



# 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



First Quarterly Report

# 2017



# **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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

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# FINANCIAL HIGHLIGHTS

- Revenue of the Company for the three months ended 30 June 2017 amounted to approximately HK\$77.3 million, representing an increase of approximately 24.6% as compared with that of approximately HK\$62.1 million for the three months ended 30 June 2016.
- Loss attributable to the owner of the Company for the three months ended 30 June 2017 amounted to approximately HK\$4.4 million compared with loss of approximately HK\$0.6 million for the three months ended 30 June 2016.
- Basic and diluted losses per share for the three months ended 30 June 2017 amounted to approximately HK cents 0.11 (losses per share (restated) for the three months ended 30 June 2016: HK cents 0.02).
- The Directors do not recommend the payment of any dividend in respect of the three months ended 30 June 2017.

# MANAGEMENT DISCUSSION AND ANALYSIS

The board of Directors (the “**Board**”) of the Company is pleased to present the unaudited condensed consolidated results of the Group for the three months ended 30 June 2017, together with the unaudited comparative figures for the corresponding periods in 2016.

## 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 increased from approximately HK\$62.1 million for the three months ended 30 June 2016 to approximately HK\$77.3 million for the three months ended 30 June 2017, representing an increase of approximately 24.6%. The increase was mainly due to (i) increase in the provision of providing electric manufacturing servicing business to utilize the spare manufacturing capacity of the factory; and (ii) increase in other business for the three months ended 30 June 2017 due to increase in the sales of plastic materials and molds.

The revenue of two-way radios slightly decreased by approximately 2.9% from approximately HK\$53.8 million for the three months ended 30 June 2016 to approximately HK\$52.2 million for the three months ended 30 June 2017 mainly due to the decrease in unit selling price for matching with the change in business strategy of market positioning of client. The revenue of baby monitor increased by 87.9% from approximately HK\$4.0 million for the three months ended 30 June 2016 to approximately HK\$7.5 million for the three months ended 30 June 2017 mainly due to the increase in the sales of baby monitor with low margin.

Due to reasons mentioned in above, the revenue of servicing business significantly increased by approximately 332.5 times from approximately HK\$19 thousand for the three months ended 30 June 2016 to approximately HK\$6.3 million for the three months ended 30 June 2017, and the revenue of other segment increased by 1.6 times from approximately HK\$4.3 million for the three months ended 30 June 2016 to approximately HK\$11.3 million for the three months ended 30 June 2017.

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

The following tables set forth the breakdowns of the turnover of the Group by product categories for each of the three months ended 30 June 2017 and 2016:

	<b>Unaudited</b>					
	<b>For the three months ended 30 June</b>					
	<b>2017</b>		<b>2016</b>		<b>Increase (Decrease)</b>	
	<b>HK\$'000</b>	<b>%</b>	<b>HK\$'000</b>	<b>%</b>	<b>HK\$'000</b>	<b>%</b>
Two-way radios	<b>52,230</b>	<b>67.5</b>	53,781	86.6	(1,551)	(2.9)
Baby monitors	<b>7,522</b>	<b>9.7</b>	4,003	6.5	3,519	87.9
Servicing business	<b>6,336</b>	<b>8.2</b>	19	0.0	6,317	33,247.4
Other products	<b>11,254</b>	<b>14.6</b>	4,288	6.9	6,966	162.5
	<b>77,342</b>	<b>100.0</b>	62,091	100.0	15,251	24.6

## OUTLOOK

The new products pipeline of the Group has competitive power, with new models in all three product categories of consumer two-way radios, commercial two-way radios and baby monitors. During the period, we received a new project awards from our customer.

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

Below are the progress of the implementation of our objectives and strategies as disclosed in our prospectus (the "**Prospectus**") dated 18 September 2015:

- 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. The process of develop IoT is delayed and we have incorporated a new subsidiary for the IoT in June 2017.
- ii) Enhance our information management system: We have started the feasibility evaluation of our information management system and the enhancement program will start in late 2017.

- iii) Strengthen our marketing efforts: we continue to maintain our market presence and expand our sales channels and strengthen our presence in The United States of America (the “US”) and the People’s Republic of China (the “PRC”) by introducing our products and services to potential customers. We have started to explore new sales channels to launch new products in North America through participating in a crowd-funding activity, of which the first launch will start in mid of July 2017.

## **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 increased by approximately 34.0% from approximately HK\$53.5 million for the three months ended 30 June 2016 to approximately HK\$71.7 million for the three months ended 30 June 2017, increase in mainly due to increase in sales as well as costs of materials and subcontracting charges. The gross margin decreased from approximately 13.8% for the three months ended 30 June 2016 to approximately 7.3% for the three months ended 30 June 2017, the decrease in the gross margin was mainly due to the increase the sales in business segment of servicing business and other, which are lower profit margin than two-way radios and baby monitors.

### **Other income**

The other income increased from approximately HK\$0.5 million for the three months ended 30 June 2016 to approximately HK\$0.7 million for the three months ended 30 June 2017, which was mainly due to gain on disposal of non-current assets and machinery rental income approximately HK\$0.4 million in the three months ended 30 June 2017.

### **Other losses and gains**

We recorded other gains of approximately HK\$0.4 million for the three months ended 30 June 2016 and become other losses of approximately HK\$23 thousand for the three months ended 30 June 2017, which was mainly due to decrease of exchange gain in the three months ended 30 June 2017.

### **Selling and distribution expenses**

The selling and distribution expenses remained stable at approximately HK\$1.0 million for the three months ended 30 June 2016 and approximately HK\$0.9 million for the three months ended 30 June 2017.

### **Administrative expenses**

The administrative expenses increased from approximately HK\$9.0 million for the three months ended 30 June 2016 to approximately HK\$9.5 million for the three months ended 30 June 2017, which was mainly due to increase in staff costs for the three months ended 30 June 2017.

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

The loss increased from approximately HK\$0.6 million for the three months ended 30 June 2016 to approximately HK\$4.4 million for the three months ended 30 June 2017, was mainly due to the decrease in gross profit of approximately HK\$3.0 million and increase in administrative expenses for reasons mentioned in above.

### **Dividend**

The Board does not recommend the payment of a dividend for the three months ended 30 June 2017.

### **Use of proceeds from the Listing**

As stated in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Group intended 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 30 June 2017, the unused proceeds of approximately HK\$15.0 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 three months ended 30 June 2017, the net proceeds had been utilized as follows:

	<b>Actual net proceeds</b>	<b>Amount utilized up to 30 June 2017</b>	<b>Balance as at 30 June 2017</b>
	HK\$ Million	HK\$ Million	HK\$ Million
Strengthen our product portfolio	21.7	10.5	11.2
Enhance our information management systems	2.4	—	2.4
Strengthen our marketing efforts	4.0	2.7	1.3
Working capital and other general corporate purposes	2.8	2.7	0.1
Total	30.9	15.9	15.0

## OTHER INFORMATION

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

As at 30 June 2017, Mr. Tam Wing Ki being the chairman, CEO and executive director of the Company, and Mr. Gao Hong being the executive director 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:

<b>Name of Shareholders</b>	<b>Name of Companies</b>	<b>Capacity</b>	<b>Number of shares and underlying shares</b>	<b>Percentage of shareholding</b>
Mr. Tam Wing Ki ( <i>Note 1</i> )	the Company	Beneficial owner	898,176,000	23.39%
Mr. Gao Hong ( <i>Note 1</i> )	the Company	Beneficial owner	16,000,000	0.16%

*Note:*

1. All interests stated above represent long positions.

During the three months ended 30 June 2017, there were no debt securities issued by the Group at any time. Save as disclosed herein, as at 30 June 2017, 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 30 June 2017, 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**

<b>Name</b>	<b>Capacity</b>	<b>Number of shares</b>	<b>Percentage of shareholding</b>
Solution Smart Holdings Limited (" <b>Solution Smart</b> ")	Beneficial owner	1,060,896,000	27.63%
SW Venture Asia Limited (" <b>SW Venture Asia</b> ") ( <i>Note 1</i> )	Interest in a controlled corporation	1,060,896,000	27.63%
Mr. Yeung Shing Wai (" <b>Mr. Yeung</b> ")	Interest in a controlled corporation	1,060,896,000	27.63%
SMK Investment Company Limited (" <b>SMK</b> ")	Beneficial owner	898,176,000	23.39%
Mr. Tam Wing Ki ( <i>Note 2</i> )	Interest in a controlled corporation	898,176,000	23.39%
Ms. Tang Yin Ping (" <b>Ms. Tang</b> ") ( <i>Note 3</i> )	Interest of her child under 18 or spouse/interest of a substantial shareholder's child under 18 or spouse	898,176,000	23.39%
Huge China Holdings Limited	Beneficial owner	236,900,000	6.17%

*Notes:*

1. Mr. Yeung is the sole beneficial shareholder of SW Venture Asia, which is the sole beneficial shareholder of Solution Smart. Therefore, Mr. Yeung and SW Venture Asia are deemed to be interested in the Shares in which Solution Smart is interested for the purpose of the SFO.
2. Mr. Tam is the sole beneficial shareholder of SMK. Therefore, Mr. Tam is deemed to be interested in the Shares in which SMK is interested for the purpose of the SFO.

3. Ms. Tang is the spouse of Mr. Tam. Therefore, Ms. Tang is deemed to be interested in the Shares in which Mr. Tam is interested for the purpose of the SFO.
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 three months ended 30 June 2017.

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

For the three months ended 30 June 2017, the Directors are not aware of any business or interest of the Directors, the management of the Company and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

## **CORPORATE GOVERNANCE**

The Company is committed to ensure a high standard of corporate governance in the interests of the shareholders and devotes considerable effort to maintain high level of business ethics and corporate governance practices. The Company has complied with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules throughout the three months ended 30 June 2017. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the three months ended 30 June 2017, 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 three months ended 30 June 2017 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 three months ended 30 June 2017.

## **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 three months ended 30 June 2017.

## **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 notified by Lego Corporate Finance Limited (“**Lego**”), the compliance adviser of the Company, except for the compliance adviser agreement entered into between the Company and Lego dated 26 January 2016, neither Lego nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company or any member of the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 June 2017.

### **AUDIT COMMITTEE**

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

The unaudited first quarterly financial results of the Group for the three months ended 30 June 2017 have been reviewed by the Audit Committee.

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

Hong Kong, 9 August 2017

# UNAUDITED CONDENSED CONSOLIDATED STATEMENTS

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 30 June 2017

The Board is pleased to announce the unaudited consolidated results of the Group for the three months ended 30 June 2017, together with the comparative figures for the corresponding period in 2016 which have been reviewed and approved by the audit committee of the Company (the “**Audit Committee**”), as follows:

	Note	Three months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited) (Restated)
Revenue	3	77,342	62,091
Cost of sales		(71,723)	(53,525)
<b>Gross profit</b>		<b>5,619</b>	8,566
Other income	4	712	465
Other losses and gains	5	(23)	389
Selling and distribution expenses		(947)	(1,045)
Administrative expenses		(9,458)	(9,019)
Finance costs		(170)	(142)
<b>Loss before income tax</b>		<b>(4,267)</b>	(786)
Income tax (expense)/credit	7	(130)	162
<b>Loss for the period attributable to the owners of the Company</b>	6	<b>(4,397)</b>	(624)
Loss per share attributable to owners of the Company for the period			
— Basic and diluted (expressed in HK cents per share)	8	(0.11)	(0.02)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2017

	Three months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Loss for the period	<b>(4,397)</b>	(624)
Other comprehensive income: Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	<b>770</b>	15
Other comprehensive income for the period, net of tax	<b>770</b>	15
Total comprehensive loss for the period attribute to owners of the Company	<b>(3,627)</b>	(609)



## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three months ended 30 June 2017

	Attributable to owners of the Company							
	PRC						Accumulated loss	Total
	Share Capital	Share Premium	Capital Reserve	Statutory Reserve	Exchange Reserve			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
<b>Balance at 1 April 2017 (Audited)</b>	<b>4,800</b>	<b>75,468</b>	<b>(5,826)</b>	<b>4,472</b>	<b>1,303</b>	<b>(8,573)</b>	<b>71,644</b>	
<b>Loss for the period</b>	—	—	—	—	—	(4,397)	(4,397)	
<b>Other comprehensive income</b>								
<b>Currency translation differences</b>	—	—	—	—	770	—	770	
<b>Total comprehensive income/(loss)</b>	—	—	—	—	770	(4,397)	(3,627)	
<b>Balance at 30 June 2017 (Unaudited)</b>	<b>4,800</b>	<b>75,468</b>	<b>(5,826)</b>	<b>4,472</b>	<b>2,073</b>	<b>(12,970)</b>	<b>68,017</b>	
Balance at 1 April 2016 (Audited)	4,800	75,468	(5,826)	3,971	3,986	(12,355)	70,044	
Loss for the period	—	—	—	—	—	(624)	(624)	
Other comprehensive income								
Currency translation differences	—	—	—	—	15	—	15	
Total comprehensive income/(loss)	—	—	—	—	15	(624)	(609)	
Balance at 30 June 2016 (Unaudited)	4,800	75,468	(5,826)	3,971	4,001	(12,979)	69,435	

# 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**”). As voluntary announcement released on 11 January 2017, Mr. Tam had ceased to be the controlling shareholder (as defined in the GEM Listing Rules) of the Company. Mr. Hsu had ceased to be the controlling shareholder of the Company as at 4 July 2016.

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 2017, as described in those annual financial statements.

## 2 BASIC OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

This unaudited condensed consolidated first quarterly financial information for the three months ended 30 June 2017 has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by HKICPA.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

### Changes in accounting policy and disclosures

(a) *New and amended standards adopted by the Group*

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 April 2017. The adoption of the standards have no material effect on the Group’s results and financial position:

HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statement
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investments Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements Project	Annual Improvements 2012–2014 Cycle

## 2 BASIC OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Changes in accounting policy and disclosures (Continued)

(b) *New standards, amendments to existing standards and annual improvements that have been issued but not yet effective and have not been early adopted by the Group*

The following new standards, amendments to existing standards and annual improvements have been published but are not yet effective for the three months ended 30 June 2016 and which the Group has not early adopted:

		<b>Effective for annual periods beginning on or after</b>
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1 January 2019

The Group is in the process of making an assessment of what the impact of these new standards and amendments to existing standards would be in the period of initial application, but not yet in a position to state whether they would have a significant impact to the Group's results and financial position.

### 3 SEGMENT INFORMATION

Total revenue recognised during the respective period are as follows:

	<b>Three months ended 30 June</b>	
	<b>2017 HK\$'000 (Unaudited)</b>	2016 HK\$'000 (Unaudited)
Sales of goods	<b>71,006</b>	62,072
Servicing	<b>6,336</b>	19
	<b>77,342</b>	62,091

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 products and servicing business of the above products.

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

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

### 3 SEGMENT INFORMATION (CONTINUED)

The segment information provided to the executive directors for the reportable segments for the three months ended 30 June 2017 and 30 June 2016 is as follows:

	<b>Two-way radios</b>	<b>Baby monitors</b>	<b>Service business</b>	<b>Other products</b> <i>(Note (i))</i>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>For the three months ended 30 June 2017 (Unaudited)</b>					
Total segment revenue (from external customers)	<b>52,230</b>	<b>7,522</b>	<b>6,336</b>	<b>11,254</b>	<b>77,342</b>
<b>Segment results for the period</b>	<b>4,256</b>	<b>639</b>	<b>496</b>	<b>228</b>	<b>5,619</b>
<b>Other segment items:</b>					
Amortisation of intangible assets	<b>165</b>	<b>496</b>	—	—	<b>661</b>
Depreciation of property, plant and equipment	<b>544</b>	<b>18</b>	<b>50</b>	<b>132</b>	<b>744</b>
<b>For the three months ended 30 June 2016 (Unaudited)</b>					
Total segment revenue (from external customers)	53,781	4,003	19	4,288	62,091
<b>Segment results for the period</b>	7,389	566	10	601	8,566
<b>Other segment items:</b>					
Amortisation of intangible assets	178	534	—	—	712
Depreciation of property, plant and equipment	711	58	—	59	828

Note (i): Other products include 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.

### 3 SEGMENT INFORMATION (CONTINUED)

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

	<b>Three months ended 30 June</b>	
	<b>2017 HK\$'000 (Unaudited)</b>	2016 HK\$'000 (Unaudited) (Restated)
Segment results	<b>5,619</b>	8,566
Other income	<b>712</b>	465
Other losses and gains	<b>(23)</b>	389
Selling, distribution and administrative expenses	<b>(10,405)</b>	(10,064)
Finance cost	<b>(170)</b>	(142)
Loss before income tax	<b>(4,267)</b>	(786)

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

	<b>Three months ended 30 June</b>	
	<b>2017 HK\$'000 (Unaudited)</b>	2016 HK\$'000 (Unaudited)
The United States of America (the "US")	<b>36,137</b>	22,559
Europe (Note 1)	<b>5,884</b>	7,710
The Netherlands	<b>10,060</b>	6,667
Asia (Note 2)	<b>10,533</b>	8,100
UK (Note 3)	<b>3,189</b>	5,126
Germany	<b>7,931</b>	11,494
Others (Note 4)	<b>3,608</b>	435
	<b>77,342</b>	62,091

### 3 SEGMENT INFORMATION (CONTINUED)

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

	Three months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited) (Restated)
Bank interest income	100	118
Interest income charged to customers	22	94
Staff quarter rental income	22	23
Gain on disposal of non-current assets	246	—
Sale of scrap	147	72
Machinery rental income	126	—
Others	49	158
	<b>712</b>	<b>465</b>



## 5 OTHER LOSSES AND GAINS

	<b>2017</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2016 HK\$'000 (Unaudited)
Exchange gains, net	<b>34</b>	445
Fair value losses on financial asset at fair value through profit or loss	<b>(57)</b>	(56)
	<b>(23)</b>	389

## 6 LOSS FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

	<b>Three months ended</b> <b>30 June</b>	
	<b>2017</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2016 HK\$'000 (Unaudited)
Cost of inventories recognised as expenses	<b>46,664</b>	27,499
Employee benefit expenses	<b>13,105</b>	16,724
Subcontracting fees	<b>12,794</b>	9,723
Amortisation of intangible assets	<b>661</b>	712
Depreciation of property, plant and equipment	<b>744</b>	1,025
Operating leases		
— Office premises and staff quarters	<b>438</b>	426
— Factories	<b>460</b>	782
— Plant and machinery	<b>159</b>	159

## 7 INCOME TAX (EXPENSE)/CREDIT

No provision for Hong Kong profit tax (2016: 16.5%) is required as the Group did not generate any assessable profit for the three months ended 30 June 2017. The PRC enterprise income tax is provided at the rate of 25% (2016: 25%) during the three months ended 30 June 2017.

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

	Three months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Current income tax	(130)	162

## 8 LOSSES PER SHARE

### (a) Basic

Basic loss per share is calculated by dividing the loss for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during each of the three months ended 30 June 2017 and 2016.

	Three months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited) (Restated)
Loss attributable to owners of the Company (HK\$'000)	(4,397)	(624)
Weighted number of ordinary shares in issue ('000)	3,840,000	3,840,000
Basic loss per share (HK cents per share)	(0.11)	(0.02)

## **8 LOSSES PER SHARE (CONTINUED)**

### **(b) Diluted**

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

With effective from 15 December 2016, each of the existing issued and non issued ordinary share of par value of HK\$0.01 each in the share capital of the Company was subdivided into eight subdivided ordinary shares of HK\$0.00125 each. The calculation of the basic and diluted earnings per share for the year ended 30 June 2016 have been adjusted as a result of the share subdivision.

No adjustments has been made to the basic losses per share amount for the three months ended 30 June 2017 and 2016 as the Group had no potentially dilutive ordinary Shares in issue during these periods.

## **9 DIVIDENDS**

The Directors do not recommend the payment of any dividend in respect of the three months ended 30 June 2017 and 2016.

## **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.

## 10 RELATED-PARTY TRANSACTIONS (CONTINUED)

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 ended 30 June 2017:

<b>Name of the related party</b>	<b>Relationship with the Group</b>
Xinxing On Time Electronics Limited ("Xinxing On Time")	Controlled by Mr. Tam and Mr. Hsu

Note:

- (i) Mr. Tam Wing Ki, the executive director of the Group, has direct interest in the relevant party.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the three months ended 30 June 2017.

### (a) Transactions with related parties

	<b>Three months ended</b>	
	<b>30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Rental expenses charged by a related company — Xinxing On Time	<b>392</b>	294

Certain administrative expenses of the Company incurred during the three months ended 30 June 2017 were borne by On Real Limited, the subsidiary indirectly held by the Company.

## 10 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 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Wages, salaries and allowances	1,534	1,033
Retirement benefit costs	18	9
	<b>1,552</b>	1,042

## 11 COMPARATIVE FIGURES

Finance income was previously presented separately in the consolidated income statement. To conform to current year's presentation, the above amount for the three months ended 30 June 2017 have been reclassified to other income in the consolidated income statement to facilitate a better presentation.