impact on the Group’s consolidated financial position, no provision was made as at 30 September 2020 (as at 31 March 2020: Nil).

Apart from the contingent liabilities disclosed on the above, the Company has no significant contingent liabilities as at 30 September 2020 (as at 31 March 2020: Nil).

## Financial Risk Management

During the six months ended 30 September 2020, the Group regularly reviewed the risk and credit control systems of its profit centres in order to improve the overall controlling system and mitigate credit risk.

Risk management is carried out by finance department under policies approved by the Board. Finance department identifies, evaluates and hedges financial risks in close co-operation with the Group’s operating units. The Board provides guidance for overall risk management and specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Company did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure as of 30 September 2020.

## **FOREIGN EXCHANGE EXPOSURE**

The Group operates in the PRC and Hong Kong with all of the transactions settled in Renminbi (“**RMB**”), U.S Dollar, Euro and Hong Kong Dollar during the six months ended 30 September 2020. Therefore, the Group considers the risk exposure to foreign currency fluctuation would be essentially in line with the performance of the exchange rate of above-mentioned currencies. During the six months ended 30 September 2020, the Group did not adopt any long-term contracts, currency borrowings or other means to hedge our foreign currency exposure.

## **Significant Investments held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets**

There were neither significant investments held as at 30 September 2020 nor material acquisitions and disposals of subsidiaries during the six months ended 30 September 2020. Save for the business plan and the capital commitments as disclosed in this report, there is no plan for material investment or capital assets, nor any material acquisitions and disposals of subsidiaries, associates and joint ventures as at 30 September 2020.

## **Interim Dividend**

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2020.

## **Employees and Remuneration Policies**

As of 30 September 2020, the Group had a total of 153 employees. Total staff costs (including Directors’ emoluments) were approximately HK\$8.7 million for the six months ended 30 September 2020 (30 September 2019: HK\$11.9). Remuneration is determined with reference to market conditions and the performance, qualifications and experience of individual employee. Year-end bonus will be paid to employees as recognition of and reward for their contributions according to individual performance. Other benefits include share option scheme, contributions to statutory mandatory provident fund schemes and social insurance together with housing provident funds to its employees in Hong Kong and the PRC respectively.

During the six months ended 30 September 2020, the Group organised a series of trainings on the Group’s operation.

## FUND RAISING ACTIVITIES

### Share Consolidation, Change in Board Lot Size, Authorised Share Capital Increase and Rights Issue

Details of the Share Consolidation, Authorised Share Capital Increase and Right Issue were set out in the Company's announcements (the "**Announcements**") dated 24 December 2019 and 4 February 2020, the Company's circular (the "**Circular**") dated on 15 January 2020 and the Company's prospectus (the "**Prospectus**") dated on 18 February 2020 in relation to the Rights Issue. Unless otherwise defined, capitalised terms used herein shall bear the same meanings ascribed thereto in the Announcements.

On 24 December 2019, the Board proposed to the Shareholders to effect the Share Consolidation which involved the consolidation of every ten (10) issued and unissued Existing Shares of par value HK\$0.00125 each into one (1) Consolidated Share of par value of HK\$0.0125. The Board also proposed to change the board lot size for trading on the Stock Exchange from 5,000 Existing Shares to 10,000 Consolidated Shares upon the Share Consolidation having become effective.

Also, the Company proposed to increase the Company's authorised share capital (conditional on the Share Consolidation having become effective) from HK\$7,800,000 divided into 624,000,000 Consolidated Shares to HK\$39,000,000 divided into 3,120,000,000 Consolidated Shares by the creation of an additional 2,496,000,000 Consolidated Shares.

The Board proposed, subject to, amongst others, the Share Consolidation and the Authorised Share Capital Increase becoming effective, to implement the Rights Issue on the basis of one (1) Rights Share for every two (2) Consolidated Shares held on the Record Date at the Subscription Price of HK\$0.1 per Rights Share, to raise gross proceeds of approximately HK\$19.95 million before expenses, by way of the Rights Issue of 199,500,000 Rights Shares to the Qualifying Shareholders.

The Company provisionally allotted to the Qualifying Shareholders one Rights Share in nil-paid form for every two Consolidated Shares in issue and held on the Record Date. The Rights Issue was not available to the Excluded Shareholders.

The net proceeds from the Rights Issue after deducting all necessary expenses were to be approximately HK\$17.8 million, which were intended to be applied in following manner: (i) as to approximately HK\$14.1 million, being approximately 79.2%, for expansion of existing business and/or acquisition of and/or investment in business(es) which leverage on the competitive advantage of the Group should suitable opportunities arise; and (ii) remaining net proceeds of approximately HK\$3.7 million, being approximately 20.8%, for general working capital of the Group.

On 4 February 2020, all the resolutions of Share Consolidation and Authorised Share Capital Increase were duly passed by the Shareholders by way of poll at the EGM. As all the conditions of the Share Consolidation had been fulfilled, the Share Consolidation and Authorised Share Capital Increased had taken effect on 6 February 2020.

On 6 March 2020, all conditions set out in the underwriting agreement relating to the Rights Issue had been fulfilled and the Rights Issue became unconditional. The gross proceeds raised from the Rights Issue are approximately HK\$19.95 million before expenses.

Details of the Rights Issue and Underwriting Agreement were set out in the Announcements, Circular and Prospectus.



As at 30 September 2020, the net proceeds of the Rights Issue had been utilised as follows:

	<b>Actual net proceeds allocated</b>	<b>Amount utilised up to 30 September 2020</b>	<b>Balance as at 30 September 2020</b>	<b>Expected timeline for fully utilising the unutilised amount (Note)</b>
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
<b>Share Consolidation, Change in Board Lot Size, Authorised Share Capital Increase and Rights Issue (completion on 11 March 2020)</b>				
Expansion of existing business and/or acquisition of and/or investment in business(es) which leverage on the competitive advantage of the Group	14.1	4.3	9.8	on or before 31 March 2021
General working capital	3.7	3.7	—	—

*Note:* The expected timetable for fully utilising the unutilised net proceeds of the Rights Issue is determined based on the Group's best estimate of future market conditions, and is subject to change depending on current market conditions and future market developments.

## OTHER INFORMATION

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

As at 30 September 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.

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

As at 30 September 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 (" <b>Solution Smart</b> ") (Note 1)	Beneficial owner	112,589,600	18.81%
Mr. Chung Wai Sum (" <b>Mr. Chung</b> ") (Note 1)	Interest in a controlled corporation	112,589,600	18.81%
SMK Investment Company Limited (" <b>SMK</b> ") (Note 2)	Beneficial owner	90,997,600	15.2%
Mr. Kor Sing Mung Michael (Note 2)	Interest in a controlled corporation	90,997,600	15.2%

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.
3. All interests stated above represent long positions.

Save as disclosed above, the Directors are not aware of any other person who had 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 September 2020.

## 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 six months ended 30 September 2020. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the six months ended 30 September 2020, except for the deviation as specified with considered reasons for such deviation as explained below.

Under code provision A.2.1 of the CG Code, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual.

Mr. Tam Wing Ki has resigned from his position as Chairman of the Board on 1 April 2019 and position as the chief executive officer of the Company on 27 November 2019. The position of Chairman of the Board has been vacant until the appointment of Mr. Chan Lung Ming as the Chairman of the Board on 27 November 2019. The position of chief executive office of the Company was vacant since 27 November 2019. The executive Directors oversee the day-to-day management of the business and operations of the Group until the suitable candidate to fill the vacancy of the chief executive office of the Company.

Except for the deviation from the CG Code as set out above, the Company fully complied with all the code provisions set out in the CG Code throughout the six months ended 30 September 2020.

## **EVENTS AFTER THE REPORTING PERIOD**

There were no significant events since 30 September 2020 and up to the date of this report.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Group had adopted Rules 5.46 to Rules 5.67 Rules 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 had confirmed compliance with the required standard of dealings and the code of conduct for Directors' securities transactions during the six months ended 30 September 2020.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 September 2020.

## **CHANGE IN INFORMATION OF DIRECTORS**

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change in information of Directors during the six months ended 30 September 2020 and up to the date of this report are as follows:

Mr. Cheng Chai Fu, an independent non-executive Director, appointed as non-executive director and resigned as non-executive director of China Wood International Holding Company Limited (stock code: 1822) on 1 April 2020 and on 24 August 2020, respectively.

Ms. Sin Pui Ying, an executive Director, appointed as executive director and resigned as executive director of China Wood International Holding Company Limited (stock code: 1822) on 15 May 2020 and on 24 August 2020 respectively, appointed as executive director of Courage Investment Group Limited (stock code: 1145) on 25 September 2020, appointed as executive director of hmvod Limited (stock code: 8103) on 25 April 2020, and resigned as executive director of Aurum Pacific (China) Group Limited (stock code: 8148) on 15 September 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 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 Scheme is adopted, after which period no further share options will be granted but the provisions of the Scheme shall in all other respects remain in full force and effect and share options which are granted during the life of the 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 prospectus of the Company dated 18 September 2015. No share options had been granted, agreed to be granted, exercised, cancelled, expired or lapsed under the Scheme during the six months ended 30 September 2020. The Company did not have any outstanding share options, warrants and convertible instruments into shares as at 30 September 2020 and the date of this report. The total number of shares of the Company which may be issued upon the exercise of all options to be granted under the Scheme was 26,880,000 shares (adjusted as a result of share consolidation effected on 6 February 2020) of the Company, representing approximately 4.5% of the issued share capital of the Company as at 30 September 2020 and the date of this report.

## AUDIT COMMITTEE

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

The unaudited interim financial results of the Group for the six months ended 30 September 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, 13 November 2020

# UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the three and six months ended 30 September 2020

The Board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited consolidated results of the Group for the three months and six months ended 30 September 2020, together with the comparative figures for the corresponding period in 2019 which have been reviewed and approved by the Audit Committee, as follows:

	Notes	Three months ended 30 September		Six months ended 30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	6	102,433	87,152	187,093	169,003
Cost of sales		(95,563)	(76,398)	(176,126)	(148,986)
<b>Gross profit</b>		<b>6,870</b>	10,754	<b>10,967</b>	20,017
Other income	7	834	1,759	2,111	3,256
Other gains and (losses)	8	(1,602)	(3,013)	(1,685)	(3,705)
Selling and distribution expenses	9	(1,040)	(786)	(2,188)	(1,669)
Administrative expenses	9	(15,491)	(14,652)	(22,666)	(24,415)
Finance costs	10	(616)	(1,074)	(1,355)	(2,266)
<b>Loss before income tax</b>		<b>(11,045)</b>	(7,012)	<b>(14,816)</b>	(8,782)
Income tax expense	11	(155)	(75)	(155)	(207)
<b>Loss for the period</b>		<b>(11,200)</b>	(7,087)	<b>(14,971)</b>	(8,989)
Other comprehensive expenses <i>Item that may be reclassified subsequently to profit or loss:</i> Exchange differences arising on translation of foreign operations		(538)	(1,500)	(513)	(453)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended 30 September 2020

	Notes	Three months ended 30 September		Six months ended 30 September	
		2020	2019	2020	2019
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
<b>Total comprehensive expense for the period</b>		<b>(11,738)</b>	(8,587)	<b>(15,484)</b>	(9,442)
<b>Loss for the period attributable to:</b>					
Owners of the Company		<b>(11,200)</b>	(7,087)	<b>(14,971)</b>	(8,989)
Non-controlling interest		—	—	—	—
		<b>(11,200)</b>	(7,087)	<b>(14,971)</b>	(8,989)
<b>Total comprehensive expense for the period attributable to:</b>					
Owners of the Company		<b>(11,738)</b>	(8,587)	<b>(15,484)</b>	(9,442)
Non-controlling interests		—	—	—	—
		<b>(11,738)</b>	(8,587)	<b>(15,484)</b>	(9,442)
Loss per share HK cents			(Restated)		(Restated)
Basic and diluted	12	<b>(1.87)</b>	(1.82)	<b>(2.50)</b>	(2.30)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	Notes	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	2,650	1,990
Right-of-use assets		60	151
Intangible assets	14	292	627
Prepayment	15	2,329	355
<b>Total non-current assets</b>		<b>5,331</b>	3,123
<b>Current assets</b>			
Inventories	16	29,942	24,380
Trade and other receivables	15	131,420	107,974
Tax recoverable		4,819	1,180
Pledged bank deposits		1,082	1,085
Bank balances and cash		21,670	46,811
		<b>188,933</b>	181,430
<b>Current liabilities</b>			
Trade and other payables	19	79,620	66,318
Borrowings	18	64,628	53,243
Amount due to a related company	20	1,919	1,188
Lease liabilities		63	155
Income tax payables		—	131
		<b>146,230</b>	121,035



	<i>Notes</i>	<b>30 September 2020 HK\$'000 (Unaudited)</b>	31 March 2020 HK\$'000 (Audited)
<b>Net current assets</b>		<b>42,703</b>	60,395
<b>Net assets</b>		<b>48,034</b>	63,518
<b>Capital and reserves</b>			
Share capital	17	<b>7,481</b>	7,481
Reserves		<b>40,485</b>	55,969
Equity attributable to owners of the Company		<b>47,966</b>	63,450
Non-controlling interests		<b>68</b>	68
<b>Total Equity</b>		<b>48,034</b>	63,518

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Attributable to owners of the Company							Non-Controlling interests HK\$'000	Total Equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	PRC statutory reserve HK\$'000	Exchange reserve HK\$'000	Accumulated loss HK\$'000	Total 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	–	–	–	–	–	(14,971)	(14,971)	–	(14,971)
Other comprehensive expense									
Exchange difference arising on translation of foreign operations	–	–	–	–	(513)	–	(513)	–	(513)
Total comprehensive expense	–	–	–	–	(513)	(14,971)	(15,484)	–	(15,484)
Balance at 30 September 2020 (Unaudited)	7,481	93,897	1,465	2,670	396	(57,943)	47,966	68	48,034

	Attributable to owners of the Company							Non-Controlling interests HK\$'000	Total Equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	PRC statutory reserve HK\$'000	Exchange reserve HK\$'000	Accumulated loss HK\$'000	Total HK\$'000		
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	–	–	–	–	–	(8,989)	(8,989)	–	(8,989)
Other comprehensive expense									
Exchange difference arising on translation of foreign operations	–	–	–	–	(453)	–	(453)	–	(453)
Total comprehensive expense	–	–	–	–	(453)	(8,989)	(9,442)	–	(9,442)
Shares issued upon subscription	188	3,112	–	–	–	–	3,300	–	3,300
Change in equity for the period	188	3,112	–	–	(453)	(8,989)	(6,142)	–	(6,142)
Balance at 30 September 2019 (Unaudited)	4,988	78,580	(5,826)	5,346	1,923	(27,872)	57,139	71	57,210

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Cash flows from operating activities</b>		
Cash generated from (used in) operations	(29,470)	(19,743)
Interest paid	(1,335)	(2,284)
Income tax paid	(3,770)	(207)
	<b>(34,575)</b>	<b>(22,234)</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(1,345)	(484)
Proceeds from disposals of financial asset	—	9,500
(Increase)/Decrease in restricted cash	(18)	64
Interest received	14	52
	<b>(1,349)</b>	<b>9,132</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	10,780	9,843
	<b>10,780</b>	<b>9,843</b>
Net decrease in cash and cash equivalents	<b>(25,144)</b>	<b>(3,259)</b>
Cash and cash equivalents at the beginning of the period	<b>47,896</b>	24,619
Cash and cash equivalents at end of the period	<b>22,752</b>	21,360

# NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 CORPORATION INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

### (a) General information

On Real International Holdings Limited (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, P.O. 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, 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 interim financial information is presented in thousands of Hong Kong dollars (“**HK\$000**”), unless otherwise stated.

### (b) Basis of presentation

The presentation applied are consistent with those of the consolidated annual financial statements for the year ended 31 March 2020.

## 2 BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2020 (“**Interim Period**”) have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM (the “**GEM Listing Rules**”).

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements of the Group for the Interim Period are consistent with those used in the audited financial statements of the Group for the year ended 31 March 2020 and should be used in conjunction with the audited Consolidated Financial Statements for the year ended 31 March 2020.

## 2 BASIS OF PREPARATION (CONTINUED)

HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the Interim Period. There have been no significant changes to the accounting policies applied in these financial statements for the Interim Period presented as a result of these developments.

The unaudited condensed consolidated financial statements for the Interim Period have not been audited by the Company's independent auditor but have been reviewed by the Company's audit committee.

The preparation of the unaudited condensed consolidated financial statements of the Group for the Interim Period is in conformity with the HKFRSs requirements in the use of certain critical accounting estimates. The HKFRSs also require the management to exercise their judgements in the process of applying the Group's accounting policies.

### **ADOPTION OF NEW AND AMENDED HKFRSs**

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA that are relevant to its operation and effective for its accounting period beginning on 1 April 2020. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKAS**") and Interpretations.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. A number of new or amended standards are effective from 1 April 2020 but they do not have a material effect on the Group's unaudited condensed consolidated interim financial statements.

### **3 PRINCIPAL ACCOUNTING POLICIES**

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for financial asset at fair value through profit or loss which is measured at fair values.

### **4 ESTIMATES**

The preparation of unaudited condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2020.

### **5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

#### **5.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The unaudited interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the consolidated annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2020.

There have been no changes in the risk management policies since year end.

#### **5.2 Liquidity risk**

Compared to year end, there have been no material changes to the policies and practices for the Group's liquidity and funding risks management as described in the annual financial statements for the year ended 31 March 2020.

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(CONTINUED)

### 5.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The following table presents the Group's financial asset that is measured at fair value:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Unaudited</b>				
<b>At 30 September 2020</b>				
<b>Asset</b>				
– Financial asset at fair value through profit or loss	–	–	–	–
<b>Audited</b>				
<b>At 31 March 2020</b>				
<b>Asset</b>				
– Financial asset at fair value through profit or loss	–	–	–	–

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(CONTINUED)

### 5.4 Fair value measurements using significant unobservable inputs (Level 3)

The following table presents the changes in level 3 instruments for the six months ended 30 September 2020 and 2019:

	Financial asset at fair value through profit or loss	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Opening balance at 1 April	—	12,597
Disposals during the period	—	(9,500)
Total loss recognized in profit or loss	—	(3,097)
Closing balance at 30 September	—	—

There were no transfers between levels 2 and 3 during the respective periods.

The fair values of trade and other receivables, pledged bank deposits, bank balances and cash, trade and payables, and borrowings as at 30 September 2020 approximate to their carrying amounts.

## 6 SEGMENT INFORMATION

The Group is principally engaged in the designing, trading and manufacturing of two-way radios, baby monitors, other communication devices 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 of the Company considers the business from a product perspective whereby management of the Company assesses the performance of two-way radios, baby monitors, other communication products and servicing business based on gross profit arising in the course of the ordinary activities which are recurring in nature.



## 6 SEGMENT INFORMATION (CONTINUED)

Capital expenditure comprises additions to property, plant and equipment.

The segment information provided to the executive Directors for the reportable segments are as follows:

	Two-way radios HK\$'000 (Unaudited)	Baby monitors HK\$'000 (Unaudited)	Service business HK\$'000 (Unaudited)	Other products (Note) HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>For the six months ended 30 September 2020</b>					
Total segment revenue (from external customers)	146,845	1,090	7,713	31,445	187,093
<b>Segment result for the period</b>	<b>8,369</b>	<b>(73)</b>	<b>480</b>	<b>2,191</b>	<b>10,967</b>
<b>Other segment items:</b>					
Amortisation of intangible assets	—	—	—	—	—
Depreciation of property, plant and equipment	378	1	14	100	493
<b>For the six months ended 30 September 2019</b>					
Total segment revenue (from external customers)	129,338	1,488	394	37,783	169,003
<b>Segment result for the period</b>	<b>11,026</b>	<b>(398)</b>	<b>(34)</b>	<b>9,423</b>	<b>20,017</b>
<b>Other segment items:</b>					
Amortisation of intangible assets	161	487	—	—	648
Depreciation of property, plant and equipment	528	1	1	144	674

## 6 SEGMENT INFORMATION (CONTINUED)

	Two-way radios HK\$'000 (Unaudited)	Baby monitors HK\$'000 (Unaudited)	Service business HK\$'000 (Unaudited)	Other products (Note) HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>For the three months ended 30 September 2020</b>					
Total segment revenue (from external customers)	82,794	533	33	19,073	102,433
<b>Segment result for the period</b>	<b>5,166</b>	<b>(87)</b>	<b>252</b>	<b>1,539</b>	<b>6,870</b>
<b>Other segment items:</b>					
Amortisation of intangible assets	–	–	–	–	–
Depreciation of property, plant and equipment	201	1	–	61	263
<b>For the three months ended 30 September 2019</b>					
Total segment revenue (from external customers)	68,164	985	382	17,621	87,152
<b>Segment result for the period</b>	<b>6,182</b>	<b>(202)</b>	<b>(33)</b>	<b>4,807</b>	<b>10,754</b>
<b>Other segment items:</b>					
Amortisation of intangible assets	80	244	–	–	324
Depreciation of property, plant and equipment	236	–	1	53	290

*Note:* 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.

## 6 SEGMENT INFORMATION (CONTINUED)

Total revenue recognised during the respective period are as follows:

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Sales of goods	102,400	86,770	179,380	168,609
Sales of service	33	382	7,713	394
	<b>102,433</b>	87,152	<b>187,093</b>	169,003

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.

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

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Segment results	6,870	10,754	10,967	20,017
Other income	834	1,759	2,111	3,256
Other gains and (losses)	(1,602)	(3,013)	(1,685)	(3,705)
Selling, distribution and administrative expenses	(16,531)	(15,438)	(24,854)	(26,084)
Finance costs	(616)	(1,074)	(1,355)	(2,266)
Loss before income tax	<b>(11,045)</b>	(7,012)	<b>(14,816)</b>	(8,782)

## 6 SEGMENT INFORMATION (CONTINUED)

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

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
The United States of America (the "US")	<b>31,753</b>	41,752	<b>69,850</b>	86,032
Europe (Note 1)	<b>4,060</b>	4,144	<b>5,646</b>	7,707
The Netherlands	<b>1,718</b>	1,697	<b>2,752</b>	3,596
Asia (Note 2)	<b>34,392</b>	7,345	<b>56,059</b>	13,067
The United Kingdom ("UK")	<b>3,808</b>	3,655	<b>4,962</b>	5,880
Germany	<b>25,202</b>	22,550	<b>46,172</b>	35,540
Others (Note 3)	<b>1,500</b>	6,009	<b>1,652</b>	17,181
	<b>102,433</b>	87,152	<b>187,093</b>	169,003

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

Note 2: Asia includes but is not limited to the People's Republic of China (the "PRC") and Hong Kong.

Note 3: Others include but is not limited to Brazil, Canada and Russia.

Revenue is allocated based on the shipping destination.

## 7 OTHER INCOME

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Bank interest income	29	18	57	33
Gain on disposal of non-current assets	214	2,852	379	2,852
Sale of scrap	9	7	19	817
Machinery rental income	—	—	—	167
Others	582	(1,118)	1,656	(613)
	<b>834</b>	<b>1,759</b>	<b>2,111</b>	<b>3,256</b>

## 8 OTHER (LOSSES) AND GAINS

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Exchange (losses)/gains, net	(930)	84	(1,013)	(608)
Fair value losses on financial asset at fair value through profit or loss	—	(3,097)	—	(3,097)
Losses on disposal of subsidiary	(672)	—	(672)	—
	<b>(1,602)</b>	<b>(3,013)</b>	<b>(1,685)</b>	<b>(3,705)</b>

## 9 PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Cost of inventories recognised as expenses	81,880	62,432	152,281	122,767
Employee benefit expenses	4,971	5,782	8,655	11,922
Subcontracting fees	9,119	10,158	14,761	18,635
Amortisation of intangible assets (Note 14)	353	324	353	648
Depreciation				
– Property, plant and equipment (Note 14)	455	290	685	674
– Rights-of-use assets	419	688	604	1,376

## 10 FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest on:				
– bank and other borrowings	608	1,074	1,345	2,266
– lease liabilities	8	–	10	–
	616	1,074	1,355	2,266

## 11 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit during the six months ended 30 September 2020.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No provision for Hong Kong Profits Tax has been made as the Group’s did not have any assessable profits arising in or derived from Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the six months ended 30 September 2020.

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

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current tax:				
PRC Enterprise Income Tax	155	75	155	207

## 12 LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE PERIOD – BASIC AND DILUTED

### (a) Basic

Basic loss per share is calculated by dividing the loss for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective periods.

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited) (Restated)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited) (Restated)
Loss attributable to owners of the Company (HK\$'000)	(11,200)	(7,087)	(14,971)	(8,989)
Weighted number of ordinary shares in issue ('000)	598,500	390,194	598,500	390,194
Basic loss per share (HK cents per share)	(1.87)	(1.82)	(2.50)	(2.30)

### (b) Diluted

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



### 13 DIVIDENDS

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

### 14 CAPITAL EXPENDITURE

	Property, plant and equipment HK\$'000	Intangible assets – Product development costs HK\$'000
<b>Unaudited</b>		
<b>Six months ended 30 September 2020</b>		
Opening net book amount as at 1 April 2020	1,990	627
Additions	1,328	—
Depreciation/amortisation	(685)	(353)
Disposal	—	—
Exchange differences	17	18
Closing net book amount as at 30 September 2020	<b>2,650</b>	<b>292</b>
<b>Audited</b>		
<b>Year ended 31 March 2020</b>		
Opening net book amount as at 1 April 2019	3,583	4,015
Additions	607	—
Disposal	(524)	(1,759)
Depreciation/amortisation	(1,554)	(1,571)
Exchange differences	(122)	(58)
Closing net book amount as at 31 March 2020	1,990	627

## 15 TRADE AND OTHER RECEIVABLES

	<b>30 September 2020 HK\$'000 (Unaudited)</b>	31 March 2020 HK\$'000 (Audited)
Trade receivable ( <i>Note a</i> )	<b>118,201</b>	85,868
Prepayments	<b>1,734</b>	3,755
Value-added tax receivables	<b>11,358</b>	15,953
Deposits	<b>82</b>	133
Other receivables	<b>2,374</b>	2,620
Total trade and other receivables	<b>133,749</b>	108,329
Less: non-current portion	<b>(2,329)</b>	(355)
Current portion	<b>131,420</b>	107,974

*Note:*

- (a) The carrying amounts of trade receivable approximate their fair values

## 15 TRADE AND OTHER RECEIVABLES (CONTINUED)

- (a) The Group normally grants credit terms to its customers up to 90 days. The ageing analysis of the trade receivable based on invoice date are as follows:

	<b>30 September 2020 HK\$'000 (Unaudited)</b>	31 March 2020 HK\$'000 (Audited)
Within 30 days	<b>23,644</b>	49,845
31 to 60 days	<b>47,553</b>	11,888
61 to 90 days	<b>26,241</b>	3,158
91 to 180 days	<b>19,685</b>	487
Over 180 days	<b>1,078</b>	20,490
<b>Total</b>	<b>118,201</b>	85,868

- (b) The Group normally grants credit terms to its customers up to 90 days. The ageing analysis of the trade receivable based on due date are as follows:

	<b>30 September 2020 HK\$'000 (Unaudited)</b>	31 March 2020 HK\$'000 (Audited)
Currents	<b>94,588</b>	43,226
Within 30 days	<b>14,818</b>	21,795
31 to 60 days	<b>1,111</b>	1,625
61 to 90 days	<b>221</b>	2,656
91 to 180 days	<b>102</b>	381
Over 180 days	<b>7,361</b>	16,185
Amounts past due but not impaired	<b>23,613</b>	42,642
<b>Total</b>	<b>118,201</b>	85,868

## 16 INVENTORIES

	<b>30 September 2020 HK\$'000 (Unaudited)</b>	31 March 2020 HK\$'000 (Audited)
Raw materials	<b>14,289</b>	13,318
Work in progress	<b>12,959</b>	8,865
Finished goods	<b>2,694</b>	2,197
	<b>29,942</b>	24,380

The cost of inventories recognised as expenses in “cost of sales” amounted to approximately HK\$122,767,000 and HK\$152,281,000 for the six months ended 30 September 2019 and 30 September 2020, respectively.

## 17 SHARE CAPITAL

	<b>Number of shares '000</b>	<b>Amount HK\$'000</b>
<b>Authorised:</b>		
Ordinary shares of HK\$0.0125 each (2019: HK\$0.00125)	3,120,000	39,000
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.0125 each at 31 March 2020 (audited), 1 April 2020 (unaudited) and 30 September 2020 (unaudited)	598,500	7,481

## 18 BORROWINGS

	<b>30 September 2020 HK\$'000 (Unaudited)</b>	31 March 2020 HK\$'000 (Audited)
Secured bank borrowings	<b>59,028</b>	43,724
Secured other borrowings	<b>5,600</b>	5,600
Unsecured other borrowings	<b>—</b>	3,919
Total borrowings	<b>64,628</b>	53,243

Carrying amount repayable (based on scheduled repayment dates set out in loan agreements):

	<b>30 September 2020 HK\$'000 (Unaudited)</b>	31 March 2020 HK\$'000 (Audited)
Within one year	<b>64,628</b>	53,243
Amount shown under current liabilities	<b>64,628</b>	53,243

- (a) Secured bank borrowings of the Group as at 30 September 2020 and 31 March 2020 were secured by the Group's trade receivables, a corporate guarantee from the Company and pledged bank deposits.

## 18 BORROWINGS (CONTINUED)

- (b) On 16 July 2019, the Company entered into assignment of debt agreement with the lender to factor trade receivable with the gross carrying amount of approximately HK\$7,809,000 to lender with recourse. Subsequent to entered into assignment of debt agreement, the secured other borrowings were interest-free and will be settled upon settlement of factored trade receivable with the amounts of HK\$7,308,000 (net of allowance for credit losses).
- (c) The unsecured other borrowing was with the interest rate 4% to 12% per annum.
- (d) The weighted average effective interest rates (per annum) at the end of the respective reporting periods are as follows:

	<b>30 September 2020 HK\$'000 (Unaudited)</b>	31 March 2020 HK\$'000 (Audited)
Variable-rate borrowings effective interest rate	<b>2.45% to 3.87%</b>	3.04% to 4.96%

## 19 TRADE AND OTHER PAYABLES

	<b>30 September 2020 HK\$'000 (Unaudited)</b>	31 March 2020 HK\$'000 (Audited)
Trade payables	<b>68,906</b>	51,327
Other payables and accruals		
Accrued expenses	<b>2,239</b>	6,532
Other payables	<b>8,360</b>	8,199
Receipt in advance (Note)	<b>115</b>	260
	<b>10,714</b>	14,991
Trade and other payables	<b>79,620</b>	66,318

Note: Receipt in advance represented advance payments of related sales of goods from customers pursuant to the respective sales contracts.

## 19 TRADE AND OTHER PAYABLES (CONTINUED)

The ageing analysis of the trade payables based on invoice date is as follows:

	<b>30 September 2020 HK\$'000 (Unaudited)</b>	31 March 2020 HK\$'000 (Audited)
Within 30 days	<b>3,669</b>	15,414
31 to 60 days	<b>12,629</b>	13,562
61 to 90 days	<b>37,644</b>	8,133
More than 90 days	<b>14,964</b>	14,218
	<b>68,906</b>	51,327

The credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

## 20 AMOUNT DUE TO A RELATED COMPANY

	<b>30 September 2020 HK\$'000 (Unaudited)</b>	31 March 2020 HK\$'000 (Audited)
Xinxing On Time Electronics Limited	<b>1,919</b>	1,188

The balances are unsecured, interest-free and repayable on demand.

## 21 RELATED-PARTY TRANSACTIONS

For the purposes of these unaudited condensed consolidated interim 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 and six months ended 30 September 2019 and 30 September 2020.

### (a) Transactions with related parties

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Rental expenses charged by a related company	521	476	1,007	917

*Note:*

Rental expenses charged was paid to Xinxing On Time Electronics Limited (“**Xinxing On Time**”). Mr. Tam Wing Ki, the former director and former chairman of the Company, has direct interest in the relevant party. Subsequent to the resignation of the director and chairman of the Company, Mr. Tam Wing Ki is still acting as director of certain subsidiaries and one of the key management personnel of the Group.



## 21 RELATED-PARTY TRANSACTIONS (CONTINUED)

### (b) Key management compensation

Key management includes directors (executive and non-executive) and the senior management of the Group. The compensation paid or payable to key management for employee services is disclosed as follows:

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Wages, salaries and allowances	1,532	868	2,885	1,737
Retirement benefit costs	26	39	52	79
	<b>1,558</b>	907	<b>2,937</b>	1,816

## 22 EVENT AFTER REPORT PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 30 September 2020 and up to the date of this interim report.

## 23 APPROVAL OF THE UNAUDITED INTERIM FINANCIAL STATEMENTS

The unaudited interim financial statements were approved and authorised for issue by the Board on 13 November 2020.