



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



2019  
INTERIM REPORT

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

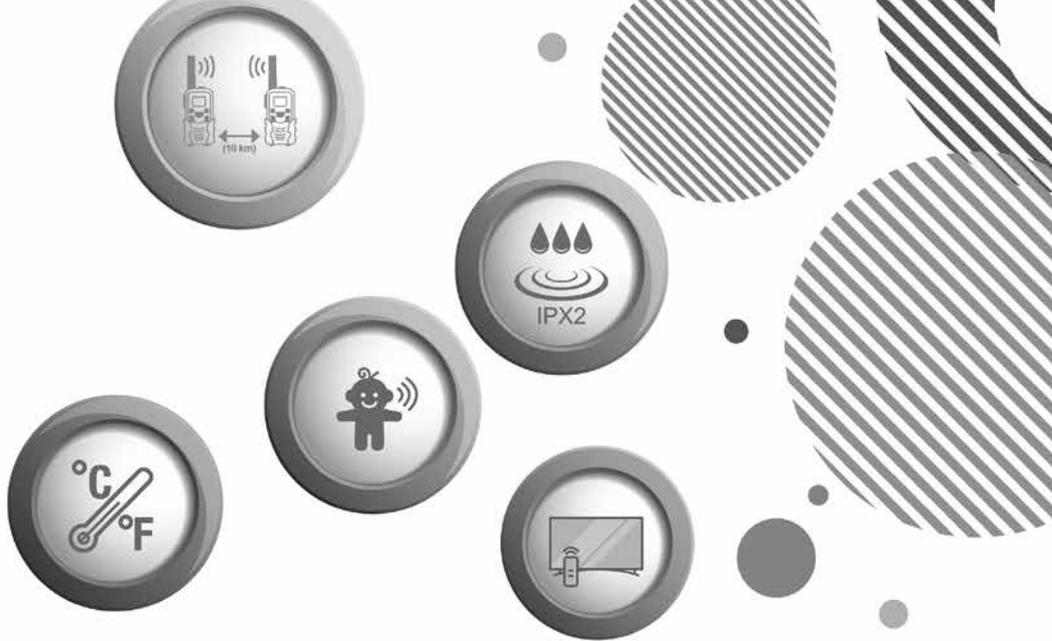
GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*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.*





## Contents

Corporate Information	3
Financial Highlights	6
Management Discussion and Analysis	7
Other Information	13
Unaudited Condensed Consolidated Financial Statements	17
Notes to Unaudited Condensed Consolidated Interim Financial Information	23

# CORPORATE INFORMATION

## DIRECTORS

Executive Directors:

Mr. Tam Wing Ki  
*(Chief Executive Officer)*  
*(resigned on 25 October 2019)*  
Mr. Fu Yan Ming  
*(resigned on 20 September 2019)*  
Mr. Kwok Ming Fai  
*(resigned on 20 September 2019)*  
Mr. Yeung Shing Wai  
*(appointed on 21 September 2019)*  
Ms. Sin Pui Yin  
*(appointed as Non-executive Director on 21 September 2019 and re-designated to Executive Director on 1 November 2019)*

Non-executive Directors:

Mr. Chan Chung Yin Victor  
Mr. Tao Hong Ming  
*(appointed on 25 October 2019)*

Independent

Non-executive Directors:

Mr. Wong Ching Wan  
Mr. Fung Chan Man, Alex  
*(resigned on 20 September 2019)*  
Mr. Chan Shiu Man  
Mr. Cheng Chai Fu  
*(appointed on 25 October 2019)*

## AUDIT COMMITTEE

Mr. Wong Ching Wan *(Chairman)*  
Mr. Chan Shiu Man  
Mr. Fung Chan Man, Alex  
*(resigned on 20 September 2019)*  
Mr. Cheng Chai Fu  
*(appointed on 25 October 2019)*

## REMUNERATION COMMITTEE

Mr. Fung Chan Man, Alex  
*(resigned on 20 September 2019)*  
Mr. Chan Shiu Man  
Mr. Wong Ching Wan  
Mr. Cheng Chai Fu  
*(appointed on 25 October 2019)*

**NOMINATION  
COMMITTEE**

Mr. Tam Wing Ki (*Chairman*)  
(*resigned on 25 October 2019*)  
Mr. Cheng Chai Fu (*Chairman*)  
(*appointed on 25 October 2019*)  
Mr. Chan Shiu Man  
Mr. Fung Chan Man, Alex  
(*resigned on 20 September 2019*)  
Mr. Wong Ching Wan

**COMPANY SECRETARY**

Mr. Hui Man Ho Ivan

**COMPLIANCE OFFICER**

Mr. Kwok Ming Fai  
(*resigned on 20 September 2019*)  
Mr. Yeung Shing Wai  
(*appointed on 21 September 2019*)

**AUTHORISED  
REPRESENTATIVES**

Mr. Kwok Ming Fai  
(*resigned on 20 September 2019*)  
Mr. Yeung Shing Wai  
(*appointed on 21 September 2019*)  
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**

Office D, 27/F., Billion Plaza 2  
10 Cheung Yue Street  
Kowloon  
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

DBS Bank (Hong Kong) Limited  
16/F, The Center  
99 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 2019 amounted to approximately HK\$169.0 million, representing an increase of approximately 1.3% as compared with that of approximately HK\$166.9 million for the six months ended 30 September 2018.
- Loss attributable to the owner of the Company for the six months ended 30 September 2019 amounted to approximately HK\$9.0 million as compared to a profit of approximately HK\$5.3 million for the six months ended 30 September 2018.
- Basic and diluted loss per share for the six months ended 30 September 2019 amounted to approximately HK cents 0.23 (for the six months ended 30 September 2018: earnings per share HK cents 0.14).
- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2019.

# 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 2019, together with the unaudited comparative figures for the corresponding period in 2018.

## 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\$166.9 million for the six months ended 30 September 2018 to approximately HK\$169.0 million for the six months ended 30 September 2019, representing an increase of approximately 1.3%. Such increase was mainly due to increase of number of purchase orders from customers during the six months ended 30 September 2019.

The Group’s revenue of two-way radios increased by approximately 36.5% from approximately HK\$94.7 million for the six months ended 30 September 2018 to approximately HK\$129.3 million for the six months ended 30 September 2019 mainly due to the increase of number of purchase orders from customers.

The Group’s revenue of baby monitor significantly decreased by approximately 77.9% from approximately HK\$6.7 million for the six months ended 30 September 2018 to approximately HK\$1.5 million for the six months ended 30 September 2019 mainly due to the decrease in demand of our audio baby monitor products.

The revenue of servicing business significantly decreased by approximately 68.3% from approximately HK\$1.2 million for the six months ended 30 September 2018 to approximately HK\$0.4 million for the six months ended 30 September 2019, mainly due to the decrease in provision of electronic manufacturing servicing business.

The Group’s revenue of other products decreased by approximately 41.1% from approximately HK\$64.1 million for the six months ended 30 September 2018 to approximately HK\$37.8 million for the six months ended 30 September 2019 mainly due to increase in demand and increase of number of purchase orders from our other products which offset the effect for the termination in trading of LCD display module during the six months ended 30 September 2019.

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 2018 and 2019:

	Six months ended 30 September					
	2019		2018		Increase (Decrease)	
	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%	HK\$'000	%
Two-way radio	129,338	76.5	94,743	56.8	34,595	36.5
Baby monitors	1,488	0.9	6,732	4.1	(5,244)	77.9
Service business	394	0.2	1,243	0.7	(849)	68.3
Other products	37,783	22.4	64,142	38.4	(26,359)	41.1
<b>Total</b>	<b>169,003</b>	<b>100.0</b>	<b>166,860</b>	<b>100.0</b>	<b>2,143</b>	<b>1.3</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. Although our development and selling of LCD TV modules are not making expected progress due to the impact of the trade war, we will continue to search for new product and 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. 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"). The Group looks for and considers potential investment business opportunities from time to time. 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.

## **FINANCIAL REVIEW**

### **Cost of Sales and Gross Profit**

The majority of the Group's cost of sales comprised of raw material cost, product costs, direct labour costs and subcontracting fees. The Group's cost of sales slightly decreased by approximately 0.3% from HK\$149.6 million for the six months ended 30 September 2018 to HK\$149.0 million for the six months ended 30 September 2019. The gross margin increased from approximately 10.4% for the six months ended 30 September 2018 to approximately 11.8% for the six months ended 30 September 2019, which was mainly due to the termination in trading of LCD display module which has low profit margin during the six months ended 30 September 2019.

### **Selling and Distribution Expenses**

The selling and distribution expenses decreased from approximately HK\$2.0 million for the six months ended 30 September 2018 to approximately HK\$1.7 million for the six months ended 30 September 2019, which was mainly due to cost optimization.

### **Administrative Expenses**

The administrative expenses increased from approximately HK\$11.1 million for the six months ended 30 September 2018 to approximately HK\$24.4 million for the six months ended 30 September 2019, which was mainly due to increase of expenses of research and development fee, consulting fee and rental expenses.

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

Loss attributable to the owners of the Company for the six months ended 30 September 2019 amounted approximately HK\$9.0 million compared with loss of HK\$5.3 million in the same period last year. The increase in loss was due to the increase in administrative expenses for the reason mentioned above and an one-off loss on disposal of financial asset.

## **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 2019, we had various short term loan, bank borrowings and overdrafts of approximately HK\$64.1 million, including factoring loans for trade receivables (as at 31 March 2019: approximately HK\$54.2 million), representing an increase of approximately HK\$9.9 million as compared to that as at 31 March 2019.

Net current assets increased from approximately HK\$42.8 million as at 31 March 2019 to approximately HK\$49.1 million for the six months ended 30 September 2019, which was mainly due to disposal of financial asset which classified as non-current asset during the period ended 30 September 2019.

The Company requires cash primarily for working capital needs. As at 30 September 2019, the Company had approximately HK\$21.4 million in cash and bank balances (as at 31 March 2019: approximately HK\$24.6 million), representing a decrease of approximately HK\$3.2 million as compared to that as at 31 March 2019.

## **Capital Commitments**

As at 30 September 2019, the Company had capital commitments on acquisition of intangible assets and property, plant and equipment of approximately HK\$0.8 million (as at 31 March 2019: HK\$1.0 million).

## **Gearing Ratio**

As at 30 September 2019, the gearing ratio of the Group was approximately 112.0% (as at 31 March 2019: approximately 85.6%). The gearing ratio is calculated based on the borrowings divided by the total equity at the end of the period. 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 2019, certain fixed deposits of approximately HK\$1.1 million (as at 31 March 2019: approximately HK\$1.1 million) was pledged to banks to secure banking facilities granted to the Group.

## **Contingent Liabilities**

As at 30 September 2019, the Company had no significant contingent liabilities (as at 31 March 2019: Nil).

## **Financial Risk Management**

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 2019.

## **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 2019 nor material acquisitions and disposals of subsidiaries during the six months ended 30 September 2019. Save for the business plan and the capital commitments as disclosed in this report, there is no plan for material investment or capital assets as at 30 September 2019.

## **Interim Dividend**

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2019.

## **Employees and Remuneration Policies**

As of 30 September 2019, the Group had a total of 209 employees. The Group remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee. We recognise the importance of a good relationship with its employees. The remuneration payable to its employees includes salaries and allowances.

## **Use of Proceeds from the Listing**

On 30 September 2015, 120,000,000 ordinary shares of the Company were allotted at HK\$0.57 per placing share pursuant to the Placing (as defined in the Prospectus). The net proceeds from the Placing received by the Company were approximately HK\$30.9 million (after deduction of any related expenses). As at 30 September 2019, the net proceeds is fully utilized.

During the six months ended 30 September 2019, the net proceeds had been utilised as follows:

	Actual net proceeds HK\$ Million	Amount utilised up to 30 September 2019 HK\$ Million	Balance as at 30 September 2019 HK\$ Million
Strengthen our product portfolio	21.7	21.7	—
Enhance our information management systems	2.4	2.4	—
Strengthen our marketing efforts	4.0	4.0	—
Working capital and other general corporate purposes	2.8	2.8	—
<b>Total</b>	<b>30.9</b>	<b>30.9</b>	<b>—</b>

## MATERIAL DISPOSALS

On 20 June 2019, Mr. Tam Wing Ki (“**Mr. Tam**”), the executive director of the Company and On Real Limited (“**the Vendor**”), an indirect wholly-owned subsidiary of the Company entered into the Agreement, pursuant to which Mr. Tam has conditionally agreed to purchase, and the Vendor has agreed to sell, the asset of the life insurance plan “Jade Global Select Universal Life Plan” insured by HSBC Life (International) Limited on the life of Mr. Tam at a consideration of HK\$9,500,000 to be settled by cash. The disposal was completed on 10 July 2019. Details of this transaction are set out in the Company’s announcement date 20 June 2019 and 10 July 2019.

## FUND RAISING ACTIVITIES

On 22 August 2019, the Company entered into the subscription agreement (the “**Subscription Agreement**”) with the 馬梓欣女士 (the “**Subscriber**”), pursuant to which the Company has agreed to allot and issue and the Subscriber has agreed to subscribe for 150,000,000 subscription shares at the subscription price of HK\$0.022 per subscription share, which represent (i) approximately 3.91% of the existing issued share capital of the Company as at the date of Subscription Agreement; and (ii) approximately 3.76% of the issued share capital of the Company as enlarged by the allotment and issue of the subscription shares immediately after the completion. The closing price of the shares as quoted on the Stock Exchange on 22 August 2019, being the date of the Subscription Agreement, was HK\$0.027 per share. The maximum net proceeds from the subscription amounted to approximately HK\$3.3 million which was intended to use as general working capital of the Group. The net price subscription was approximately HK\$0.0219. Details of the subscription were set out in the announcements of the Company dated 22 August 2019 and 30 August 2019.

## OTHER INFORMATION

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

As at 30 September 2019, 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 six months ended 30 September 2019.

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

As at 30 September 2019, 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	1,125,896,000	28.22%
Mr. Chung Wai Sum (" <b>Mr. Chung</b> ") (Note 1)	Interest in a controlled corporation	1,125,896,000	28.22%
SMK Investment Company Limited (" <b>SMK</b> ") (Note 2)	Beneficial owner	909,976,000	22.81%
Mr. Kor Sing Mung Michael (Note 2)	Interest in a controlled corporation	909,976,000	22.81%
Cocoon Holdings Limited	Beneficial owner	309,370,000	7.75%

*Notes:*

1. Mr. Chung Wai Sum is the sole beneficial shareholder of Solution Smart. Therefore, Mr. Chung is deemed to be interested in 1,125,896,000 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 909,976,000 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 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 September 2019.

## **DIRECTORS' INTERESTS IN CONTRACTS**

No contracts of significance in relation to the Group's business to which the Group was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during the six months ended 30 September 2019.

## **DIRECTORS' INTERESTS IN A COMPETING BUSINESS**

For the six months ended 30 September 2019, 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 six months ended 30 September 2019. 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 2019, except for certain deviations as specified with considered reasons for such deviations 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.

During the six months ended 30 September 2019, Mr. Tam has resigned from his position as Chairman of the Board of the Company and remains his position as the chief executive officer on 1 April 2019. The position of Chairman of the Board has been vacant since 1 April 2019. The Company will seek suitable candidate to fill the vacancy of the Chairman of the Board.

Except for the deviation from the CG Code as set out above, the Company fully complied with all the Code Provisions throughout the six months ended 30 September 2019.

### **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 of the Company 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 2019.

### **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 2019.

## 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. No share options have been granted under the Scheme during the six months ended 30 September 2019 (2018: nil).

## 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 2019 have been reviewed by the Audit Committee.

By Order of the Board  
**On Real International Holdings Limited**  
**Yeung Shing Wai**  
*Executive Director*

Hong Kong, 13 November 2019

# UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the three and six months ended 30 September 2019

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 2019, together with the comparative figures for the corresponding period in 2018 which have been reviewed and approved by the Audit Committee, as follows:

	Notes	Three months ended 30 September		Six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	6	87,152	92,255	169,003	166,860
Cost of sales	9	(76,398)	(82,593)	(148,986)	(149,555)
<b>Gross profit</b>		<b>10,754</b>	9,662	<b>20,017</b>	17,305
Other income	7	1,759	849	3,256	2,984
Other gains and (losses)	8	(3,013)	401	(3,705)	45
Selling and distribution expenses	9	(786)	(1,331)	(1,669)	(2,042)
Administrative expenses	9	(14,652)	(5,580)	(24,415)	(11,119)
Finance costs	10	(1,074)	(417)	(2,266)	(654)
<b>(Loss) Profit before income tax</b>		<b>(7,012)</b>	3,584	<b>(8,782)</b>	6,519
Income tax expense	11	(75)	(621)	(207)	(1,122)
<b>(Loss) Profit for the period</b>		<b>(7,087)</b>	2,963	<b>(8,989)</b>	5,397
<b>(Loss) Profit for the period attributable to:</b>					
Owners of the Company		(7,087)	2,944	(8,989)	5,326
Non-controlling interest		—	19	—	71
		<b>(7,087)</b>	2,963	<b>(8,989)</b>	5,397
Other comprehensive income (expenses)					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		(1,500)	(1,959)	(453)	(1,184)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended 30 September 2019

	Notes	Three months ended 30 September		Six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>Total comprehensive (expense) income for the period</b>		<b>(8,587)</b>	1,004	<b>(9,442)</b>	4,213
<b>Total comprehensive (expense) income for the period attributable to:</b>					
Owners of the Company		<b>(8,587)</b>	985	<b>(9,442)</b>	4,142
Non-controlling interests		—	19	—	71
		<b>(8,587)</b>	1,004	<b>(9,442)</b>	4,213
(Loss) Earnings per share attributable to owners of the Company for the period – Basic and diluted (expressed in HK cents per share)	12	<b>(0.18)</b>	0.08	<b>(0.23)</b>	0.14

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	2,624	3,583
Intangible assets	14	2,856	4,015
Financial asset at fair value through profit or loss		—	12,597
Deposits	15	87	318
Right of use assets		2,491	—
<b>Total non-current assets</b>		<b>8,058</b>	20,513
<b>Current assets</b>			
Inventories	16	56,555	42,466
Trade and other receivables	15	108,439	108,493
Loan receivable		1,041	1,041
Tax recoverable		1,183	5,928
Income tax recoverable		905	—
Pledged bank deposits		1,064	1,128
Bank balances and cash		21,360	24,619
		<b>190,547</b>	183,675
<b>Current liabilities</b>			
Trade and other payables	19	71,632	84,070
Amount due to a related company	20	3,210	499
Borrowings	18	64,050	54,207
Lease liabilities		2,503	—
Income tax payables		—	2,060
		<b>141,395</b>	140,836

	<i>Notes</i>	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
<b>Net current assets</b>		<b>49,152</b>	42,839
Total assets less current liabilities		<b>57,210</b>	63,352
Net assets		<b>57,210</b>	63,352
<b>Capital and reserves</b>			
Share capital	17	<b>4,988</b>	4,800
Reserves		<b>52,151</b>	58,481
Equity attributable to owners of the Company		<b>57,139</b>	63,281
Non-controlling interests		<b>71</b>	71
<b>Total Equity</b>		<b>57,210</b>	63,352

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Attributable to owners of the Company						Total HK\$'000	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			
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

	Attributable to owners of the Company						Total HK\$'000 (restated)	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 (restated)			
Balance at 1 April 2018 (Audited)	4,800	75,468	(5,826)	5,190	2,751	(8,401)	73,982	(5)	73,977
Profit for the period	–	–	–	–	–	5,326	5,326	71	5,397
Other comprehensive income									
Exchange difference arising on translation of foreign operations	–	–	–	–	(1,184)	–	(1,184)	–	(1,184)
Total comprehensive income/ (expense)	–	–	–	–	(1,184)	5,326	4,142	71	4,213
Balance at 30 September 2018 (Unaudited)	4,800	75,468	(5,826)	5,190	1,567	(3,075)	78,124	66	78,190

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited) (restated)
<b>Cash flows from operating activities</b>		
Cash generated from (used in) operations	(19,743)	(12,854)
Interest paid	(2,284)	(654)
Income tax paid	(207)	(1,122)
Net cash generated used in operating activities	(22,234)	(14,630)
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(484)	(1,261)
Proceeds from disposals of financial asset	9,500	—
Decrease in restricted cash	64	134
Interest received	52	35
Net cash generated from (used in) investing activities	9,132	(1,092)
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	9,843	15,074
Proceeds from bond payables	—	12,301
Early repayment of bond payables	—	(20,560)
Net cash generated from financing activities	9,843	6,815
Net decrease in cash and cash equivalents	(3,259)	(8,907)
Cash and cash equivalents at the beginning of the period	24,619	29,734
Cash and cash equivalents at end of the period	21,360	20,827

## 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 Office D, 27/F., Billion Plaza 2, 10 Cheung Yue Street, Kowloon, 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 2019, as described in those consolidated annual financial statements.

## 2 BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2019 (“**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 2019.

## 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 2019. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKAS**") and Interpretations.

The following new and amended standards and interpretations are mandatory for the first time for financial year beginning 1 April 2019:

Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK (IRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS, HKFRS 11, HKAS 12 and HKAS 23

Except as described below for HKFRS 16, the adoption of above new and revised standards has had no significant financial effect on the unaudited condensed consolidated interim financial information.

## 2 BASIS OF PREPARATION (CONTINUED)

### ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

HKFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liability similarly to other financial liabilities. As a consequence, a lessee recognises depreciation (and, if applicable, impairment loss) of the right-of-use asset and interest on the lease liability.

HKFRS 16 substantially carries forward the lessor accounting requirements of the superseded HKAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Company has reviewed the impact of HKFRS 16 on all its contracts that are, or that contain, leases with effect from 1 April 2019. The Company has opted for the modified retrospective application permitted by HKFRS 16. Accordingly, HKFRS 16 has been applied for the period from 1 April 2019 to 31 December 2019 only (i.e. the initial application period). Modified retrospective application requires the recognition of the cumulative impact of adoption of HKFRS 16 on all contracts at 1 April 2019 in equity.

The reconciliation of operating lease commitment to lease liability is set out below:

	<b>HK\$'000</b>
Operating lease commitments initial applied as at 1 April 2019	<b>2,602</b>
Recognitions of lease liabilities during the period	<b>1,265</b>
Recognitions of rental expenses	<b>(1,395)</b>
Recognitions of interest expenses	<b>31</b>
Lease liability as at 30 September 2019	<b>2,503</b>
Analysis as:	
Current	<b>1,413</b>
Non-current	<b>1,090</b>
	<b>2,503</b>

## 2 BASIS OF PREPARATION (CONTINUED)

### ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

The adjustments resulted from the initial application of HKFRS 16 at 1 April 2019 are set out below. The prior period amounts were not adjusted.

	<b>At 31 March 2019 HK\$'000</b>	Impact on initial application of HKFRS 16 HK\$'000	At 1 April 2019 HK\$'000
<b>Assets</b>			
Right-of-use assets	—	2,602	2,602
<b>Liabilities</b>			
Lease liability	—	2,602	2,602

Modified retrospective application of HKFRS 16 requires the Company to recognise a lease liability at the date of initial application for leases previously classified as an operating lease under the superseded HKAS 17 measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. As a practical expedient under HKFRS 16, the Company has not reassessed whether a contract is, or contains, a lease at the date of initial application. Instead, the Company applied HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and did not apply HKFRS 16 to contracts that were not previously identified as containing a lease applying HKAS 17. The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics for determination of present value of the remaining lease payments. The right-of-use assets have been recognised, on a lease-by-lease basis, at respective carrying amounts as if HKFRS 16 had been applied since the commencement date, but discounted using the Group's incremental borrowing rate at the date of initial application.

Based on the practical expedients under HKFRS 16, the Company has elected not to apply the requirements of HKFRS 16 in respect of recognition of lease liability and right-of-use asset to leases for which the lease term ends within twelve months of the date of initial application.

### **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 2019.

### **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 2019.

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 2019.

## 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 2019</b>				
<b>Asset</b>				
– Financial asset at fair value through profit or loss	–	–	–	–
<b>Audited</b>				
<b>At 31 March 2019</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 2019 and 2018:

	Financial asset at fair value through profit or loss	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Opening balance at 1 April	12,597	14,132
Disposals during the period	(9,500)	—
Total loss recognized in profit or loss	(3,097)	—
Closing balance at 30 September	—	14,132

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 2019 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 considers the business from a product perspective whereby management 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 for the six months ended 30 September 2019 and 30 September 2018 is as follows:

	Two-way radios HK\$'000 (Unaudited)	Baby monitors HK\$'000 (Unaudited)	Service business HK\$'000 (Unaudited)	Other products (Note i) HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<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
<b>For the six months ended 30 September 2018</b>					
Total segment revenue (from external customers)	94,743	6,732	1,243	64,142	166,860
<b>Segment result for the period</b>	<b>12,479</b>	<b>174</b>	<b>1,000</b>	<b>3,652</b>	<b>17,305</b>
<b>Other segment items:</b>					
Amortisation of intangible assets	405	579	—	—	984
Depreciation of property, plant and equipment	813	13	405	1	1,232

*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.

## 6 SEGMENT INFORMATION (CONTINUED)

Total revenue recognised during the respective period are as follows:

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Sales of goods	86,770	91,413	168,609	165,617
Sales of service	382	842	394	1,243
	<b>87,152</b>	92,255	<b>169,003</b>	166,860

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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Segment results	10,754	9,662	20,017	17,305
Other income	1,759	849	3,256	2,984
Other gains and (losses)	(3,013)	401	(3,705)	45
Selling, distribution and administrative expenses	(15,438)	(6,911)	(26,084)	(13,161)
Finance costs	(1,074)	(417)	(2,266)	(654)
(Loss) Profit before income tax	<b>(7,012)</b>	3,584	<b>(8,782)</b>	6,519

## 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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
The United States of America (the "US")	41,752	49,382	86,032	83,710
Europe (Note 1)	4,144	5,686	7,707	9,187
The Netherlands	1,697	4,091	3,596	7,209
Asia (Note 2)	7,345	8,485	13,067	28,378
The United Kingdom ("UK")	3,655	2,599	5,880	3,702
Germany	22,550	21,514	35,540	34,067
Others (Note 3)	6,009	498	17,181	607
	<b>87,152</b>	92,255	<b>169,003</b>	166,860

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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Bank interest income	18	20	33	35
Interest income from financial asset at fair value through profit or loss	—	—	—	93
Staff quarter rental income	—	9	—	22
Gain on disposal of non-current assets	2,852	—	2,852	—
Gain on early repayment of bond payables	—	—	—	514
Sale of scrap	7	44	817	189
Machinery rental income	—	117	167	394
Others	(1,118)	659	(613)	1,737
	<b>1,759</b>	849	<b>3,256</b>	2,984

## 8 OTHER (LOSSES) AND GAINS

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Exchange (losses)/gains, net	84	401	(608)	104
Fair value losses on financial asset at fair value through profit or loss	(3,097)	—	(3,097)	(59)
	<b>(3,013)</b>	401	<b>(3,705)</b>	45

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

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Cost of inventories recognised as expenses	<b>62,432</b>	66,783	<b>122,767</b>	114,898
Employee benefit expenses	<b>5,782</b>	6,566	<b>11,922</b>	14,186
Subcontracting fees	<b>10,158</b>	8,873	<b>18,635</b>	18,522
Amortisation of intangible assets (Note 14)	<b>324</b>	395	<b>648</b>	984
Depreciation				
— Property, plant and equipment (Note 14)	<b>290</b>	597	<b>674</b>	1,232
— Rights of use assets	<b>688</b>	—	<b>1,376</b>	—
Operating leases				
— Office premises and staff quarters	<b>692</b>	242	<b>1,311</b>	636
— Factories	<b>160</b>	475	<b>318</b>	1,014
— Plant and machinery	<b>178</b>	159	<b>337</b>	318

## 10 FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest on:				
— bank and other borrowings	<b>1,074</b>	417	<b>2,266</b>	654

## 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 2019. The PRC enterprise income tax is provided at the rate of 25% during the six months ended 30 September 2019.

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

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current income tax	75	621	207	1,122

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

### (a) Basic

Basic (loss) earnings per share is calculated by dividing the (loss) profit 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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
(Loss) Profit attributable to owners of the Company (HK\$'000)	(7,087)	2,944	(8,989)	5,326
Issued ordinary shares at the beginning of year	3,840,000	3,840,000	3,840,000	3,840,000
Effect of shares issued under subscription	150,000	—	150,000	—
Weighted number of ordinary shares in issue ('000)	3,990,000	3,840,000	3,990,000	3,840,000
Basic (loss) earnings per share (HK cents per share)	(0.18)	0.08	(0.23)	0.14

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

### (b) Diluted

Diluted (loss) earnings per share is the same as basic (loss) earnings 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 2019 and 2018.

## 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 2019</b>		
Opening net book amount as at 1 April 2019	3,583	4,015
Additions	484	—
Depreciation/amortisation	(674)	(648)
Disposal	(72)	—
Exchange differences	(697)	(511)
Closing net book amount as at 30 September 2019	<b>2,624</b>	<b>2,856</b>
<b>Audited</b>		
<b>Year ended 31 March 2019</b>		
Opening net book amount as at 1 April 2018	6,387	5,020
Additions	8,084	1,901
Disposal	(1,679)	—
Depreciation/amortisation	(6,446)	(2,654)
Exchange differences	(2,763)	(252)
Closing net book amount as at 31 March 2019	<b>3,583</b>	<b>4,015</b>

## 15 TRADE AND OTHER RECEIVABLES

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
Trade receivable ( <i>Note a</i> )	<b>81,581</b>	72,024
Prepayments	<b>6,012</b>	11,185
Value-added tax receivables	<b>19,616</b>	23,457
Deposits	<b>87</b>	732
Other receivables	<b>1,230</b>	1,413
Total trade and other receivables	<b>108,526</b>	108,811
Less: non-current portion	<b>(87)</b>	(318)
Current portion	<b>108,439</b>	108,493

The Group does not hold any collateral over these balances.

*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 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
Within 30 days	<b>64,620</b>	20,201
31 to 60 days	<b>1,089</b>	24,735
61 to 90 days	<b>994</b>	9,122
91 to 180 days	<b>6,105</b>	47
Over 180 days	<b>8,773</b>	17,919
<b>Total</b>	<b>81,581</b>	72,024

- (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 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
Currents	<b>59,556</b>	46,010
Within 30 days	<b>5,663</b>	7,792
31 to 60 days	<b>1,989</b>	646
61 to 90 days	<b>2,214</b>	17
91 to 180 days	<b>3,387</b>	133
Over 180 days	<b>1,940</b>	17,426
Amounts past due but not impaired	<b>6,832</b>	26,014
<b>Total</b>	<b>81,581</b>	72,024

## 16 INVENTORIES

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
Raw materials	<b>33,880</b>	30,506
Work in progress	<b>19,135</b>	10,556
Finished goods	<b>3,540</b>	1,404
	<b>56,555</b>	42,466

The cost of inventories recognised as expenses in “cost of sales” amounted to approximately HK\$122,767,000 and HK\$114,898,000 for the six months ended 30 September 2019 and 30 September 2018, respectively.

## 17 SHARE CAPITAL

	<b>Number of shares</b>	<b>Amount HK\$'000</b>
<b>Authorised:</b>		
Ordinary shares of HK\$0.00125 each	6,240,000,000	7,800
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.00125 each at 31 March 2019 (audited)	3,840,000,000	4,800
Issue of shares upon subscription	150,000,000	188
Ordinary shares of HK\$0.00125 each at 30 September 2019 (unaudited)	3,990,000,000	4,988

## 18 BORROWINGS

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
Secured bank borrowings	<b>54,531</b>	44,625
Secured other borrowings	<b>5,600</b>	5,663
Unsecured other borrowings	<b>3,919</b>	3,919
Total borrowings	<b>64,050</b>	54,207

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

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
Within one year	<b>64,050</b>	54,207
Amount shown under current liabilities	<b>64,050</b>	54,207

- (a) Secured bank borrowings of the Group as at 30 September 2019 and 31 March 2019 were secured by the Group's financial asset at fair value through profit or loss, trade receivables, a corporate guarantee from the Company and pledged bank deposits.

## 18 BORROWINGS (Continued)

- (b) The secured other borrowing was secured by the Group's trade receivables and the interest rate was 24% per annum. On 16 July 2019, the Company entered into the agreement to assign the pledged trade receivables with amount of HK\$7,869,000 to the lender under recourse basis to offset the secured other borrowing. No interest was generated after the date of agreement.
- (c) The unsecured other borrowing was with the interest rate 4% 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 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
Variable-rate borrowings effective interest rate	<b>0.21% to 5.8%</b>	0.21% to 5.8%

## 19 TRADE AND OTHER PAYABLES

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
Trade payables	<b>53,214</b>	60,142
Other payables and accruals		
Accrued expenses	<b>11,860</b>	13,305
Other payables	<b>5,680</b>	5,688
Receipt in advance (Note)	<b>878</b>	—
Contract liabilities	—	4,935
	<b>15,077</b>	23,928
Trade and other payables	<b>71,632</b>	84,070

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 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
Within 30 days	<b>29,105</b>	20,799
31 to 60 days	<b>8,525</b>	19,895
61 to 90 days	<b>9,198</b>	7,461
More than 90 days	<b>9,727</b>	11,987
	<b>56,555</b>	60,142

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 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
Xinxing On Time Electronics Limited	<b>3,210</b>	499

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 2018 and 30 September 2019.

### (a) Transactions with related parties

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Rental expenses charged by a related company	476	442	917	880

*Note:*

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

## 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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Wages, salaries and allowances	868	603	1,737	1,207
Retirement benefit costs	39	18	79	36
	<b>907</b>	621	<b>1,816</b>	1,243

## 22 EVENT AFTER REPORT PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 30 September 2019 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 2019.