

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.



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)

ANNOUNCEMENT OF ANNUAL RESULTS **FOR THE YEAR ENDED 31 MARCH 2020**

CHARACTERISTICS OF 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.

*This announcement, for which the directors (the “**Directors**”) of On Real International Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) of the Stock Exchange 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 announcement 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 announcement misleading.*

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven days from the date of its posting and be posted on the website of the Company at www.on-real.com.

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the year ended 31 March 2020 amounted to approximately HK\$334.6 million, representing an increase of approximately 3.4% as compared with that of approximately HK\$323.5 million for the year ended 31 March 2019.
- Loss attributable to owners of the Company for the year ended 31 March 2020 amounted to approximately HK\$19.5 million, as compared with loss of approximately HK\$9.8 million for the year ended 31 March 2019.
- Basic and diluted loss per share for the year ended 31 March 2020 amounted to approximately HK cents 4.75 (basic and diluted loss per share for the year ended 31 March 2019: HK cents 2.51).
- The Directors do not recommend the payment of any dividend in respect of the year ended 31 March 2020.

ANNUAL RESULTS

The Board of Directors (the “**Board**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2020 together with the comparative audited figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	3	334,586	323,506
Cost of sales		(303,720)	(299,090)
Gross profit		30,866	24,416
Other income	5	8,212	6,587
Other gains and losses	6	(4,115)	(1,637)
Impairment losses under expected credit loss model, net of reversal		(4,524)	(4,257)
Selling and distribution expenses		(5,432)	(4,118)
Administrative expenses		(38,906)	(27,397)
Finance costs		(4,445)	(1,921)
Loss before tax		(18,344)	(8,327)
Income tax expense	9	(1,133)	(1,386)
Loss for the year	8	(19,477)	(9,713)
Other comprehensive (expense)/income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(2,892)	(375)
Reclassification adjustment for a foreign operation deregistration of		1,388	—
Reclassification adjustment for a foreign operation disposed of		37	—
Other comprehensive expense for the year		(1,467)	(375)
Total comprehensive expense for the year		(20,944)	(10,088)
(Loss)/profit for the year attributable to:			
Owners of the Company		(19,474)	(9,789)
Non-controlling interests		(3)	76
		(19,477)	(9,713)
Total comprehensive expense for the year attributable to:			
Owners of the Company		(20,941)	(10,164)
Non-controlling interests		(3)	76
		(20,944)	(10,088)
Loss per share (HK cents)			(restated)
Basic and diluted	10	(4.75)	(2.51)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		1,990	3,583
Right-of-use assets		151	—
Intangible assets		627	4,015
Financial asset at fair value through profit or loss		—	12,597
Prepayment		355	318
Deferred tax assets		—	—
		3,123	20,513
Current assets			
Inventories		24,380	42,466
Trade and other receivables	12	107,974	108,493
Loan receivable		—	1,041
Tax recoverable		1,180	5,928
Pledged bank deposits		1,085	1,128
Bank balances and cash		46,811	24,619
		181,430	183,675
Current liabilities			
Trade and other payables	13	66,318	84,070
Borrowings		53,243	54,207
Amount due to a related company		1,188	499
Lease liabilities		155	—
Income tax payables		131	2,060
		121,035	140,836
Net current assets		60,395	42,839
Net assets		63,518	63,352
Capital and reserves			
Share capital	14	7,481	4,800
Reserves		55,969	58,481
Equity attributable to owners of the Company		63,450	63,281
Non-controlling interests		68	71
Total equity		63,518	63,352

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

On Real International Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The Company acts as an investment holding company and the principal activities of its subsidiaries are engaged in designing, trading and manufacturing of two-way radios, baby monitors, other communication devices and servicing business of the above products.

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“**the functional currency**”). The functional currency of the Company is Hong Kong dollars (“**HK\$**”). The consolidated financial statements are presented in Hong Kong dollars as the directors consider that HK\$ is appropriate presentation currency for the users of the Group’s consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied, for the first time, the following new and amendments to standards and interpretations (collectively referred to as the “**new and amendments to HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which are effective for the Group’s financial year beginning from 1 April 2019. A summary of the new and amendments to HKFRSs application by the Group is set out as follows:

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

Except as described below, the application of other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and financial positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Lease* and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) — Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (i) relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- (ii) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- (iii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied at 5.64%.

	As at 1 April 2019 HK\$'000
Operating lease commitments disclosed as at 31 March 2019	1,077
Less: recognition exemption — short-term lease	<u>(608)</u>
	<u>469</u>
Lease liabilities discounted at incremental borrowing rate as at 1 April 2019	<u>332</u>
Analysed as:	
Current	177
Non-current	<u>155</u>
	<u>332</u>
The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:	
	Right-of-use assets HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	<u>332</u>
By class:	
Lease properties	<u>332</u>

The following adjustments were made to the amounts recognised in the consolidated statement of financial position as at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported as at 31 March 2019 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 as at 1 April 2019 HK\$'000
Non-current assets			
Right-of-use assets	—	332	332
Current liabilities			
Lease liabilities	—	177	177
Non-current liability			
Lease liabilities	—	155	155

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ³
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRS 16	Covid-19 Related Rent Concessions ⁴
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹

1 Effective for annual periods beginning on or after 1 January 2020.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after 1 January 2021.

4 Effective for annual periods beginning on or after 1 June 2020.

5 Effective for annual periods beginning on or after a date to be determined.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The directors anticipate that the application of new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE

Revenue represents revenue from sales of two-way radios, sales of baby monitors, servicing business and sales of other products, net of sales related tax where applicable. An analysis of the Group's revenue for the year is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue comprises:		
Two-way radios	244,976	211,486
Baby monitors	3,876	17,141
Other products	85,332	85,187
Servicing business	402	9,692
	<hr/>	<hr/>
Revenue from contracts with customers	<u>334,586</u>	<u>323,506</u>

All of the Group's revenue are recognised at a point in time.

Transaction allocated to the remaining performance obligation for contracts with customers

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contract for two-way radios, baby monitors and other products and servicing contract for the above products such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contract for sales of two-way radios, baby monitors and other products and servicing contract for the above products that had an original expected duration of one year or less.

4. SEGMENT INFORMATION

Information reported to the executive directors and senior management of the Company, being the chief operating decision maker (the “**CODM**”), for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Operating segments are reported in a manner consistent with the internal reporting periods to the CODM who is responsible to allocating resources and assessing performance of the operating segments. Information relating to segment assets and liability is not disclosed as such information is not regularly reported to the CODM.

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

The CODM 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, servicing business and other products based on gross profit arising in the course of the ordinary activities of a recurring nature.

The CODM makes decisions according to operating results of each segment. No analysis of segment assets and segment liabilities is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 March 2020

	Two-way radios HK\$'000	Baby monitors HK\$'000	Servicing business HK\$'000	Other products HK\$'000	Total HK\$'000
Revenue from contracts with customers	<u>244,976</u>	<u>3,876</u>	<u>402</u>	<u>85,332</u>	<u>334,586</u>
Segment profit/(loss)	<u>20,828</u>	<u>(471)</u>	<u>(21)</u>	<u>10,530</u>	<u>30,866</u>
Unallocated operating income and other gains and losses					4,097
Impairment losses under expected credit loss model, net of reversal					(4,524)
Selling and distribution expenses					(5,432)
Administrative expenses					(38,906)
Finance costs					<u>(4,445)</u>
Loss before tax					<u>(18,344)</u>

For the year ended 31 March 2019

	Two-way radios HK\$'000	Baby monitors HK\$'000	Servicing business HK\$'000	Other products HK\$'000	Total HK\$'000
Revenue from contracts with customers	<u>211,486</u>	<u>17,141</u>	<u>9,692</u>	<u>85,187</u>	<u>323,506</u>
Segment profit/(loss)	<u>19,496</u>	<u>(716)</u>	<u>1,699</u>	<u>3,937</u>	<u>24,416</u>
Unallocated operating income and other gains and losses					4,950
Impairment losses under expected credit loss model, net of reversal					(4,257)
Selling and distribution expenses					(4,118)
Administrative expenses					(27,397)
Finance costs					<u>(1,921)</u>
Loss before tax					<u>(8,327)</u>

Segment profit/(loss) represents the profit earned/(loss suffered) from each segment without allocation of selling and distribution expenses, administrative expenses, impairment losses under expected credit loss model, net of reversal, other income, other gains and losses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

(b) Geographic segment

All analysis of the Group's revenue presented by geographical location is detailed below:

	Revenue from external customers	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
The United States of America	153,459	101,753
Germany	71,586	80,760
Europe (<i>Note (i)</i>)	15,924	75,817
Asia (<i>Note (ii)</i>)	52,487	25,450
The Netherlands	11,370	7,597
The United Kingdom (“UK”)	7,921	10,696
Others (<i>Note (iii)</i>)	21,839	21,433
	<u>334,586</u>	<u>323,506</u>

Notes:

- (i) Europe includes but is not limited to France, Italy and Belgium but excludes the UK, Germany and the Netherlands.
- (ii) Asia includes but is not limited to the PRC and Hong Kong.
- (iii) Others include but is not limited to Brazil, Canada and Russia. Revenue is allocated based on the shipping destination.

Since over 90% of the Group's non-current assets were located in the PRC, no geographical location of non-current assets is presented.

(c) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A ¹	195,809	150,076
Customer B ²	38,361	39,907
Customer C ² (<i>Note</i>)	<u>34,649</u>	<u>N/A</u>

¹ Revenue from two-way radios segment.

² Revenue from other products segment.

Except disclosed above, no other customer contributed 10% or more to the Group's revenue for both years.

Note:

Revenue derived from customer C did not contribute over 10% of total revenue of the Group during the year ended 31 March 2019.

5. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank interest income	134	120
Loan interest income	67	233
Gain on disposal of property, plant and equipment	3,277	626
Gain on early repayment of bond payables	—	514
Gain on disposal of a subsidiary	645	—
Rental income	167	799
Repair and maintenance income	327	181
Sales of scrap materials	851	791
Sundry income	2,744	3,323
	<u>8,212</u>	<u>6,587</u>

6. OTHER GAINS AND LOSSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Exchange loss, net	(1,018)	(102)
Loss arising on change in fair value of financial asset at fair value through profit or loss	(3,097)	(1,535)
	<u>(4,115)</u>	<u>(1,637)</u>

7. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Impairment loss recognised on:		
— trade receivables	3,302	2,129
— other receivables	181	169
— loan receivable	1,041	1,959
	<u>4,524</u>	<u>4,257</u>

8. LOSS FOR THE YEAR

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the year has been arrived at after charging:		
Directors' emoluments	1,829	2,388
Salaries and allowances (excluding directors' emoluments)	13,522	19,883
Retirement benefit schemes contributions (excluding directors)	<u>3,209</u>	<u>5,265</u>
Total staff costs	<u>18,560</u>	<u>27,536</u>
Auditor's remuneration		
— audit services	629	950
Amortisation of intangible assets (included in cost of sales)	1,571	2,654
Depreciation of property, plant and equipment	1,554	6,466
Depreciation of right-of-use assets	181	—
Cost of inventories sold recognised as an expense	253,305	229,026
Research and development costs recognised as an expense	10,466	2,385
Loss on deregistration of a subsidiary	1,388	—
Expenses relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	3,053	—
Minimum lease payments in respect of operating lease for office premises, staff quarters and factories	<u>—</u>	<u>3,878</u>

9. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax:		
PRC Enterprise Income Tax	<u>1,133</u>	<u>192</u>
Deferred tax	<u>—</u>	<u>1,194</u>
	<u><u>1,133</u></u>	<u><u>1,386</u></u>

10. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss		
Loss for the purpose of basic and diluted loss per share (loss for the year attributable to owners of the Company)	<u>(19,474)</u>	<u>(9,789)</u>
	2020 '000	2019 '000 (restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u><u>410,225</u></u>	<u><u>390,194</u></u>

The weighted average number of ordinary shares for the year ended 31 March 2019 for the purposes of calculating basic loss per share have been adjusted for the share consolidation and issue of new shares under rights issue which took place on 6 February 2020 and 11 March 2020 respectively.

The diluted loss per share for both years were the same as basic loss per share as there were no potential outstanding shares.

11. DIVIDENDS

No dividend has been declared by the Company for the year ended 31 March 2020, nor has any dividend been proposed since the end of the reporting period (2019: nil).

12. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables from contracts with customers	91,751	74,656
Less: Allowance for credit losses	(5,883)	(2,632)
	85,868	72,024
Prepayment	3,755	8,965
Value-added tax receivables	17,304	23,457
Deposits	133	941
Other receivables	1,630	3,627
Less: Allowance for credit losses	(361)	(203)
	22,461	36,787
Total trade and other receivables	108,329	108,811
Less: Non-current portion prepayment	(355)	(318)
Current portion	107,974	108,493

The Group generally allows a credit period of 30 days to 90 days to its trade customers. The Group does not hold any collateral over these balances.

During the year ended 31 March 2020, the Company entered into assignment of debt agreement with the lender to factor trade receivable with the gross carrying amount of USD1,008,900 (equivalent to approximately HK\$7,809,000) to lender with recourse associated with secured other borrowings.

The ageing analysis of the trade receivables based on invoice date which approximates the respective revenue recognition dates were as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
1 to 30 days	49,845	20,201
31 to 60 days	11,888	24,735
61 to 90 days	3,158	9,122
91 to 180 days	487	47
Over 180 days	20,490	17,919
	85,868	72,024

13. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	51,327	57,037
Accrued expenses	6,697	10,637
Other payables	8,034	11,461
Contract liabilities	260	4,935
	14,991	27,033
	66,318	84,070

The following is an ageing analysis of trade payables presented based on invoice dates at the end of the reporting period:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	15,414	20,429
31 to 60 days	13,562	19,516
61 to 90 days	8,133	7,308
More than 90 days	14,218	9,784
	<u>51,327</u>	<u>57,037</u>

The credit period on purchases of goods is 90 days.

14. SHARE CAPITAL

	Number of shares		Amount	
	2020 '000	2019 '000	2020 HK\$'000	2019 HK\$'000
Ordinary shares of HK\$0.0125 each (2019: HK\$0.00125)				
Authorised:				
At the beginning of the reporting period	6,240,000	6,240,000	7,800	7,800
Share consolidation (<i>note b(i)</i>)	(5,616,000)	—	—	—
Increase in authorised share capital (<i>note b(ii)</i>)	2,496,000	—	31,200	—
At the end of the reporting period	<u>3,120,000</u>	<u>6,240,000</u>	<u>39,000</u>	<u>7,800</u>
Issued and fully paid:				
At the beginning of the reporting period	3,840,000	3,840,000	4,800	4,800
Issue of new shares under general mandate (<i>note a</i>)	150,000	—	188	—
Share consolidation (<i>note b(i)</i>)	(3,591,000)	—	—	—
Issue of new shares by way of rights issue (<i>note c</i>)	199,500	—	2,493	—
At the end of the reporting period	<u>598,500</u>	<u>3,840,000</u>	<u>7,481</u>	<u>4,800</u>

Notes:

- (a) On 30 August 2019, the Company allotted and issued 150,000,000 new ordinary shares at a subscription price of HK\$0.022 per share under general mandate. The net proceeds of HK\$3,275,000 from issue of new shares will be used for general working capital of the Group.
- (b) At extraordinary general meeting of the Company held on 4 February 2020, an ordinary resolution was passed to approve the following changes to the capital of the Company (the “**Capital Reorganisation**”):
- (i) Share consolidation: every ten existing issued and unissued shares of par value of HK\$0.00125 each be consolidated into one consolidated share of HK\$0.0125 each in the share capital of the Company (the “**Consolidated Share**”);

- (ii) Increase in authorised share capital: increase the authorised share capital of the Company from HK\$7,800,000 to HK\$39,000,000 by the creation of an additional of 2,496,000,000 shares, each ranking pari passu with the shares then in issue in all respects.

The Capital Reorganisation was effected on 6 February 2020.

- (c) On 11 March 2020, the Company allotted and issued 199,500,000 new ordinary shares at a subscription price of HK\$0.1 per share by way of rights shares to the qualifying shareholders of the Company on the basis of one right share for every two Consolidated Shares held on 17 February 2020 (the “**Rights Issue**”). The net proceeds from the Rights Issue of HK\$17,835,000 will be used for expansion of existing business and/or acquisition of and/or investment in business(es) which leverage on the competitive advantage of the Group should suitable opportunities arise and for general working capital of the Group.

All the ordinary shares issued during the year ended 31 March 2020 and 2019 rank pari passu with the then existing shares in all respects.

15. RELATED PARTY TRANSACTIONS

The Group has entered into the following significant transactions with related parties during the year.

(a) Compensation of key management personnel

The remuneration of key management personnel during the years ended 31 March 2020 and 2019 are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Salaries and allowances	4,326	5,458
Retirement benefit schemes contributions	138	190
	<u>4,464</u>	<u>5,648</u>

The remuneration of the directors and key management personnel is determined by the board of directors regarding to the performance of individuals and market trends.

- (b) In addition to the balances detailed elsewhere in the consolidated financial statements, the Group had the following material transactions with related parties during the year:

Name of company	Nature of transactions	Notes	2020	2019
			HK\$'000	HK\$'000
Xinxing On Time Electronics Limited	Rental and utilities expenses	(i)	1,890	1,614
	Interest expense paid		—	12
Mr. Tam Wing Ki	Disposal of financial asset at fair value through profit or loss	(ii)	<u>9,500</u>	<u>—</u>

Notes:

- (i) Mr. Tam Wing Ki, the ex-director and ex-chairman of the Company, has direct interest in the relevant party. Subsequent to the resignation of the director and chairman of the Company, Mr. Tam Wing Ki is still acting as director of certain subsidiaries and as key management personnel of the Group. Rental and utilities expenses constitute as continuing connected transaction under Chapter 20 of GEM Listing Rules, but are exempted from the reporting, announcement or independent shareholders' approval requirement.
- (ii) The disposal constitute as connected transaction under Chapter 20 of GEM Listing Rules.

16. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 as at 1 April 2019. Under the transition methods, comparative information is not restated.

In addition, certain comparative figures have been reclassified to be consistent with the current period presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the financial year, the trade war between People's Republic of China (the "PRC") and United States ("US") put stronger pressure to the overall economic environment and also to our business. Although our sales recorded a slight growth of 3.4% due to increase of number of purchase orders from customers during the year, the overall performance of the Group is deteriorated during the year. We made an effort to reduce the impact of the trade war between PRC and US, the Company put additional cost in setting up the logistic and operation of subcontracting the manufacturing outside the PRC. Also, the Group increase the research and development fee to maintain our competitiveness in maintain our customer base, therefore, the administrative expenses significantly increased by 42% during the year. We remain cautious on the business outlook for the next year as the trade tension has no sign of ending at the moment.

The Directors have been continuously evaluating the current business strategies of the Group with an aim to streamline its business and improve its overall performance. The Group has continuously focusing on research and development of products and strength its products portfolio, to enhance the information and management system, and to strengthen its marketing efforts. The Group is proceeding cost migration of our fixed overhead in manufacturing into a variable costs in order to increase the flexibility of operation the business.

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. Also, 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 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.

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

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\$323.5 million for the year ended 31 March 2019 to approximately HK\$334.6 million for the year ended 31 March 2020, representing an increase of approximately 3.4%. Such increase was mainly due to increase of number of purchase orders from customers for two-way radio during the year ended 31 March 2020 and partially offset by decrease in demand of baby monitors and servicing business.

The Group's revenue of two-way radios increased by approximately 15.8% from approximately HK\$211.5 million for the year ended 31 March 2019 to approximately HK\$245.0 million for the year ended 31 March 2020 mainly due to the increase of number of purchase orders from customers.

The Group's revenue of baby monitor significantly decreased by approximately 77.4% from approximately HK\$17.1 million for the year ended 31 March 2019 to approximately HK\$3.9 million for the year ended 31 March 2020 mainly due to the decrease in demand of our audio baby monitor products.

The Group's revenue of servicing business decreased by approximately 95.9% from approximately HK\$9.7 million for the year ended 31 March 2019 to approximately HK\$0.4 million for the year ended 31 March 2020 mainly due to the decrease in provision of electronic manufacturing servicing business.

The Group's revenue of other products slightly increased by approximately 0.2% from approximately HK\$85.2 million for the year ended 31 March 2019 to approximately HK\$85.3 million for the year ended 31 March 2020 mainly due to the increase in demand and increase of number of purchase orders from our other products and partially offset the effect for the termination in trading of LCD display module during the year ended 31 March 2020.

The following table sets forth the breakdown of the revenue of the Group by product/service categories for each of the year ended 31 March 2020 and 2019:

	For the year ended 31 March					
	2020		2019		Increase (Decrease)	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Two-way radio	244,976	73.2	211,486	65.4	33,490	15.8
Baby monitors	3,876	1.2	17,141	5.3	(13,265)	(77.4)
Servicing business	402	0.1	9,692	3.0	(9,290)	(95.9)
Other products	85,332	25.5	85,187	26.3	145	0.2
Total	<u>334,586</u>	<u>100</u>	<u>323,506</u>	<u>100</u>	<u>11,080</u>	<u>3.4</u>

Cost of Sales and Gross Profit

The majority of the Group's cost of sales comprised of raw material cost, direct labour costs and subcontracting fees. The cost of sales increased by approximately 1.6% from approximately HK\$299.1 million for the year ended 31 March 2019 to approximately HK\$303.7 million for the year ended 31 March 2020. The gross profit margin increased from approximately 7.5% for the year ended 31 March 2019 to approximately 9.2% for the year ended 31 March 2020, mainly due to the termination in trading of LCD display module which has lower profit margin during the year ended 31 March 2019 and partially offset by direct labour cost.

Selling and Distribution Expenses

The selling and distribution expenses increased from approximately HK\$4.1 million for the year ended 31 March 2019 to approximately HK\$5.4 million for the year ended 31 March 2020, which was mainly due to increase in logistic and relevant expenses which is in line with increase in revenue.

Administrative Expenses

The administrative expenses increased from approximately HK\$27.4 million for the year ended 31 March 2019 to approximately HK\$38.9 million for the year ended 31 March 2020, which was mainly due to increase in research and development fee and consulting fee to maintain their competitiveness and attractiveness under the dramatic change of industry environment and the additional cost in setting up the logistic and operation of subcontracting the manufacturing outside the PRC.

Loss attributable to owners of the Company

The Group recorded a loss of HK\$19.5 million for the year ended 31 March 2020, compared to loss of HK\$9.8 million for the year ended 31 March 2019 primarily due to the increase in administrative expenses for the reason mentioned above and an one-off loss on disposal of key management insurance.

Dividends

The Board does not recommend the payment of a dividend for the year ended 31 March 2020.

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

On 20 June 2019, Mr. Tam Wing Ki (“**Mr. Tam**”), the executive directors 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 dated on 20 June 2019 and 10 July 2019.

Apart from the transactions disclosed on the above, there is no plan for material investment or capital assets as at 31 March 2020.

Treasury policies

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial conditions of its clients and credit review of the Group's loan portfolio. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

Employees and remuneration policies

As at 31 March 2020, the Group had a total of 130 staff (2019: 284). Total staff costs (including Directors' emoluments) were approximately HK\$18.6 million for the year ended 31 March 2020 (2019: approximately HK\$27.5 million). Remuneration is determined with reference to market conditions and the performance, qualifications and experience of individual employee. Year-end bonus will be paid to employees as recognition of and reward for their contributions according to individual performance. Other benefits include share option scheme, contributions to statutory mandatory provident fund schemes and social insurance together with housing provident funds to its employees in Hong Kong and the PRC respectively.

Liquidity and financial resources

Historically, the Group has funded the liquidity and capital requirements primarily through operating cash flows and bank borrowings. As of 31 March 2020, we had various short term borrowings, bank borrowings and lease liabilities of approximately HK\$53.4 million (as at 31 March 2019: approximately HK\$54.2 million), including factoring loan for trade receivables representing a decrease of approximately HK\$1 million as compared to that as at 31 March 2019.

Net current assets increased from approximately HK\$42.8 million for the year ended 31 March 2019 to approximately HK\$60.4 million for the year ended 31 March 2020, which was mainly due to the fund raising activities of subscription of new shares and rights issue to increase in bank balances and cash during the year.

The Company requires cash primarily for working capital need. As of 31 March 2020, the Company had approximately HK\$46.8 million in bank balances and cash (as at 31 March 2019: approximately HK\$24.6 million), representing an increase of approximately HK\$22.2 million as compared to that as at 31 March 2019.

Gearing Ratio

As at 31 March 2020, the gearing ratio of the Group was approximately 84.1% (as at 31 March 2019: approximately 85.5%). The gearing ratio is calculated based on the total borrowings divided by the equity attributable to owners of the company at the end of the reporting period. The decrease of the gearing ratio was mainly attributable to the decrease in amount of borrowings for short-term loan to support the settlement to suppliers.

Contingent Liabilities

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

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

Apart from the contingent liabilities disclosed on the above, the company has no significant contingent liabilities.

Pledged of Assets

At the end of the reporting period, the Group’s banking facilities were secured by:

- (i) certain of the Group’s trade receivables (net of allowance for credit losses) with carrying amount of approximately HK\$32,869,000 (2019: HK\$32,400,000);
- (ii) pledged bank deposits with carrying amount of approximately HK\$1,085,000 (2019: HK\$1,128,000);
- (iii) a corporate guarantee from the Company with an aggregate amount of approximately HK\$65,000,000 (2019: HK\$65,000,000).

Capital Commitments

The Company had capital commitments on acquisition of intangible assets and property, plant and equipment of approximately HK\$9,000 (as at 31 March 2019: HK\$219,000).

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 31 March 2020, the net proceeds is fully utilized.

From the listing date of the Company to 31 March 2020, the net proceeds had been utilised as follows:

	Actual net proceeds allocated <i>HK\$ Million</i>	Amount utilised up to 31 March 2020 <i>HK\$ Million</i>	Balance as at 31 March 2020 <i>HK\$ Million</i>
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	—
	<u>30.9</u>	<u>30.9</u>	<u>—</u>

FUND RAISING ACTIVITIES

Subscription of New Shares Under General mandate

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.

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

Details of the Share Consolidation, Authorised Share Capital Increase and Right Issue was set out in the Company’s announcements dated 24 December 2019 and 4 February 2020 and the Company’s Circular dated on 15 January 2020. Unless otherwise defined, capitalised terms used herein shall bear the same meanings ascribed thereto in the announcements.

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

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

The Board proposes, subject to, amongst others, the Share Consolidation and the Authorised Share Capital Increase becoming effective, to implement the Rights Issue on the basis of one (1) Rights Share for every two (2) Consolidated Shares held on the Record Date at the Subscription Price of HK\$0.1 per Rights Share, to raise gross proceeds of approximately HK\$19.95 million before expenses (assuming no further issue or repurchase of Shares on or before the Record Date), by way of the Rights Issue of 199,500,000 Rights Shares to the Qualifying Shareholders.

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

The estimated net proceeds from the Rights Issue after deducting all necessary expenses are estimated to be approximately HK\$17.55 million (assuming no further issue or repurchase of Shares on or before the Record Date), which are intended to be applied in following manner: (i) as to approximately HK\$14.04 million, being approximately 80%, or more of the net proceeds, for expansion of existing business and/or acquisition of and/or investment in business(es) which leverage on the competitive advantage of the Group should suitable opportunities arise; and (ii) remaining net proceeds of approximately HK\$3.51 million, being approximately 20%, or less of the net proceeds, for general working capital of the Group.

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

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

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

As at 31 March 2020, the net proceeds of the Subscription and Rights Issue had been utilised as follows:

	Actual net proceeds allocated <i>HK\$ Million</i>	Amount utilised up to 31 March 2020 <i>HK\$ Million</i>	Balance as at 31 March 2020 <i>HK\$ Million</i>
Subscription of New Shares <i>(completion on 30 August 2019)</i>			
General working capital	3.3	3.3	—
Share Consolidation, Change in Board Lot Size, Authorised Share Capital Increase and Rights Issue (completion on 11 March 2020)			
Expansion of existing business and/ or acquisition of and/or investment in business(es) which leverage on the competitive advantage of the Group	14.1	0.5	13.6
General working capital	3.7	0.5	3.2

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules during the year ended 31 March 2020 except the following deviation:

Code Provision A.2.1

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 year ended 31 March 2020, Mr. Tam has resigned from his position as the Chairman of the Board of the Company on 1 April 2019 and position as chief executive officer of the Company on 27 November 2019. The position of Chairman of the Board of the Company has been vacant until the appointment of Mr. Chan Lung Ming as the Chairman of the Board of the Company on 27 November 2019. The position of chief executive office of the Company was vacant since 27 November 2019. The executive directors of the Company oversaw the day-to-day management of the business and operations of the Group until the suitable candidate to fill the vacancy of the Chairman of the Board.

The Board will continue to monitor and review the Company's corporate governance practices to ensure compliance with the Code.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.46 to 5.67 of the GEM Listing Rules. Having been made specific enquiry by the Company, all Directors confirmed that they have complied with the required standard of dealings and its code of conduct concerning securities transactions by the Directors during the year ended 31 March 2020.

SHARE OPTION SCHEME

The share option scheme of the Company (the “**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 summarised in the paragraph headed “Share Option Scheme” in Appendix IV to the Prospectus.

On 2 October 2018, the Company granted 115,200,000 Share options (the “Options”) to three eligible participants who are independent third parties not connected with the connected persons of the Company and their associates (collectively, the “Grantees”) to subscribe, in aggregate, for up to 115,200,000 ordinary shares of HK\$0.00125 each in the share capital of the Company subject to acceptance of the Grantees and subject to the vesting conditions. All the share options granted by the Company has been lapsed for the year ended 31 March 2019.

Details of the grant of the Options were set out in the Company’s announcement dated 2 October 2018. Save as mentioned above, no share options were granted by the Company during the year ended 31 March 2019. Details of the movement of the share options of the Company under the Scheme for year ended 31 March 2019 are set out below:

Grantees	Date of grant of share	Expiry date of share options	Exercise price (HK\$)	Share	Granted	Lapsed	Share option
				options held as at 01.04.2018			held as at 31.03.2019, 01.04.2019 and 31.03.2020
Consultants	02.10.2018	02.10.2018	0.0470	—	115,200,000	(115,200,000)	—
				<u>—</u>	<u>115,200,000</u>	<u>(115,200,000)</u>	<u>—</u>

As at 31 March 2020, the remaining share options pursuant the Scheme was 268,800,000 shares may be allotted and issued.

Save as disclosed above, no share option was granted, exercised, lapsed or cancelled for the year ended 31 March 2020.

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 summarised in the paragraph headed “Share Option Scheme” in Appendix IV to the Prospectus. No share options have been granted under the Scheme since its adoption.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is a sufficient public float of at least 25% of the Company's issued shares at the latest practicable date prior to issue of this announcement under the GEM Listing Rules.

DIRECTORS' INTEREST IN CONTRACTS

Apart from the transactions disclosed under the heading "Related Party Transactions" as set out in note 14 of this announcement, there were no other contracts of significance in relation to the Group's business to which the Group was a party and which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the year and up to the date of this announcement, 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.

FOREIGN CURRENCY EXPOSURE

The trading of two-way radios and baby monitors are conducted predominantly in United States dollars ("US dollars" or "US\$") while the production costs are mainly denominated in Renminbi ("RMB"). The Group manages its foreign currency risk by closely monitoring the movements of foreign currency exchange rates. The management manages foreign currency exposure by entering into foreign exchange forward contracts. The Group does not currently designate any hedging relationship on the foreign exchange forward contracts for the purpose of the hedge accounting.

EVENTS AFTER THE REPORTING PERIOD

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

AUDIT COMMITTEE

The Company has an audit committee which was established with written terms of reference in compliance with the GEM Listing Rules. The audit committee has three members comprising all independent non-executive Directors namely Mr. Wong Ching Wan, Mr. Chan Shiu Man and Mr. Cheng Chai Fu.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including review and approve the annual results for the year ended 31 March 2020. The Audit Committee has approved the Group’s annual results for the year ended 31 March 2020.

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

Hong Kong, 29 June 2020

As at the date of this announcement, the executive Directors are Mr. Chan Lung Ming, Mr. Yeung Shing Wai and Ms. Sin Pui Ying; the non-executive Director is Mr. Tao Hong Ming and the independent non-executive Directors are Mr. Chan Shiu Man, Mr. Cheng Chai Fu and Mr. Wong Ching Wan.

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.