



On Real International Holdings Limited
安悦國際控股有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 8245

THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 31 DECEMBER 2015

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FINANCIAL HIGHLIGHTS

- Revenue of the Company for the nine months ended 31 December 2015 amounted to approximately HK\$219.1 million, representing a decrease of approximately 17.9% as compared with that of approximately HK\$266.8 million for the nine months ended 31 December 2014.
- Loss attributable to the owner of the Company for the nine months ended 31 December 2015 amounted to approximately HK\$4.6 million, representing a decrease of approximately 140.7% as compared with profit of approximately HK\$11.3 million for the nine months ended 31 December 2014.
- Basic and diluted losses per share for the nine months ended 31 December 2015 amounted to approximately HK cents 1.14 (earnings per share for the nine months ended 31 December 2014: HK cents 3.99).
- The Directors do not recommend the payment of any dividend in respect of the nine months ended 31 December 2015.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the nine months ended 31 December 2015

The board of Directors (the “**Board**”) is pleased to announce the unaudited consolidated results of the Group for the nine months and three months ended 31 December 2015, together with the comparative figures for the corresponding period in 2014 which have been reviewed and approved by the audit committee of the Company (the “**Audit Committee**”), as follows:

	<i>Note</i>	Unaudited		Unaudited	
		Three months ended 31 December		Nine months ended 31 December	
		2015	2014	2015	2014
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	59,692	93,167	219,060	266,838
Cost of sales	6	(50,641)	(78,260)	(182,706)	(223,360)
Gross profit		9,051	14,907	36,354	43,478
Other income — net	4	1,441	42	1,553	4,390
Other gains/(losses) — net	5	1,278	91	1,445	(202)
Selling and distribution expenses	6	(2,752)	(583)	(4,640)	(2,953)
Administrative expenses	6	(14,564)	(9,684)	(37,791)	(29,419)
Operating (loss)/profit		(5,546)	4,773	(3,079)	15,294
Finance income		248	93	1,490	412
Finance costs		(260)	(257)	(1,073)	(648)
Finance income/(costs) — net		(12)	(164)	417	(236)
(Loss)/profit before income tax		(5,558)	4,609	(2,662)	15,058
Income tax credit/(expenses)	7	470	(582)	(1,919)	(3,796)
(Loss)/profit for the period attributable to the owners of the Company		(5,088)	4,027	(4,581)	11,262
(Losses)/earnings per share attributable to owners of the Company for the period — Basic and diluted (expressed in HK cents per share)	8	(1.06)	1.23	(1.14)	3.99
Dividends	9	—	—	—	50,960

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 31 December 2015

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	31 December		31 December	
	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the period	(5,088)	4,027	(4,581)	11,262
Other comprehensive income:				
<i>Item that will not be reclassified subsequently to profit or loss</i>				
Recycle of currency translation differences upon disposal of a subsidiary	—	—	—	(1,552)
<i>Item that may be reclassified to profit or loss</i>				
Currency translation differences	423	107	(10)	(243)
Other comprehensive income for the period, net of tax	423	107	(10)	(243)
Total comprehensive income for the period attributable to owners of the Company	(4,665)	4,134	(4,591)	9,467

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the nine months ended 31 December 2015

	Attributable to owners of the Company						Total Equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	PRC Statutory reserves HK\$'000	Exchange reserve HK\$'000	(Accumulated losses)/ Retained earnings HK\$'000	
Balance at 1 April 2015 (Audited)	—	22,126	(5,826)	3,182	3,347	3,431	26,260
Loss for the period	—	—	—	—	—	(4,581)	(4,581)
Other comprehensive income							
Currency translation differences	—	—	—	—	(10)	—	(10)
Total other comprehensive income, net of tax	—	—	—	—	(10)	—	(10)
Total comprehensive income	—	—	—	—	(10)	(4,581)	(4,591)
Total contribution from and distribution to owners of the Company, recognised directly in equity							
Capitalisation of shares	3,600	(3,600)	—	—	—	—	—
Issue of new shares upon placing, net of share issuing expenses	1,200	56,942	—	—	—	—	58,142
Total transactions with owners, recognised directly in equity	4,800	53,342	—	—	—	—	58,142
Balance at 31 December 2015 (Unaudited)	4,800	75,468	(5,826)	3,182	3,337	(1,150)	79,811

Attributable to owners of the Company

	PRC						Total Equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Statutory reserves HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	
Balance at 1 April 2014 (Audited)	—	—	(5,402)	1,233	5,328	46,835	47,994
Profit for the period	—	—	—	—	—	11,262	11,262
Other comprehensive income							
Currency translation differences	—	—	—	(2)	(241)	—	(243)
Recycle of currency translation differences upon disposal of a subsidiary	—	—	—	—	(1,552)	—	(1,552)
Total other comprehensive income, net of tax	—	—	—	(2)	(1,793)	—	(1,795)
Total comprehensive income	—	—	—	(2)	(1,793)	11,262	9,467
Total contribution from and distribution to owners of the Company, recognised directly in equity							
Dividends relating to period ended 31 December 2014 (<i>Note 9</i>)	—	—	—	—	—	(16,000)	(16,000)
Special dividend (<i>Note 9</i>)	—	—	—	—	—	(34,960)	(34,960)
Issue of shares of On Real	—	—	11,610	—	—	—	11,610
Shares issued pursuant to the Reorganisation	—	22,126	(22,126)	—	—	—	—
Contribution from owners	—	—	815	—	—	—	815
Deemed contribution upon disposal of a subsidiary (<i>Note 11</i>)	—	—	7,169	—	—	—	7,169
Total transactions with owners, recognised directly in equity	—	22,126	(2,532)	—	—	(50,960)	(31,366)
Balance at 31 December 2014 (Unaudited)	—	22,126	(7,934)	1,231	3,535	7,137	26,095

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 CORPORATION INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

(a) General information

The Company was incorporated in the Cayman Islands on 30 June 2014 as an exempted company with limited liability under Companies Law, Cap 22 (Law 3 of 1961 as consolidated and revised), of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is Room 2401-02, 24/F., Jubilee Centre, 46 Gloucester Road, Wanchai, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in the trading and manufacturing of two-way radios, baby monitors and other communication devices and servicing business of the above products. The controlling shareholders of the Company are Mr. Tam Wing Ki (“**Mr. Tam**”) and Mr. Hsu Wing Sang (“**Mr. Hsu**”) (collectively, the “**Controlling Shareholders**”).

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

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

(b) Basis of presentation

The presentation applied are consistent with those of the annual financial statements for the year ended 31 March 2015, as described in those annual financial statements.

2 BASIC OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

This unaudited condensed consolidated financial information for the nine months ended 31 December 2015 has been prepared in accordance with Hong Kong Accounting Standards (“**HKAS**”). The unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”).

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2015, as described in those annual financial statements.

Taxes on income in the reporting periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group

The following new or amended standards have been adopted by the Group for the first time for the financial year beginning on or after 1 April 2015:

HKAS 19 (Amendment)	Defined Benefit Plans: Employee Contributions
Annual improvements 2010 to 2012	Improvements to HKASs and HKFRSs
Annual improvements 2011 to 2013	Improvements to HKASs and HKFRSs

(b) Except the adopted new and amended standards stated at Note 2(a), the Group had not early adopted other new, amended and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2015.

The Group has commenced an assessment of the impact of these new, amended and revised HKFRSs but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

3 SEGMENT INFORMATION

Total revenue recognised during the respective period are as follows:

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Sales of goods	59,647	92,986	217,989	265,339
Servicing	45	181	1,071	1,499
	<u>59,692</u>	<u>93,167</u>	<u>219,060</u>	<u>266,838</u>

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

The Group is principally engaged in the trading and manufacturing of two-way radios, baby monitors and 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, and other communication devices and servicing business based on gross profit arising in the course of the ordinary activities which are recurring in nature.

The segment information provided to the executive directors for the reportable segments for the nine months ended 31 December 2015 and 31 December 2014 is as follows:

	Two-way radios HK\$'000	Baby monitors HK\$'000	Service business HK\$'000	Other products (Note (i)) HK\$'000	Total HK\$'000
Unaudited					
For the nine months ended 31 December 2015					
Total segment revenue (from external customers)	194,807	14,817	1,071	8,365	219,060
Segment results for the period	<u>31,458</u>	<u>2,517</u>	<u>1,002</u>	<u>1,377</u>	<u>36,354</u>
Other segment items:					
Amortisation of intangible assets	439	1,316	—	—	1,755
Depreciation of property, plant and equipment	2,689	232	—	114	3,035
Unaudited					
For the nine months ended 31 December 2014					
Total segment revenue (from external customers)	251,333	4,683	1,499	9,323	266,838
Segment results for the period	<u>34,665</u>	<u>741</u>	<u>238</u>	<u>2,167</u>	<u>37,811</u>
Other segment items:					
Amortisation of land use rights and intangible assets	420	9	3	27	459
Depreciation of property, plant and equipment	4,296	89	28	272	4,685
Provision for inventories	298	10	—	10	318

Note (i): Other products include DECT (Digital Enhanced Cordless Telecommunications) phones, transistors, integrated circuits, plastic casings, rechargeable battery chargers, ultrasonic cleansers, inductive emergency flashlights and accessories such as headsets, belt clips, chargers and power adaptors, etc.

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

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Segment results	9,051	14,907	36,354	37,811
Effects of one-off reversal of retirement benefit costs (<i>Note 6(a)</i>)	—	—	—	5,667
	9,051	14,907	36,354	43,478
Other income — net	1,441	42	1,553	4,390
Other gains/(losses) — net	1,278	91	1,445	(202)
Selling, distribution and administrative expenses	(17,316)	(10,267)	(42,431)	(32,372)
Operating (loss)/profit	(5,546)	4,773	(3,079)	15,294
Finance income/(costs) — net	(12)	(164)	417	(236)
(Loss)/profit before income tax	<u>(5,558)</u>	<u>4,609</u>	<u>(2,662)</u>	<u>15,058</u>

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

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
The United States of America (the “US”)	14,423	46,328	79,442	120,263
Europe (<i>Note 1</i>)	8,894	13,369	32,590	42,015
The Netherlands	7,697	11,639	16,779	29,368
Asia (<i>Note 2</i>)	8,582	11,113	23,570	27,756
UK (<i>Note 3</i>)	5,581	4,345	19,063	20,365
Germany	14,412	3,038	39,490	10,953
Others (<i>Note 4</i>)	103	3,335	8,126	16,118
	<u>59,692</u>	<u>93,167</u>	<u>219,060</u>	<u>266,838</u>

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: UK — the United Kingdom of Great Britain and Northern Ireland.

Note 4: Others include but is not limited to Brazil, Canada and Russia.

4 OTHER INCOME — NET

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	31 December		31 December	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff quarter rental income	15	41	45	179
Gain/(loss) on disposal of property, plant and equipment	—	(30)	(56)	2,601
Recycle of currency translation differences upon disposal of a subsidiary	—	—	—	1,553
Obsolete stock compensation	763	—	763	—
PRC Advanced Technology Subsidy	125	—	125	—
Others	538	31	676	57
	<u>1,441</u>	<u>42</u>	<u>1,553</u>	<u>4,390</u>

5 OTHER GAINS/(LOSSES) — NET

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	31 December		31 December	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fair value losses on derivative financial instruments				
— net losses on forward foreign exchange contracts	—	(539)	—	(1,458)
Net exchange gains on forward foreign exchange contracts	—	233	—	780
Exchange gains/(losses), net	1,713	(70)	2,710	(1,179)
Fair value gains/(losses) on financial asset at fair value through profit or loss	(435)	467	(1,265)	1,655
	<u>1,278</u>	<u>91</u>	<u>1,445</u>	<u>(202)</u>

6 EXPENSES BY NATURE

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	31 December		31 December	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of inventories recognised as expenses	26,960	45,410	110,185	153,306
Employee benefit expenses (<i>Note (a)</i>)	18,373	18,871	52,601	52,858
Subcontracting fees	2,929	950	17,432	10,547
Amortisation of intangible assets	706	146	2,097	404
Amortisation of land use right	—	—	—	55
Depreciation of property, plant and equipment	1,121	1,423	3,400	4,685
Provision for inventories	—	—	—	318
Listing expenses	—	1,662	8,676	6,673
Fuel and utility expenses	714	1,296	2,857	4,220
Toolings and consumables	1,117	686	4,108	2,553
Consultancy fee	3,561	822	4,567	2,091
Other expenses	12,476	17,261	19,214	18,022
	67,957	88,527	225,137	255,732
Representing:				
Cost of sales	50,641	78,260	182,706	223,360
Selling and distribution expenses	2,752	583	4,640	2,953
Administrative expenses	14,564	9,684	37,791	29,419
	67,957	88,527	225,137	255,732

Note (a):

The Group reversed the provision for retirement benefit costs of HK\$5,667,000 during the period ended 30 September 2014 after considering the relevant local rules and regulations and the legal opinion received from the Company's PRC legal advisors that the Social Insurance Fund Management Bureau are time-barred from ordering payment based on the two-year statute of limitation. The Group had received a written confirmation from the Social Insurance Fund Management Bureau of Xinxing on 16 September 2014 confirming that it has not issued and will not issue an order requiring the subsidiary in Xinxing to repay the social insurance or impose administrative penalty on the subsidiary.

7 INCOME TAX CREDIT/(EXPENSE)

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profit during the nine months ended 31 December 2015. The PRC enterprise income tax is provided at the rate of 25% (2014: 25%) during the nine months ended 31 December 2015.

The amount of income tax credit/(expense) charged to the condensed consolidated income statements represents:

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	31 December		31 December	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current income tax	470	65	(1,919)	(3,369)
Deferred income tax	—	(647)	—	(427)
Income tax credit/(expense)	<u>470</u>	<u>(582)</u>	<u>(1,919)</u>	<u>(3,796)</u>

8 (LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE PERIOD — BASIC AND DILUTED

a) Basic

Basic earnings per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective periods. In determining the weighted average number of ordinary shares, the 14,400 ordinary shares of the Company issued to the Controlling Shareholders during the reorganisation and the additional 259,185,600 shares under the proposed capitalisation on 16 September 2015 were treated as if they had been in issue since 1 April 2014; and the 5,600 shares issued to Solution Smart Holdings Limited (“**Solution Smart**”) and Pacific Able Limited (“**Pacific Able**”) during the reorganization and the additional 100,794,400 shares issued under the proposed capitalisation on 16 September 2015 were treated as if they had been in issue since 31 October 2014.

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	31 December		31 December	
	2015	2014	2015	2014
(Loss)/profit attributable to owners of the Company (HK\$'000)	(5,088)	4,027	(4,581)	11,262
Weighted number of ordinary shares in issue ('000)	480,000	327,130	400,582	281,926
Basic (losses)/earnings per share (HK cents per share)	<u>(1.06)</u>	<u>1.23</u>	<u>(1.14)</u>	<u>3.99</u>

(b) Diluted

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

9 DIVIDENDS

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	31 December		31 December	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Dividends	—	—	—	50,960

The Directors do not recommend the payment of any dividend in respect of the nine months ended 31 December 2015.

During the nine months ended 31 December 2014, certain subsidiaries of the Group declared interim dividends to their then equity holders amounting to HK\$16,000,000.

In addition, during the nine months ended 31 December 2014, a subsidiary also declared (i) a special dividend of HK\$24,960,000 for settlement of consideration payable by Shine View Development Limited (“**Shine View**”), which is controlled by the Controlling Shareholders but is not a member of the Group, in connection with the disposal of the entire equity interest in Xinxing On Time Electronics Limited (“**Xinxing On Time**”); and (ii) a cash dividend of HK\$10,000,000.

10 RELATED-PARTY TRANSACTIONS

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

The directors are of the view that the following companies were related parties that had transactions or balances with the Group during the three months and nine months ended 31 December 2015 and 31 December 2014:

Name of the related party	Relationship with the Group
On Time (HK) Limited	Controlled by Mr. Tam and Mr. Hsu
Shine View	Controlled by Mr. Tam and Mr. Hsu
Xinxing On Time	Controlled by Mr. Tam and Mr. Hsu

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 nine months ended 31 December 2015 and 31 December 2014.

(a) Transactions with related parties

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Sales of goods to a related company				
— On Time (HK) Limited	—	516	—	4,064
Rental expenses charged by a related company				
— Xinxing On Time	(305)	(387)	(916)	(510)
Disposal of a subsidiary to a related company				
— Shine View	—	—	—	24,960
	<u>—</u>	<u>—</u>	<u>—</u>	<u>24,960</u>

Certain administrative expenses of the Company incurred during the nine months ended 31 December 2015 were borne by On Real Limited, the subsidiary indirectly held by the Company.

(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:

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Wages, salaries and allowances	1,310	682	2,994	1,886
Bonus	818	—	818	—
Retirement benefit costs	14	10	41	27
	<u>2,142</u>	<u>692</u>	<u>3,853</u>	<u>1,913</u>

11 DISPOSAL OF A SUBSIDIARY

On 31 August 2014, On Real disposed of Xinxing On Time to Shine View, which is controlled by the Controlling Shareholders but is not a member of the Group, at a consideration of US\$3,200,000 (equivalent to HK\$24,960,000). Details of the assets and liabilities disposed are as follows:

	<i>HK\$'000</i>
Consideration settled through dividends (Non-cash transaction)	24,960
Less assets and liabilities disposed of:	
Land use right	5,627
Property, plant and equipment	21,339
Trade and other receivables and prepayments	12,847
Cash and cash equivalents	6,442
Trade payables, accruals and other payables	<u>(28,464)</u>
Net assets	<u>17,791</u>
Deemed contribution upon disposal of a subsidiary	<u>7,169</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are a two-way radio product designer and manufacturer established in 2001. We derive the revenue principally from designing, manufacturing and selling two-way radios and baby monitor products on original design manufacturing (the “ODM”) basis.

The revenue decreased from approximately HK\$266.9 million for the nine months ended 31 December 2014 to approximately HK\$219.1 million for the nine months ended 31 December 2015, representing a decrease of approximately 17.9%. The revenue decreased from approximately HK\$93.2 million for the for the three months ended 31 December 2014 to approximately HK\$59.7 million for the three months ended 31 December 2015, representing a decrease of approximately 35.9%. As detailed in the Company’s announcement dated 8 January 2016, the reformulation and change of sales strategies of our largest customer (the “Customer”) to license its brand for the consumer two way radios exclusively to a third party (the “Licensee”) and ceased to place orders of consumer two way radios to the Company directly. Moreover, retail sales in US shrunk in the first quarter of 2015, mainly due to the harsh weather which kept customers away from showrooms and malls and thus weakened consumption level, which in turn slow down the movement of inventories of our customers and hold up their procurement from us, which impact our sales for the six months ended 30 September 2015. Furthermore, the tradition seasonal growth of revenue in the fourth quarter did not happen in 2015 due to the recession of global economy.

The revenue of baby monitor increased by 216.4% from approximately HK\$4.7 million for the nine months ended 31 December 2014 to approximately HK\$14.8 million for the nine months ended 31 December 2015 mainly due to the increase in demand of our audio baby monitor products and our customer started to launch the product in more retail shops. The revenue of two-way radios decreased by approximately 22.5% from approximately HK\$251.3 million for the nine months ended 31 December 2014 to approximately HK\$194.8 million mainly due to the decrease in demand from the Customer for reason mentioned above.

The Licensee has placed its first order of consumer two-way radios to the Company. Due to the transition of the order placement and the uncertainty of the sales strategy of the Licensee in the future, it is uncertain about the impact of the revenue of the Company in long term. The Directors expect the decrease in revenue from the Customer is partially compensated by 1) the potential orders from the Licensee; 2) the expected growth of the sales of two-way radios from one of the major customers of the Company; 3) the secured orders of two way radios from a new customer; and 4) the growth in business of baby monitors.

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

The following tables set forth the breakdowns of the turnover of the Group by product categories for each of the three months and nine months ended 31 December 2014 and 2015:

	Unaudited					
	For three months ended 31 December					
	2015		2014		Increase (Decrease)	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Two-way radios	54,503	91.3	89,887	96.5	(35,384)	(39.4)
Baby monitors	4,189	7.0	805	0.9	3,384	420.4
Servicing business	45	0.1	181	0.2	(136)	(75.1)
Other products	955	1.6	2,294	2.4	(1,339)	(58.4)
	<u>59,692</u>	<u>100</u>	<u>93,167</u>	<u>100</u>	<u>(33,475)</u>	<u>(35.9)</u>

	Unaudited					
	For nine months ended 31 December					
	2015		2014		Increase (Decrease)	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Two-way radios	194,807	88.9	251,333	94.2	(56,526)	(22.5)
Baby monitors	14,817	6.8	4,683	1.7	10,134	216.4
Servicing business	1,071	0.5	1,499	0.6	(428)	(28.6)
Other products	8,365	3.8	9,323	3.5	(958)	(10.3)
	<u>219,060</u>	<u>100</u>	<u>266,838</u>	<u>100</u>	<u>(47,778)</u>	<u>(17.9)</u>

OUTLOOK

The loss of the consumer two way-radios orders from the Customer is expected to result in significant decrease in revenue of the Company which has negative impact on the financial results for the year ending 31 March 2016. The recession of global economy is also expected to have negative impact on the financial results for the year ending 31 March 2016 and the rest of 2016.

New products pipeline of the Group is strong, with new models in all three product categories of consumer two-way radios, commercial two-way radios, and baby monitors. We received 8 new project awards from our customers for three months ended 31 December 2015 including digital two-way radio, waterproof high-end two-way radios and high-end digital audio baby monitor.

Going forward, the Company will continue to execute our business strategy to diversify the revenue streams and expand our customer base by expanding product offerings.

We are developing two-way radio with built-in Internet-of-Things (“IoT”) connectivity that allows communication with various of smart devices and baby monitor with non-invasive movement sensing capability and expect to have product launched in 2016.

We are also reviewing our business and manufacturing processes and will implement cost saving measures in operation if appropriate.

Our business objectives are to grow our existing business, diversify the revenue streams and expand our customer base by expanding product offerings and features, improving information technology system and strengthening management and widening sales channel. Below are the progress of the objectives and strategies:

- i) Strengthen our product portfolio: we are going to develop new high-end two-way radio and baby monitor products with new features and technologies, such as Internet-of-Things (“IoT”) connectivity and non-invasive movement sensing. Such new products will be launched in 2016.
- ii) Enhance our information management system: We are in the process of evaluating our information management system and will start the enhancement program in 2016.
- iii) Strengthen our marketing efforts: We continue to maintain our market presence and expand our sales channels and strengthen the presence in the US and the People’s Republic of China (the “PRC”) for introducing our products and services to potential customers.

PROSPECT

We will continue to put effort in developing new model of our products which is expected to bring growth potential for turnover to the Group and returns to the shareholders.

FINANCIAL REVIEW

Cost of Sales and Gross Profit

The majority of the Group’s cost of sales comprised of raw material cost and labour cost. Our cost of sales decreased by approximately 18.2% from approximately HK\$223.4 million for the nine months ended 31 December 2014 to approximately HK\$182.8 million for the nine months ended 31 December 2015, which is in line with the decrease in revenue. The gross margin increased from approximately 16.29% for the nine month ended 31 December 2014 to approximately 16.6% for the nine months ended 31 December 2015, the increase in the gross margin was mainly due to the increase in gross margin of two-way radios.

Administrative Expenses

The administrative expenses increased from approximately HK\$29.4 million for the nine months ended 31 December 2014 to approximately HK\$37.8 million for the nine months ended 31 December 2015, which was mainly due to 1) the increase in the listing expense of approximately HK\$2.0 million; 2) the increase in staff cost of approximately HK\$4.0 million; and 3) the increase in professional and consultancy fee of approximately HK\$2.5 million. Majority of the increase in the administrative expenses are non-recurring in nature.

Loss attributable to the owners of the Company

The profit decreased from approximately HK\$11.3 million for the nine months ended 31 December 2014 to the loss approximately HK\$4.6 million for the nine months ended 31 December 2015, was mainly due to 1) the decrease in gross profit of approximately HK\$7.1 million because of the decrease in revenue for reasons mentioned in above and 2) the increase of administrative expenses of approximately HK\$8.4 million during the nine months ended 31 December 2015 for reasons mentioned in above.

The profit attributable to the owners of the Company shall be approximately HK\$4.1 million after taking out the listing expenses of approximately HK\$8.7million for the nine months ended 31 December 2015.

Dividend

The Board does not recommend the payment of an dividend for the nine months ended 31 December 2015.

Use of Proceeds from the Listing

As stated in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 18 September 2015 (the “**Prospectus**”), the Group intends to use the proceeds for (i) strengthen our product portfolio; (ii) enhance our information management systems; (iii) strengthen our marketing efforts; and (iv) working capital and other general corporate purposes.

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 31 December 2015, the unused proceeds of approximately HK\$27.8 million were deposited into licensed banks in Hong Kong. The Company intends to continue to apply the remaining net proceeds in accordance with the proposed applications set out above.

During the nine months ended 31 December 2015, the net proceeds had been utilized as follows:

	Actual net proceeds	Amount utilized up to 31 December 2015	Balance as at 31 December 2015
	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Strengthen our product portfolio	21.7	1.9	19.8
Enhance our information management systems	2.4	—	2.4
Strengthen our marketing efforts	4.0	1.2	2.8
Working capital and other general corporate purposes	2.8	—	2.8
Total	<u>30.9</u>	<u>3.1</u>	<u>27.8</u>

OTHER INFORMATION

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

At 31 December 2015, Mr. Tam Wing Ki and Mr. Hsu Wing Sang, being the controlling shareholders of the Company, had the following interests in the shares and underlying shares of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”) as recorded in the register required to be kept under section 352 of SFO:

Name of Shareholders	Name of Companies	Capacity	Number of shares and underlying shares	Percentage of shareholding
Mr. Tam Wing Ki (<i>Note 1</i>)	the Company	Beneficial owner	179,460,000	37.39%
Mr. Hsu Wing Sang (<i>Note 1</i>)	the Company	Beneficial owner	79,740,000	16.61%

Note:

1. All interests stated above represent long positions.

During the nine months ended 31 December 2015, there were no debt securities issued by the Group at any time. Save as disclosed herein, as at 31 December 2015, 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

So far as is known to the Directors, at 31 December 2015, the following shareholders had interests 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 (<i>Note 1</i>)	Beneficial owner	67,212,000	14%
SW Venture Asia Limited (<i>Note 2</i>)	Interest in a controlled corporation	67,212,000	14%
Mr. Yeung Shing Wai (<i>Note 2</i>)	Interest in a controlled corporation	67,212,000	14%
Pacific Able Limited (<i>Note 3</i>)	Beneficial owner	31,573,000	6.57%
Mr. Law Sai Hung (<i>Note 3</i>)	Interest in a controlled corporation	31,573,000	6.57%
HF Pre-IPO Fund	Beneficial owner	26,350,000	5.48%
Huge China Holdings Limited	Beneficial owner	26,350,000	5.48%

Notes:

1. Solution Smart Holdings Limited is an investment holding company which is wholly and beneficially owned by SW Venture Asia Limited.
2. Mr. Yeung Shing Wai is the beneficial owner of SW Venture Asia Limited, which directly held 67,212,000 shares of the Company, and has therefore deemed to have an interest in the shares held by Solution Smart Holdings Limited.
3. Mr. Law Sai Hung is the beneficial owner of Pacific Able Limited, which directly held 31,573,000 shares of the Company, and has therefore deemed to have an interest in the shares which Pacific Able Limited were interested.
4. 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.

DIRECTORS' INTEREST 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 nine months ended 31 December 2015.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the nine months ended 31 December 2015, 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 nine months ended 31 December 2015. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the nine months ended 31 December 2015, 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 nine months ended 31 December 2015 under review, the Company has not separated the roles of chairman and chief executive officer of the Company. Mr. Tam is currently performing the roles of chairman and chief executive officer of the Company. Taking into account Mr. Tam is the founder of the Group and has been operating and managing the Group since 2001, the Board considers that the roles of chairman and chief executive officer being performed by Mr. Tam enable more effective and efficient overall business planning, decision making and implementation thereof by the Group. In order to maintain good corporate governance and fully comply with code provision, the Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

DIRECTORS’ SECURITIES TRANSACTIONS

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

Having made specific enquiry with all the Directors and all the Directors of the Company had confirmed compliance with the required standard of dealings and the code of conduct for Directors’ securities transactions during the nine months ended 31 December 2015.

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 nine months ended 31 December 2015.

SHARE OPTION SCHEME

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

The Scheme will remain valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, after which period no further Share Options will be granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect and Share Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue. The principal terms of which were

summarized in the paragraph headed “Share Option Scheme” in Appendix IV to the Company’s prospectus dated 18 September 2015. No share options have been granted under the Scheme since its adoption.

INTERESTS OF THE COMPLIANCE ADVISER

As disclosed in the announcement of the Company dated 26 January 2016, the Company and Quam Capital Limited have mutually agreed to terminate the compliance adviser’s agreement entered into between the Company and Quam Capital Limited (the “**Termination**”), with effect from 26 January 2016 due to the recent changes in personnel of Quam Capital Limited. The Board confirms that, as at the date of this announcement, there are no other matters relating to the Termination that need to be drawn to the attention of the Shareholders and the Stock Exchange. The Board further announces that Lego Corporate Finance Limited has been appointed as the new compliance adviser to the Company as required under Rule 6A.27 of the GEM Listing Rules with effect from 26 January 2016 until the date, pursuant to Rule 6A.19 of the GEM Listing Rules, on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results of the Company for the second full financial year commencing after the date of initial listing of the Company, or until the compliance adviser agreement entered into between the Company and Lego Corporate Finance Limited is terminated in accordance with its terms, whichever is earlier.

As confirmed by Quam Capital Limited and Lego Corporate Finance Limited, except for the respective compliance advisers agreements entered into between the Company and each of them and the supplemental sponsorship service agreement entered into between the Company and Quam Capital Limited, none of Quam Capital Limited and Lego Corporate Finance Limited or their directors, employees and associates is materially interested in any contract or arrangement during the nine months ended 31 December 2015, which is significant in relation to the business of the Group.

AUDIT COMMITTEE

The existing audit committee of the Company (the “**Audit Committee**”) consists of three independent non-executive Directors of the Company, chaired by Mr. Cheng Yuk Kin and the other two members are Mr. Fan Chun Wah, Andrew and Ms. Reina Lim Yan Xin.

The unaudited third quarterly financial results of the Group for the nine months ended 31 December 2015 have been reviewed by the Audit Committee.

PUBLICATION OF THIRD QUARTERLY REPORT

The third quarterly report of the Company for the nine months ended 31 December 2015 containing all the information required by the GEM Listing Rules will be despatched to the shareholders of the Company and will also be published on the website of the Company at www.on-real.com and the Stock Exchange’s website at www.hkexnews.hk.

By Order of the Board
On Real International Holdings Limited
Tam Wing Ki
Chairman and Executive Director

Hong Kong, 3 February 2016

As at the date of this announcement, the executive Directors are Mr. Tam Wing Ki, Mr. Hsu Wing Sang and Mr. Tao Hong Ming, the non-executive Director is Mr. Chau Wai Hung, Andy and the independent non-executive Directors are Mr. Cheng Yuk Kin, Mr. Fan Chun Wah, Andrew and Ms. Reina Lim Yan Xin.

This announcement will remain on the Stock Exchange website at www.hkexnews.hk on the “Latest Company Announcements” page for at least seven days from the day of its posting and will also published on the website of the Company at www.on-real.com.