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## **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)**

## **FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2022**

The board of directors (the “**Board**”) of On Real International Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the three months ended 30 June 2022 (the “**First Quarterly Results**”). This announcement contains the full text of the First Quarterly Report of the Group for the three months ended 30 June 2022 and the contents were prepared in accordance with the relevant disclosure requirements of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “**GEM**” and the “**GEM Listing Rules**”, respectively). The First Quarterly Results have been reviewed by the Board and the audit committee of the Board.

By Order of the Board of  
**On Real International Holdings Limited**  
**Zhu Xiu Zhi**  
*Executive Director*

Hong Kong, 12 August 2022

*As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Yeung Shing Wai, Mr. Au Yeung Yiu Chung & Ms. Zhu Xiu Zhi; and three independent non-executive Directors, namely Mr. Chan Shiu Man, Mr. Choi Pun Lap and Mr. Sheng Wei.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 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](http://www.hkgem.com) for at least 7 days from the date of its posting and be posted on the website of the Company at [www.on-real.com](http://www.on-real.com).*

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



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# CORPORATE INFORMATION

## DIRECTORS

Executive Directors:	Mr. Chan Lung Ming ( <i>Resigned on 1 April 2022</i> ) Mr. Yeung Shing Wai Ms. Sin Pui Ying ( <i>Resigned on 30 April 2022</i> ) Mr. Au Yeung Yiu Chung ( <i>Appointed on 3 May 2022</i> ) Ms. Zhu Xiu Zhi ( <i>Re-designated from Independent Non-executive Director to Executive Director on 21 June 2022</i> )
Non-executive Director:	Mr. Tao Hong Ming ( <i>Resigned on 1 June 2022</i> )
Independent Non-executive Directors:	Mr. Chan Shiu Man Mr. Wong Ching Wan ( <i>Resigned on 22 April 2022</i> ) Mr. Cheng Chai Fu ( <i>Resigned on 30 April 2022</i> ) Ms. Zhu Xiu Zhi ( <i>Appointed on 11 April 2022 and re-designated from Independent Non-executive Director to Executive Director on 21 June 2022</i> ) Mr. Choi Pun Lap ( <i>Appointed on 21 April 2022</i> ) Mr. Sheng Wei ( <i>Appointed on 16 May 2022</i> )

## AUDIT COMMITTEE

Mr. Choi Pun Lap (*Chairman*) (*Appointed on 21 April 2022*)  
Mr. Wong Ching Wan (*Chairman*) (*Resigned on 22 April 2022*)  
Mr. Cheng Chai Fu (*Resigned on 30 April 2022*)  
Mr. Chan Shiu Man  
Mr. Sheng Wei (*Appointed on 16 May 2022*)  
Ms. Zhu Xiu Zhi (*Appointed on 11 April 2022 and re-designated from Independent Non-executive Director to Executive Director on 21 June 2022*)

## REMUNERATION COMMITTEE

Mr. Chan Shiu Man (*Chairman*)  
Mr. Wong Ching Wan (*Resigned on 22 April 2022*)  
Mr. Cheng Chai Fu (*Resigned on 30 April 2022*)  
Mr. Choi Pun Lap (*Appointed on 21 April 2022*)  
Mr. Sheng Wei (*Appointed on 16 May 2022*)  
Ms. Zhu Xiu Zhi (*Appointed on 11 April 2022 and re-designated from Independent Non-executive Director to Executive Director on 21 June 2022*)

**NOMINATION  
COMMITTEE**

Mr. Choi Pun Lap (*Chairman*) (*Appointed on 21 April 2022*)  
Mr. Cheng Chai Fu (*Chairman*) (*Resigned on 30 April 2022*)  
Mr. Chan Shiu Man  
Mr. Sheng Wei (*Appointed on 16 May 2022*)  
Ms. Zhu Xiu Zhi (*Appointed on 11 April 2022 and re-designated from Independent Non-executive Director to Executive Director on 21 June 2022*)

**COMPANY SECRETARY**

Ms. Wu Man Ki Maggie (*Resigned on 4 May 2021*)  
Mr. Lee Cheuk Man (*Appointed on 4 May 2021 and Resigned on 1 April 2022*)  
Mr. Lo Cheuk Fei Jeffrey (*Appointed on 1 April 2022*)

**COMPLIANCE OFFICER**

Mr. Yeung Shing Wai

**AUTHORISED  
REPRESENTATIVES**

Mr. Yeung Shing Wai  
Mr. Lee Cheuk Man (*Resigned on 1 April 2022*)  
Mr. Lo Cheuk Fei Jeffrey (*Appointed on 1 April 2022*)

**REGISTERED OFFICE**

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111 Cayman Islands

**PRINCIPAL PLACE OF  
BUSINESS IN HONG  
KONG**

G/F., 200 Hennessy Road  
Wan Chai, Hong Kong

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

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

<b>HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE</b>	Boardroom Share Registrars (HK) Limited Room 2103B, 21/F. 148 Electric Road North Point, Hong Kong
<b>PRINCIPAL BANKERS</b>	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
<b>AUDITOR</b>	Elite Partners CPA Limited 10/F., 8 Observatory Road Tsim Sha Tsui, Kowloon Hong Kong
<b>STOCK CODE</b>	8245
<b>COMPANY'S WEBSITE</b>	<a href="http://www.on-real.com">www.on-real.com</a>

## FINANCIAL HIGHLIGHTS (UNAUDITED)

- Revenue of the Company for the three months ended 30 June 2022 amounted to approximately HK\$44.3 million, representing a significant increase of approximately 60.8% as compared with that of approximately HK\$27.6 million for the three months ended 30 June 2021.
- Loss attributable to the owner of the Company for the three months ended 30 June 2022 amounted to approximately HK\$3.9 million compared with loss of approximately HK\$4.5 million for the three months ended 30 June 2021.
- Basic and diluted loss per share for the three months ended 30 June 2022 amounted to approximately HK cents 0.55 (for the three months ended 30 June 2021: HK cents 0.75).
- The Board does not recommend the payment of any dividend in respect of the three months ended 30 June 2022 (2021: nil).

# 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 2022, together with the unaudited comparative figures for the corresponding period in 2021.

## **BUSINESS REVIEW**

The Group is 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 basis.

The Group’s revenue increased from approximately HK\$27.6 million for the three months ended 30 June 2021 to approximately HK\$44.3 million for the three months ended 30 June 2022, representing a significant increase of approximately 60.8%. Such increase was mainly due to (i) the shorter delay of sales orders affected by the knockdown of transportation due to the effect of Novel Coronavirus (“**COVID-19**”) and (ii) the shorter delay of material supply especially Integrated Circuit (IC chips) due to the global shortage of raw materials comparing to the three months ended 30 June 2021.

The Group’s revenue of two-way radios increased by approximately 39.9% from approximately HK\$15.1 million for the three months ended 30 June 2021 to approximately HK\$21.1 million for the three months ended 30 June 2022.

The Group’s revenue of baby monitor decreased by approximately 99.4% from approximately HK\$0.3 million for the three months ended 30 June 2021 to approximately HK\$2 thousand for the three months ended 30 June 2022 due to the decrease in demand of our audio baby monitor products.

The Group’s revenue of other products increased by approximately 90.7% from approximately HK\$12.2 million for the three months ended 30 June 2021 to approximately HK\$23.3 million for the three months ended 30 June 2022.



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 revenue of the Group by product/service categories for the three months ended 30 June 2022 and 2021:

	<b>Unaudited</b>					
	<b>For the three months ended 30 June</b>					
	<b>2022</b>		<b>2021</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>21,063</b>	<b>47.5</b>	15,054	54.6	6,009	39.9
Baby monitors	<b>2</b>	<b>—</b>	321	1.2	(319)	-99.4
Other products	<b>23,275</b>	<b>52.5</b>	12,208	44.2	11,067	90.7
<b>Total</b>	<b>44,340</b>	<b>100</b>	27,583	100	16,757	60.8

## 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 to look for opportunities to diversify our revenue stream, search for new product and to leverage our developed sales channels and network for distributing related products.

In coming year, the Group will continue to spend effort in research and development on new product line and seek for new customers and sales channels. We will also continue to subcontract partial of our manufacturing and operation activities to reduce the fix overhead and to enhance the flexibility in terms of fixed cost commitment. 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 will enhance our business revenue and profitability by introducing new product categories and/or leveraging our research and development capability to provide design engineering service to our customers. The Group will look for and consider potential investment business opportunities from time to time.

The economic downturn caused by impact of COVID-19 and the effect of trade war between the People's Republic of China and United States have brought about additional uncertainties to the Group's operating environment and may impact the Group's operations and financial position. The Group will continue to keep track of development of the COVID-19 and trade war and to evaluate their impacts on the Group's financial position, cash flows and operating results. The Group holds a positive and optimistic attitude to react proactively to its possible impact on Group's performance.

## **FINANCIAL REVIEW**

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

The majority of the Group's cost of sales comprised of raw material cost and direct labour costs. Our cost of sales increased by approximately 67.6% from approximately HK\$26.4 million for the three months ended 30 June 2021 to approximately HK\$44.3 million for the three months ended 30 June 2022, which was in line with the increase in revenue for the three months ended 30 June 2022. The gross margin significantly decreased from approximately 4.2% for the three months ended 30 June 2021 to approximately 0.1% for the three months ended 30 June 2022.

### **Selling and distribution expenses**

The selling and distribution expenses decreased from approximately HK\$0.7 million for the three months ended 30 June 2021 to approximately HK\$0.1 million for the three months ended 30 June 2022, which was mainly due to less transportation expenses and certification cost incurred compared with the corresponding period in 2021.

### **Administrative expenses**

The administrative expenses decreased from approximately HK\$4.9 million for the three months ended 30 June 2021 to approximately HK\$4.3 million for the three months ended 30 June 2022, which was mainly due to decrease in consulting fee.

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

Loss attributable to the owner of the Company for the three months ended 30 June 2022 amounted to approximately HK\$3.9 million compared with loss of approximately HK\$4.5 million for the three months ended 30 June 2021.

## **Dividend**

The Board does not recommend the payment of a dividend for the three months ended 30 June 2022 (2021: nil).

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

On 24 June 2022, a direct wholly-owned subsidiary of the Company entered into the sale and purchase agreement to acquire 100% equity interest in World Smarts Co. Limited (“**World Smarts**”) (“**Acquisition**”) from vendors (“**Vendors**”) namely Wong Ming Kwan Victoria and DD Innovation Limited, independent third parties to the Group, at a consideration of HK\$15,000,000 which was satisfied by the issue of the Consideration Shares by the Company to the Vendors upon Completion. World Smart is a limited company incorporated in Hong Kong in 2014 and is principally engaged in the production and sales of OEM, ODM and OBM plastic products with specialty in 3D items, infants and children products. During the three months period 30 June 2022, the Group obtained control in World Smarts on 24 June 2022.

More details are set out in the Company’s announcement dated 2 June 2022, 14 June 2022 and 24 June 2022 and note 12 of this report.

The Group did not have any other immediate plans for material investment and capital assets as at the date of this report.

## **FUND RAISING ACTIVITIES**

### **Placing of New Shares Under General Mandate**

On 20 June 2022, the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent has agreed to place, on a best effort basis, to not less than six independent Placees for up to 6,000,000 new Shares at a price of HK\$0.230 per Placing Share, for and on behalf of the Company.

On 8 July 2022, the Placing was completed and 6,000,000 new Shares were issued to not less than six Placees at the Placing Price.

More details are set out in the Company’s announcement dated 20 June 2022 and 8 July 2022.

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

As at 30 June 2022, none of the Directors or chief executive of the Company or their associates had any interests and short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (iii) which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange. There were no debt securities issued by the Group during the three months ended 30 June 2022.

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

As at 30 June 2022, so far as known to the Directors, the following shareholders had, or were deemed to have, interests or short positions, in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

### Long positions in shares of the Company

Name	Capacity	Number of Shares interested or held	Percentage of interest
DD Innovation Limited ("DD Innovation") (Note 1)	Beneficial owner	96,590,909	13.45%
Ms. Wong Ming Kwan Victoria ("Ms. Wong") (Note 1)	Beneficial owner and interest in a controlled corporation	113,636,364	15.82%

<b>Name</b>	<b>Capacity</b>	<b>Number of Shares interested or held</b>	<b>Percentage of interest</b>
Solution Smart Holdings Limited (" <b>Solution Smart</b> ") (Note 2)	Beneficial owner	112,589,600	18.81%
Mr. Chung Wai Sum (" <b>Mr. Chung</b> ") (Note 2)	Interest in a controlled corporation	112,589,600	18.81%
SMK Investment Company Limited (" <b>SMK</b> ") (Note 3)	Beneficial owner	90,997,600	15.20%
Mr. Kor Sing Mung Michael (Note 3)	Interest in a controlled corporation	90,997,600	15.20%

*Notes:*

1. Ms. Wong is the sole beneficial shareholder of DD Innovation. Therefore, Ms. Wong is deemed to be interested in the Shares in which DD Innovation is interested for the purpose of the SFO. In addition, Ms. Wong directly holds 17,045,455 shares of the Company.
2. Mr. Chung Wai Sum is the sole beneficial shareholder of Solution Smart. Therefore, Mr. Chung is deemed to be interested in 112,589,600 shares of the Company held by Solution Smart under the SFO.
3. Mr. Kor Sing Mung Michael, is the sole beneficial shareholder of SMK. Therefore, Mr. Kor Sing Mung Michael is deemed to be interested in 90,997,600 shares of the Company held by SMK under the SFO.
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 as at 30 June 2022.

## **DIRECTORS' INTEREST IN CONTRACTS**

Apart from the transactions disclosed under the heading "Related Party Transactions" as set out in note 11 of this report, 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 during the three months ended 30 June 2022.

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

For the three months ended 30 June 2022, 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 2022. 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 2022.

The Company fully complied with all the Code Provisions throughout the three months ended 30 June 2022.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Group had adopted Rules 5.46 to 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 set out in the Model Code and the code of conduct for Directors' securities transactions during the three months ended 30 June 2022.

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

The Company has not redeemed any of its shares during the three months ended 30 June 2022. Neither the Company nor any of its subsidiaries had purchased or sold any of Company's shares during the three months ended 30 June 2022.

## SHARE OPTION SCHEME

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

The Scheme will remain valid and effective for a period of 10 years commencing on the date on which the Scheme is adopted, after which period no further share options will be granted but the provisions of the Scheme shall in all other respects remain in full force and effect and share options which are granted during the life of the Scheme may continue to be exercisable in accordance with their terms of issue. The principal terms of which were summarised in the paragraph headed “Share Option Scheme” in Appendix IV to the Prospectus. No share options had been granted, agreed to be granted, exercised, cancelled, expired or lapsed under the Scheme during the three months ended 30 June 2021. The Company did not have any outstanding share options, warrants and convertible instruments into shares as at 30 June 2022 and the date of this report. The total number of shares of the Company which may be issued upon the exercise of all options to be granted under the Scheme was 26,880,000 shares (adjusted as a result of share consolidation effected on 6 February 2020) of the Company, representing approximately 4.5% of the issued share capital of the Company as at 30 June 2022 and the date of this report.

## AUDIT COMMITTEE

The existing audit committee of the Company (the “**Audit Committee**”) consists of three independent non-executive Directors of the Company, chaired by Mr. Choi Pun Lap and the other two members are Mr. Chan Shiu Man and Mr. Sheng Wei.

The unaudited first quarterly financial results of the Group for the three months ended 30 June 2022 have been reviewed by the Audit Committee.

By Order of the Board  
**On Real International Holdings Limited**  
**Zhu Xiu Zhi**  
*Executive Director*

Hong Kong, 12 August 2022

# UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2022

The Board is pleased to announce the unaudited consolidated results of the Group for the three months ended 30 June 2022, together with the comparative figures for the corresponding period in 2021 which have been reviewed by the Audit Committee, as follows:

	Note	Three months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	3	44,340	27,583
Cost of sales		(44,286)	(26,419)
<b>Gross profit</b>		<b>54</b>	1,164
Other income	4	149	235
Other gain/(loss)	5	383	(186)
Selling and distribution expenses		(113)	(670)
Administrative expenses		(4,312)	(4,874)
Finance costs	7	(100)	(162)
<b>Loss before income tax</b>	6	<b>(3,939)</b>	(4,493)
Income tax expense	8	—	—
<b>Loss for the period</b>		<b>(3,939)</b>	(4,493)
<b>Other comprehensive income</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(8,293)	542
<b>Total comprehensive expense for the period</b>		<b>(12,232)</b>	(3,951)



## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2022

	Note	Three months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Loss for the period</b>			
Owners of the Company		(3,939)	(4,493)
Non-controlling interest		—	—
		<b>(3,939)</b>	<b>(4,493)</b>
<b>Total comprehensive expense for the period attributable to:</b>			
Owners of the Company		(12,232)	(3,951)
Non-controlling interest		—	—
		<b>(12,232)</b>	<b>(3,951)</b>
<b>Loss per share (HK Cents)</b>			
Basic and diluted	9	(0.55)	(0.75)

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three months ended 30 June 2022

	Attributable to owners of the Company						Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share Capital HK\$'000	Share Premium HK\$'000	Capital Reserve HK\$'000	PRC Statutory Reserve HK\$'000	Exchange Reserve HK\$'000	Accumulated losses HK\$'000			
Balance at 1 April 2022 (Audited)	7,481	93,897	1,465	2,670	4,373	(138,000)	(28,114)	63	(28,051)
Loss for the period	-	-	-	-	-	(3,939)	(3,939)	-	(3,939)
Other comprehensive income									
Exchange difference arising on translation of foreign operations	-	-	-	-	(8,293)	-	(8,293)	-	(8,293)
Total comprehensive expense	-	-	-	-	(8,293)	(3,939)	(12,232)	-	(12,232)
Issue of shares upon acquisition of a subsidiary	1,421	13,579	-	-	-	-	15,000	-	15,000
<b>Balance at 30 June 2022 (Unaudited)</b>	<b>8,902</b>	<b>107,476</b>	<b>1,465</b>	<b>2,670</b>	<b>(3,920)</b>	<b>(141,939)</b>	<b>(25,346)</b>	<b>63</b>	<b>(25,283)</b>
Balance at 1 April 2021 (Audited)	7,481	93,897	1,465	2,670	3,034	(77,553)	30,994	63	31,057
Loss for the period	-	-	-	-	-	(4,493)	(4,493)	-	(4,493)
Other comprehensive income									
Exchange difference arising on translation of foreign operations	-	-	-	-	542	-	542	-	542
Total comprehensive expense	-	-	-	-	542	(4,493)	(3,951)	-	(3,951)
Balance at 30 June 2021 (Unaudited)	7,481	93,897	1,465	2,670	3,576	(82,046)	27,043	63	27,106

# NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1 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, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is G/F., 200 Hennessy Road, Wan Chai, Hong Kong.

The Company is an investment holding company. The principal activities of the Group are, designing, trading and manufacturing of two-way radios, baby monitors and other communication devices and servicing business of the above products.

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

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

## 2 BASIC OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

### **Basis of preparation of consolidated financial statements**

This unaudited condensed consolidated first quarterly financial information for the three months ended 30 June 2022 has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM (the “**GEM Listing Rules**”).

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements of the Group for the three months ended 30 June 2022 are consistent with those used in the audited consolidated financial statements for the year ended 31 March 2022 and should be read in conjunction with the consolidated annual financial statements for the year ended 31 March 2022.

The unaudited condensed consolidated financial statements for the three months ended 30 June 2022 have not been audited by the Company’s independent auditor but have been reviewed by the Company’s audit committee.

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

### Basis of preparation of consolidated financial statements (CONTINUED)

The preparation of the unaudited condensed consolidated financial statements of the Group for the three months ended 30 June 2022 is in conformity with the HKFRSs requirements in the use of certain critical accounting estimates. The HKFRSs also require the management to exercise their judgements in the process of applying the Group's accounting policies.

### Going concern basis

In preparing the consolidated financial statements, the directors of the Company have considered the future liquidity of the Group in view of its recurring losses incurred and net current liabilities position as at 30 June 2022. The Group incurred a consolidated net loss from operations of approximately HK\$3,939,000 for the three months ended 30 June 2022. As at 30 June 2022, the Group net liabilities of approximately HK\$25,284,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company are taking measures to improve the liquidity and solvency position of the Group. These measures include:

- a) On 2 June 2022, a wholly owned subsidiary of the Company, entered into the Sale and Purchase Agreement with independent third party for the acquisition of 100% issued shares of World Smarts Co. Limited at the consideration of HK\$15 million to be settled by the allotment and issue of the consideration shares of the Company. The acquisition (the "**Acquisition**") was completed on 24 June 2022. For detail, please referred to the Company's announcements dated 14 June 2022 and 24 June 2022;

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

### Going concern basis (CONTINUED)

- b) On 14 June 2022, the Company has entered into negotiations (the “**Negotiations**”) with Zhao Xian Business Ecology Platform (the “**Cooperator**”) in relation to the proposed cooperation to develop 5.0G sales network for Internet systems and value-added services in China. The cooperator is principally engaged in internet design and research and development, domestic and cross-border e-commerce platform, operation and sales in China;
- c) On 20 June 2022, the Company entered into the Placing Agreement with the Placing Agent. The Placing Agent has agreed to place not less than six independent Placees for up to 6,000,000 new shares at a price of HK\$0.230 per placing share, for and on behalf of the Company. The placing (the “**Placing**”) has been completed on 8 July 2022.

In light of the abovesaid measures subsequent to the year-end date, the Board considers that the Acquisition represents a good opportunity to expand its current business and to develop product diversification. The Acquisition will also serve as a lateral expansion of the Group’s business in sale, trading, distribution, and processing of branded consumer products. Considering the negotiation with the Cooperator, the Board has been actively looking for business opportunities to diversify the income source of the Group. Furthermore, following the completion of the Placing and potential fund-raising activities in the future including but not limited to issuance of convertible bond and share options, further placing arrangements and obtainment of loan facilities, the Board believes that the financial position of the Company shall be strengthened by the end of the year.

### 3 SEGMENT INFORMATION

Total revenue recognised during the respective period are as follows:

	Three months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Sales of goods	44,340	27,583
Sales of service	—	—
	<b>44,340</b>	<b>27,583</b>

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 designing, trading and manufacturing of two-way radios, baby monitors and other products 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 based on gross profit arising in the course of the ordinary activities which are recurring in nature.

Capital expenditure comprises additions to property, plant and equipment.

### 3 SEGMENT INFORMATION (CONTINUED)

The segment information provided to the executive Directors for the reportable segments for the three months ended 30 June 2022 and 30 June 2021 is as follows:

	<b>Two-way radios</b> HK\$'000 (Unaudited)	<b>Baby monitors</b> HK\$'000 (Unaudited)	<b>Other products</b> <i>(Note (i))</i> HK\$'000 (Unaudited)	<b>Total</b> HK\$'000 (Unaudited)
<b>For the three months ended 30 June 2022</b>				
Total segment revenue (from external customers)	<b>21,063</b>	<b>2</b>	<b>23,275</b>	<b>44,340</b>
<b>Segment results for the period</b>	<b>1,423</b>	<b>—</b>	<b>(1,369)</b>	<b>54</b>
<b>Other segment item:</b> Depreciation of property, plant and equipment	—	—	—	—
<b>For the three months ended 30 June 2021</b>				
Total segment revenue (from external customers)	15,054	321	12,208	27,583
<b>Segment results for the period</b>	587	13	564	1,164
<b>Other segment item:</b> Depreciation of property, plant and equipment	—	—	—	—

*Note (i):* Other products include transistors, integrated circuits, plastic casings, rechargeable battery chargers, ultrasonic cleansers, inductive emergency flashlights, LCD display module and accessories such as headsets, belt clips, chargers and power adaptors etc.

### 3 SEGMENT INFORMATION (CONTINUED)

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

	<b>Three months ended 30 June</b>	
	<b>2022</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2021 HK\$'000 (Unaudited)
Segment results	<b>54</b>	1,164
Other income	<b>149</b>	235
Other gain/(losses)	<b>383</b>	(186)
Selling, distribution and administrative expenses	<b>(4,425)</b>	(5,544)
Finance costs	<b>(100)</b>	(162)
Loss before income tax	<b>(3,939)</b>	(4,493)

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

	<b>Three months ended 30 June</b>	
	<b>2022</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2021 HK\$'000 (Unaudited)
Europe (Note 1)	—	1,183
Asia (Note 2)	<b>44,340</b>	26,400
	<b>44,340</b>	27,583



### 3 SEGMENT INFORMATION (CONTINUED)

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

Note 2: Asia includes but is not limited to the PRC and Hong Kong.

Revenue is allocated based on the shipping destination.

### 4 OTHER INCOME

	Three months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Bank interest income	7	64
Gain on disposal of property, plant and equipment	46	44
Sales of scrap materials	11	4
Others	85	123
	<b>149</b>	235

### 5 OTHER GAIN/(LOSS)

	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Exchange gain/(loss), net	<b>383</b>	(186)

## 6 LOSS BEFORE INCOME TAX

	Three months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Cost of inventories recognised as expenses	37,439	18,516
Employee benefit expenses	2,658	4,021
Subcontracting fees	—	5,073
Depreciation		
— Property, plant and equipment	—	—
— Right-of-use assets	31	47
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	214	511

## 7 FINANCE COSTS

	Three months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest on:		
— Bank and other borrowings	93	151
— Lease liabilities	7	11
	100	162

## 8 INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax and PRC enterprise income tax has been made as the Group did not have any assessable profits for the three months ended 30 June 2022 (2021: nil).

## 9 LOSS 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 the respective periods.

	Three months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Loss attributable to owners of the Company (HK\$'000)	(3,939)	(4,493)
Weighted average number of ordinary shares in issue ('000)	712,136	598,500
Basic loss per share (HK cents per share)	(0.55)	(0.75)

### (b) Diluted

Diluted loss per share is the same as basic loss per share as there were no potential outstanding shares during the respective periods.

## 10 DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the three months ended 30 June 2022 (2021: nil).

## 11 RELATED-PARTY TRANSACTIONS

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

The 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 2022 and 30 June 2021.

	Three months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Rental expenses charged by a related company	—	521

*Note:*

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

## 12 ACQUISITION OF SUBSIDIARY

### **World Smarts Co. Limited**

On 24 June 2022, a direct wholly-owned subsidiary of the Company entered into the sale and purchase agreement to acquire 100% equity interest in World Smarts Co. Limited (“**World Smarts**”) (“**Acquisition**”) from vendors (“**Vendors**”) namely Wong Ming Kwan Victoria and DD Innovation Limited, an independent third party to the Group, at a consideration of HK\$15,000,000 which was satisfied by the issue of the Consideration Shares by the Company to the Vendors upon Completion. World Smart is a limited company incorporated in Hong Kong in 2014 and is principally engaged in the production and sales of OEM, ODM and OBM plastic products with specialty in 3D items, infants and children products. During the three months period 30 June 2022, the Group obtained control in World Smarts on 24 June 2022.

### **Consideration transferred**

The consideration in total was approximately HK\$15,00,000 being 113,636,364 shares at HK\$0.132 issued to the vendors as directed in full settlement of the consideration of the Acquisition.

The assets acquired and liabilities recognised at the date of the Acquisition were trade and other receivables of approximately HK\$4,973,000, bank balances and cash of approximately HK\$88,000, other payables of approximately HK\$3,769,000 and bank loan of approximately HK\$1,275,000. The net assets were approximately HK\$17,000.

## 12 ACQUISITION OF SUBSIDIARY (CONTINUED)

### **Consideration transferred: (CONTINUED)**

Acquisition-related costs amounting to approximately HK\$50,000 have been excluded from the consideration transferred and have been recognized as an expenses in the current period, within the “other expenses” line item in the consolidated statement of profit or loss and other comprehensive income.

The provisional value as well as the gross contractual amount of trade and other receivables at the date of acquisition of approximately HK\$4,366,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected was HK\$nil.

### **Net cash inflow on acquisition of World Smarts**

The net cash outflow on the acquisition was HK\$ nil, as the Acquisition was settled by issuance of Consideration Shares, and less the cash and cash equivalents acquired of approximately HK\$88,000, a net cash inflow of approximately HK\$88,000 was recognized on the Acquisition.

Included in the loss for the three months reporting period was profit of approximately HK\$nil attributable to the additional business generated by World Smarts after the acquisition date. Revenue for the three months reporting period includes approximately HK\$nil generated from World Smarts after the acquisition date.

### **Goodwill arising on acquisition of World Smarts**

The goodwill arising on acquisition of Worlds Smarts would be approximately HK\$14,983,000, being the consideration transferred less the fair value of identifiable net assets acquired.

## **12 ACQUISITION OF SUBSIDIARY (CONTINUED)**

### **Consideration transferred: (CONTINUED)**

The provisional values recognised on acquisition as shown above, including but not limited to the provisional value of the Consideration Shares, may be adjusted upon the completion of the initial accounting for the business combination during the measurement period, which shall not exceed one year from the acquisition date.

The goodwill arising on acquisition of World Smarts is determined on a provisional basis as the Group is in the process of completing a valuation to assess the fair values of the identifiable assets acquired and liabilities assumed.

## **13. MAJOR NON-CASH TRANSACTION**

For the three months ended 30 June 2022, the acquisition of World Smarts was completed on 24 June 2022. The consideration was settled by issuance of Consideration Shares. Details are set out in note 12 of this report.

## **14 EVENT AFTER REPORTING PERIOD**

On 20 June 2022, the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent has agreed to place, on a best effort basis, to not less than six independent Placees for up to 6,000,000 new Shares at a price of HK\$0.230 per Placing Share, for and on behalf of the Company.

On 8 July 2022, the Placing was completed and 6,000,000 new Shares were issued to not less than six Placees at the Placing Price.

More details are set out in the Company's announcement dated 20 June 2022 and 8 July 2022.

There is no other material subsequent event undertaken by the Company or by the Group after 30 June 2022 and up to the date of this report.