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On Real International Holdings Limited

安悦國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8245

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

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

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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**”, 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 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.*

FINANCIAL HIGHLIGHTS

- Revenue of the Company for the six months ended 30 September 2016 amounted to approximately HK\$154.7 million, representing a decrease of approximately 2.9% as compared with that of approximately HK\$159.4 million for the six months ended 30 September 2015.
- Profit attributable to the owner of the Company for the six months ended 30 September 2016 amounted to approximately HK\$1.7 million, representing an increase of approximately 2.4 times as compared with that of approximately HK\$0.5 million for the six months ended 30 September 2015.
- Basic and diluted earnings per share for the six months ended 30 September 2016 amounted to approximately HK cents 0.36 (for the six months ended 30 September 2015: HK cents 0.14).
- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2016.

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited consolidated results of the Group for the six months and three months ended 30 September 2016, together with the comparative figures for the corresponding period in 2015 which have been reviewed and approved by the audit committee of the Company (the “**Audit Committee**”) as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2016

	Notes	Three months ended		Six months ended	
		30 September		30 September	
		2016	2015	2016	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	6	92,610	92,456	154,701	159,368
Cost of sales	9	(78,661)	(76,523)	(132,186)	(132,065)
Gross profit		13,949	15,933	22,515	27,303
Other income — net	7	581	145	834	112
Other (losses)/gains — net	8	(88)	1,124	301	167
Selling and distribution expenses	9	(932)	(1,102)	(1,977)	(1,888)
Administrative expenses	9	(10,534)	(12,370)	(19,553)	(23,227)
Operating profit		2,976	3,730	2,120	2,467
Finance income	10	188	733	400	1,242
Finance costs	10	(231)	(449)	(373)	(813)
Finance (costs)/income — net	10	(43)	284	27	429
Profit before income tax		2,933	4,014	2,147	2,896
Income tax expense	11	(605)	(1,737)	(443)	(2,389)
Profit for the period attributable to the owners of the Company		2,328	2,277	1,704	507
Earnings per share attributable to owners of the Company for the period — Basic and diluted (expressed in HK cents per share)	12	0.49	0.63	0.36	0.14
Dividends	13	—	—	—	—

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 September 2016*

	Three months ended		Six months ended	
	30 September		30 September	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period	<u>2,328</u>	<u>2,277</u>	<u>1,704</u>	<u>507</u>
Other comprehensive income:				
Currency translation differences	<u>(843)</u>	<u>(446)</u>	<u>(828)</u>	<u>(433)</u>
Other comprehensive income for the period, net of tax	<u>(843)</u>	<u>(446)</u>	<u>(828)</u>	<u>(433)</u>
Total comprehensive income for the period attributable to owners of the Company	<u>1,485</u>	<u>1,831</u>	<u>876</u>	<u>74</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

		30 September 2016	31 March 2016
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	14	8,050	8,992
Intangible assets	14	5,318	6,758
Financial asset at fair value through profit or loss		14,512	14,513
Prepayments	15	1,935	2,864
Deferred income tax assets		2,275	2,275
Total non-current assets		32,090	35,402
Current assets			
Inventories	16	53,961	33,712
Trade and other receivables	15	87,875	42,443
Tax recoverable		6,232	4,048
Restricted cash		2,201	2,251
Cash and cash equivalents		32,751	35,050
Total current assets		183,020	117,504
Total assets		215,110	152,906
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	4,800	4,800
Other reserves		76,771	77,599
Accumulated losses		(10,651)	(12,355)
Total equity		70,920	70,044
LIABILITIES			
Current liabilities			
Trade and other payables	19	87,041	57,517
Borrowings	18	56,307	24,983
Current income tax liabilities		842	362
Total current liabilities		144,190	82,862
Total liabilities		144,190	82,862
Total equity and liabilities		215,110	152,906
Net current assets		38,830	34,642
Total assets less current liabilities		70,920	70,044

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Attributable to owners of the Company						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	Retained earnings HK\$'000	
Balance at 1 April 2016 (Audited)	4,800	75,468	(5,826)	3,971	3,986	(12,355)	70,044
Profit for the period	—	—	—	—	—	1,704	1,704
Other comprehensive Income							
Currency translation differences	—	—	—	(128)	(700)	—	(828)
Total other comprehensive income, net of tax	—	—	—	(128)	(700)	—	(828)
Total comprehensive income	—	—	—	(128)	(700)	1,704	876
Total contribution from and distribution to owners if the Company, recognised directly in equity	—	—	—	(128)	(700)	1,704	876
Balance at 30 September 2016 (Unaudited)	<u>4,800</u>	<u>75,468</u>	<u>(5,826)</u>	<u>3,843</u>	<u>3,286</u>	<u>(10,651)</u>	<u>70,920</u>

Attributable to owners of the Company

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	PRC Statutory Reserve <i>HK\$'000</i>	Exchange Reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total Equity <i>HK\$'000</i>
Balance at 1 April 2015 (Audited)	—	22,126	(5,826)	3,182	3,347	3,431	26,260
Profit for the period	—	—	—	—	—	507	507
Other comprehensive Income							
Currency translation differences	—	—	—	—	(433)	—	(433)
Total other comprehensive income, net of tax	—	—	—	—	(433)	—	(433)
Total comprehensive income	—	—	—	—	(433)	507	74
Total contribution from and distribution to owners if the Company, recognised directly in equity							
Capitalisation of shares <i>(Note 17(a))</i>	3,600	(3,600)	—	—	—	—	—
Issue of new shares upon placing, net of share issuing expenses <i>(Note 17(b))</i>	1,200	56,942	—	—	—	—	58,142
Total transactions with Owners, directly in equity	4,800	53,342	—	—	—	—	58,142
Balance at 30 September 2015 (Unaudited)	<u>4,800</u>	<u>75,468</u>	<u>(5,826)</u>	<u>3,182</u>	<u>2,914</u>	<u>3,938</u>	<u>84,476</u>

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS*For the six months ended 30 September 2016*

	Six months ended	
	30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash used in from operations	(30,019)	(18,670)
Interest paid	(373)	(813)
Income tax paid	(2,627)	(3,418)
	<hr/>	<hr/>
Net cash used in operating activities	(33,019)	(22,901)
	<hr/>	<hr/>
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,675)	(2,391)
Proceeds from disposals of property, plant and equipment	650	15
Decrease/(increase) in restricted cash	50	(32)
Interest received	400	239
	<hr/>	<hr/>
Net cash used in investing activities	(575)	(2,169)
	<hr/>	<hr/>
Cash flows from financing activities		
Proceeds from bank borrowings	31,356	30,542
Repayments of obligation under finance lease	(32)	(195)
Payment for listing expenses	—	(7,833)
	<hr/>	<hr/>
Net cash generated from financing activities	31,324	22,514
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(2,270)	(2,556)
Cash and cash equivalents at the beginning of the period	35,050	28,373
Exchange losses on cash and cash equivalents	(29)	(350)
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	32,751	25,467
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 CORPORATION INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

(a) General information

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

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

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

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

(b) Basis of presentation

The presentation applied are consistent with those of the annual financial statements for the year ended 31 March 2016, as described in those annual financial statements.

2 BASIC OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2016 has been prepared in accordance with Hong Kong Accounting Standards (“**HKAS**”) 34 ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”).

3 PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for financial asset at fair value through profit or loss which is measured at fair values.

The accounting policies used in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2016, except as described below.

In the six months ended 30 September 2016, the Group has applied, for the first time, the following new standards, amendments and interpretation (the “**new HKFRSs**”) issued by the HKICPA which are effective for the Group’s financial year beginning on 1 April 2016.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The application of the above new and revised HKFRSs in the current period has had no material effect on the Group’s financial performance and positions for the current and prior interim periods and/or disclosures set out in these condensed consolidated interim financial statements.

4 ESTIMATES

The preparation of condensed consolidation interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2016.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2016.

There have been no changes in the risk management policies since year end.

5.2 Liquidity risk

Compared to year end, there have been no material changes to the policies and practices for the Group's liquidity and funding risks management as described in the annual financial statements for the year ended 31 March 2016.

5.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The following table presents the Group's financial asset that is measured at fair value:

	Level 1	Level 2	Level 3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unaudited				
At 30 September 2016				
Asset				
— Financial asset at fair value through profit or loss	—	—	14,512	14,512
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Audited				
At 31 March 2016				
Asset				
— Financial asset at fair value through profit or loss	—	—	14,513	14,513
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

5.4 Fair value measurements using significant unobservable inputs (Level 3)

The following table presents the changes in level 3 instruments for the six months ended 30 September 2016 and 2015:

	Financial asset at fair value through profit or loss	
	HK\$'000 2016 (Unaudited)	HK\$'000 2015 (Unaudited)
Opening balance at 1 April	14,513	14,458
Interest income	179	173
Administrative expense charged to condensed consolidated income statement	(67)	(63)
Changes in fair value (Note 8)	(113)	(830)
Closing balance at 30 September	<u>14,512</u>	<u>13,738</u>

There were no transfers between levels 2 and 3 during the respective periods.

5.5 Group's valuation processes

The Group's finance department performs the valuations of financial assets required for financial reporting purposes, including Level 3 fair values and reports, discusses and explains the reasons for the fair value movements to the management for each reporting dates.

The main Level 3 input used by the Group for key-man insurance pertains to the discount rate for reflecting current market assessments of the uncertainty in the amount and timing of cash flows and future credit rate which is based on the current rate of interest credit to the insurance policy. The valuation of key-man insurance is determined and provided by an independent valuer using the discounted cash flow approach. The discounted cash flow approach focuses on the economic benefits generated by the income producing capability of an asset. The underlying theory of this approach is that the value of an asset can be measured by the present worth of the economic benefits to be received over its economic life. This approach needs to estimate the future cash flows and then discounts these cash flows to its present value using a discount rate appropriate for the risks associated with realising those cash flows.

The fair values of trade and other receivables, restricted cash, cash and cash equivalents, trade and payables, borrowings and finance lease liabilities as at 30 September 2016 approximate to their carrying amounts.

6 SEGMENT INFORMATION

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

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

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

Capital expenditure comprises additions to property, plant and equipment.

The segment information provided to the executive directors for the reportable segments for the six months ended 30 September 2016 and 30 September 2015 is as follows:

	Two-way radios HK\$'000 (Unaudited)	Baby monitors HK\$'000 (Unaudited)	Service business HK\$'000 (Unaudited)	Other products (Note i) HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
For the six months ended 30 September 2016					
Total segment revenue (from external customers)	134,728	9,880	43	10,050	154,701
Segment results for the period	19,547	1,383	3	1,582	22,515
Other segment items:					
Amortisation of intangible assets	371	1,052	—	—	1,423
Depreciation of property, plant and equipment	1,820	159	—	96	2,075
Capital expenditures	1,675	—	—	—	1,675
For the six months ended 30 September 2015					
Total segment revenue (from external customers)	140,304	10,628	1,026	7,410	159,368
Segment results for the period	22,699	2,322	982	1,300	27,303
Other segment items:					
Amortisation of land use rights and intangible assets	363	1,028	—	—	1,391
Depreciation of property, plant and equipment	1,999	175	—	105	2,279
Capital expenditures	1,225	102	—	67	1,394

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

Total revenue recognised during the respective period are as follows:

	Three months ended 30 September		Six months ended 30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales of goods	92,586	92,456	154,658	158,342
Sales of service	24	—	43	1,026
	92,610	92,456	154,701	159,368

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

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

	Three months ended		Six months ended	
	30 September		30 September	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment results	13,949	15,933	22,515	27,303
Other income — net	581	145	834	112
Other (losses)/gains — net	(88)	1,124	301	167
Selling, distribution and administrative expenses	(11,466)	(13,472)	(21,530)	(25,115)
Operating profit	2,976	3,730	2,120	2,467
Finance (costs)/income — net	(43)	284	27	429
Profit before income tax	2,933	4,014	2,147	2,896

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

	Three months ended		Six months ended	
	30 September		30 September	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
The United States of America (the “US”)	41,651	37,041	64,210	65,019
Europe (<i>Note 1</i>)	6,434	15,246	14,144	23,696
The Netherlands	5,969	5,195	12,636	9,082
Asia (<i>Note 2</i>)	10,813	9,148	18,913	14,988
UK (<i>Note 3</i>)	9,841	8,401	14,967	13,482
Germany	13,588	12,287	25,082	25,078
Others (<i>Note 4</i>)	4,314	5,138	4,749	8,023
	92,610	92,456	154,701	159,368

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

Note 2: Asia includes but is not limited to the People’s Republic of China (the “PRC”) and Hong Kong.

Note 3: UK — the United Kingdom of Great Britain and Northern Ireland.

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

Non-current assets are located in the PRC and Hong Kong.

7 OTHER INCOME — NET

	Three months ended		Six months ended	
	30 September		30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Staff quarter rental income	<u>29</u>	<u>16</u>	<u>52</u>	<u>30</u>
Gain/(loss) on disposal of property, plant and equipment	278	—	278	(56)
Machine rental income	77	—	77	—
Others	<u>197</u>	<u>129</u>	<u>427</u>	<u>138</u>
	<u>581</u>	<u>145</u>	<u>834</u>	<u>112</u>

8 OTHER (LOSSES)/GAINS — NET

	Three months ended		Six months ended	
	30 September		30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Exchange (losses)/gains, net	(31)	970	414	997
Fair value (losses)/gains on financial asset at fair value through profit or loss	<u>(57)</u>	<u>154</u>	<u>(113)</u>	<u>(830)</u>
	<u>(88)</u>	<u>1,124</u>	<u>301</u>	<u>167</u>

9 EXPENSES BY NATURE

	Three months ended		Six months ended	
	30 September		30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of inventories recognised as expenses	44,106	47,908	71,605	83,225
Employee benefit expenses	15,387	15,732	32,111	34,228
Subcontracting fees	20,137	9,344	29,860	14,503
Amortisation of intangible assets (Note 14)	711	745	1,423	1,391
Depreciation of property, plant and equipment (Note 14)	1,050	984	2,075	2,279
Provision for inventories	630	—	630	—
Listing expenses	—	4,338	—	8,676
Other expenses	<u>8,106</u>	<u>10,944</u>	<u>15,472</u>	<u>12,878</u>
	<u>90,127</u>	<u>89,995</u>	<u>153,176</u>	<u>157,180</u>
Representing:				
Cost of sales	78,661	76,523	132,186	132,065
Selling and distribution expenses	932	1,102	1,977	1,888
Administrative expenses	<u>10,534</u>	<u>12,370</u>	<u>19,553</u>	<u>23,227</u>
	<u>90,127</u>	<u>89,995</u>	<u>153,716</u>	<u>157,180</u>

10 FINANCE (COSTS)/INCOME — NET

	Three months ended		Six months ended	
	30 September		30 September	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest expense on bank borrowings				
— Repayable within 5 years	(231)	(443)	(373)	(800)
Interest expenses on finance leases	—	(6)	—	(13)
Finance costs	<u>(231)</u>	<u>(449)</u>	<u>(373)</u>	<u>(813)</u>
Interest income from bank deposits	19	17	48	66
Interest income from financial asset at fair value through profit or loss	90	87	179	173
Other interest income	79	629	173	1,003
Finance income	<u>188</u>	<u>733</u>	<u>400</u>	<u>1,242</u>
Finance (costs)/income — nets	<u>(43)</u>	<u>284</u>	<u>27</u>	<u>429</u>

11 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit during the six months ended 30 September 2016. The PRC enterprise income tax is provided at the rate of 25% during the six months ended 30 September 2016.

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

	Three months ended		Six months ended	
	30 September		30 September	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current income tax	605	1,737	443	2,389
Income tax expense	<u>605</u>	<u>1,737</u>	<u>443</u>	<u>2,389</u>

12 EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE PERIOD — BASIC AND DILUTED

(a) Basic

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

	Three months ended		Six months ended	
	30 September		30 September	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (HK\$'000)	2,328	2,277	1,704	507
Weighted number of ordinary shares in issue ('000)	480,000	361,304	480,000	360,656
Basic earnings per share (HK cents per share)	<u>0.49</u>	<u>0.63</u>	<u>0.36</u>	<u>0.14</u>

(b) Diluted

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

13 DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the six months ended 30 September 2016 and 2015.

14 CAPITAL EXPENDITURE

	Property, plant and equipment <i>HK\$'000</i>	Intangible assets — Product development costs <i>HK\$'000</i>
Unaudited		
Six months ended 30 September 2016		
Opening net book amount as at 1 April 2016	8,992	6,758
Additions	1,675	—
Depreciation/amortisation	(2,075)	(1,423)
Disposal	(372)	—
Exchange differences	(170)	(17)
	<u>8,050</u>	<u>5,318</u>
Closing net book amount as at 30 September 2016	<u>8,050</u>	<u>5,318</u>
Audited		
Year ended 31 March 2016		
Opening net book amount as at 1 April 2015	9,068	8,403
Additions	4,939	1,075
Depreciation/amortisation	(4,573)	(2,679)
Exchange differences	(442)	(41)
	<u>8,992</u>	<u>6,758</u>
Closing net book amount as at 31 March 2016	<u>8,992</u>	<u>6,758</u>

15 TRADE AND OTHER RECEIVABLES

	30 September 2016 <i>HK\$'000</i> (Unaudited)	31 March 2016 <i>HK\$'000</i> (Audited)
Trade and bills receivable (<i>Note a</i>)	68,543	29,391
Prepayments	11,040	9,330
Value-added tax receivables	8,610	5,586
Other receivables and deposits	1,617	705
Receivables from a related party	—	295
	<u>89,810</u>	<u>45,307</u>
Less non-current portion: prepayments	<u>(1,935)</u>	<u>(2,864)</u>
Current portion	<u>87,875</u>	<u>42,443</u>

(a) Trade and bills receivable

The carrying amounts of trade and bills receivable approximate their fair values.

The Group normally grants credit terms to its customers up to 90 days. The ageing analysis of the trade and bills receivable based on due date are as follows:

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Currents	<u>57,112</u>	<u>24,820</u>
1 to 30 days	8,836	3,986
31 to 60 days	1,256	490
61 to 90 days	1,109	—
91 to 180 days	151	37
Over 180 days	<u>79</u>	<u>58</u>
Amounts past due but not impaired	<u>11,431</u>	<u>4,571</u>
Total	<u><u>68,543</u></u>	<u><u>29,391</u></u>

16 INVENTORIES

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Raw materials	19,686	14,043
Work in progress	29,728	14,115
Finished goods	<u>5,646</u>	<u>6,061</u>
	55,060	34,219
Less: Provision for inventories	<u>(1,099)</u>	<u>(507)</u>
	<u><u>53,961</u></u>	<u><u>33,712</u></u>

The cost of inventories recognised as expenses in “cost of sales” amounted to approximately HK\$71,605,000 and HK\$83,225,000 for the six months ended 30 September 2016 and 30 September 2015, respectively.

17 SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each	780,000,000	7,800
Issued and fully paid:		
As at 1 April 2015	20,000	—
Capitalisation of shares (<i>Note (a)</i>)	359,980,000	3,600
Issue of new shares pursuant of share offer (<i>Note (b)</i>)	120,000,000	1,200
As at 31 March 2016 and 30 September 2016	480,000,000	4,800

Notes:

- (a) On 16 September 2015, the authorised share capital of the Company increased from HK\$390,000 to HK\$7,800,000 by the creation of additional 741,000,000 shares of HK\$0.01 each. On the same date, the Company capitalised an amount of HK\$3,599,800 by charging to the share premium account of the Company and that the said sum to be applied in paying up in full for 359,980,000 shares. Such shares are allotted and issued, credited as fully paid to the then shareholders of the Company.
- (b) In connection with the Company's initial public offering on GEM on 30 September 2015, 120,000,000 ordinary shares of HK\$0.01 each were issued at a price of HK\$0.57 per share for a total cash consideration of HK\$68,400,000, with issuance costs amounted to HK\$10,258,000. This resulted in share premium of approximately HK\$56,942,000.

18 BORROWINGS

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Current, Secured		
Bank borrowings due for repayment within 1 year	2,273	4,270
Portion of long-term bank borrowings due for repayment after 1 year which contain a repayment on demand clause	1,912	2,214
Finance lease liabilities	—	32
Factoring loans	22,679	8,601
Import and export loans	29,443	9,866
Total borrowings	56,307	24,983

All borrowings, including the term loans repayable on demand, are carried at amortised cost.

As at 30 September 2016, the Group had aggregate banking facilities of approximately HK\$81,561,000 (31 March 2016: HK\$59,170,000) including loans, trade financing and bank guarantees. Unused facilities as at 30 September 2016 amounted to approximately HK\$25,254,000 (31 March 2016: HK\$34,187,000).

As at 30 September 2016, the facilities are secured/guaranteed by:

- (i) pledge of life insurance amounting to HK\$14,512,000;
- (ii) bank deposits of HK\$2,201,000;
- (iii) a corporate guarantee from the Company; and
- (iv) trade receivables of HK\$29,830,000.

As at 31 March 2016, the facilities are secured/guaranteed by:

- (i) pledge of life insurance amounting to HK\$14,513,000;
- (ii) bank deposits of HK\$2,251,000;
- (iii) a corporate guarantee from the Company; and
- (iv) trade receivables of HK\$10,720,000.

The carrying amounts of the borrowings approximate their fair values. The weighted average interest rate is 3.46% (31 March 2016: 3.02%) as at 30 September 2016.

19 TRADE AND OTHER PAYABLES

	30 September 2016 <i>HK\$'000</i> (Unaudited)	31 March 2016 <i>HK\$'000</i> (Audited)
Trade payables (<i>Note (a)</i>)	71,511	38,752
Amount due to a related party	—	98
Advances from customers	—	3,236
Other payables and accruals		
— Accruals for staff cost	4,390	9,830
— Accruals for retirement benefit costs and housing funds	200	2,076
— Payable for property, plant and equipment	311	709
— Other accruals and other payables	10,629	2,816
	<u>87,041</u>	<u>57,517</u>

(a) Trade payables

The ageing analysis of the trade payables based on invoice date is as follows:

	30 September 2016 <i>HK\$'000</i> (Unaudited)	31 March 2016 <i>HK\$'000</i> (Audited)
0 to 30 days	19,731	17,204
31 to 60 days	20,191	7,351
61 to 90 days	18,053	8,880
Over 90 days	13,536	5,317
	<u>71,511</u>	<u>38,752</u>

20 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at the balance sheet date not provided for are as follows:

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Contracted but not provided for		
— Property, plant and equipment	832	279
— Intangible assets	774	774
	<u>774</u>	<u>774</u>

(b) Operating lease commitments

The total future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Land and buildings		
— No later than 1 year	1,317	915
— Later than 1 year and no later than 5 years	38	264
	<u>1,355</u>	<u>1,179</u>

The Group has no other material commitments as at 30 September 2016 (31 March 2016: Nil).

21 RELATED-PARTY TRANSACTIONS

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

The directors are of the view that the following companies were related parties that had transactions or balances with the Group during the three months and six months ended 30 September 2016 and 30 September 2015:

Name of the related party	Relationship with the Group
On Time (HK) Limited	Controlled by Mr. Tam and Mr. Hsu (<i>Note</i>)
Shine View Development Limited	Controlled by Mr. Tam and Mr. Hsu (<i>Note</i>)
Xinxing On Time Electronics Limited ("Xinxing On Time")	Controlled by Mr. Tam and Mr. Hsu (<i>Note</i>)

Note: Mr. Hsu ceased to be a controlling shareholder of the Company since 22 August 2016.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the three months and six months ended 30 September 2016 and 30 September 2015.

(a) Transactions with related parties

	Three months ended		Six months ended	
	30 September		30 September	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Rental expenses charged by a related company				
— Xinxing On Time	<u>244</u>	<u>305</u>	<u>588</u>	<u>611</u>

Certain administrative expenses of the Company incurred during the six months ended 30 September 2016 were borne by On Real Limited, the subsidiary indirectly held by the Company.

(b) Key management compensation

Key management includes directors (executive and non-executive) and the senior management of the Group. The compensation paid or payable to key management for employee services is disclosed as follows:

	Three months ended		Six months ended	
	30 September		30 September	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Wages, salaries and allowances	<u>1,053</u>	<u>842</u>	<u>2,087</u>	<u>1,684</u>
Retirement benefit costs	<u>9</u>	<u>14</u>	<u>18</u>	<u>27</u>
	<u>1,062</u>	<u>856</u>	<u>2,105</u>	<u>1,711</u>

MANAGEMENT DISCUSSION AND ANALYSIS

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 (the “ODM”) basis.

The Group’s revenue decreased from approximately HK\$159.4 million for the six months ended 30 September 2015 to approximately HK\$154.7 million for the six months ended 30 September 2016, representing a decrease of approximately 2.9%. Such decrease was mainly attributable to the reformulation and change of sales strategy of the major customer (i.e. the “Customer”). The Customer started to place the purchase order through the licensee for the three months ended 30 September 2016. Two existing clients had placed more orders of their new products for the six months ended 30 September 2016.

The Group’s revenue of two-way radios decreased by approximately 4.0% from approximately HK\$140.3 million for the six months ended 30 September 2015 to approximately HK\$134.7 million for the six months ended 30 September 2016 mainly due to the decrease in demand from the Customer.

The Group’s revenue of baby monitor decreased by approximately 6.6% from approximately HK\$10.6 million for the six months ended 30 September 2015 to approximately HK\$9.9 million for the six months ended 30 September 2016 mainly due to the decrease in demand of our audio baby monitor products as compared to the huge demand on our audio baby monitor which was newly released in the corresponding period in last year.

The Group’s revenue of other products increased by approximately 36.5% from approximately HK\$7.4 million for the six months ended 30 September 2015 to approximately HK\$10.1 million for the six months ended 30 September 2016 mainly due to the increase in demand in materials and parts to customers in China.

The following table sets forth the breakdown of the revenue of the Group by product categories for each of the three and six months ended 30 September 2015 and 2016:

	Three months ended 30 September				Increase (Decrease)	
	2016		2015		HK\$'000	%
	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)		(Unaudited)			
Two-way radio	80,947	87.4	82,559	89.3	(1,612)	(2.0)
Baby monitors	5,877	6.4	5,648	6.1	229	4.1
Service business	24	0.0	—	—	24	0.0
Other products	5,762	6.2	4,249	4.6	1,513	35.6
Total	<u>92,610</u>	<u>100.0</u>	<u>92,456</u>	<u>100.0</u>	<u>154</u>	<u>0.2</u>

	Six months ended 30 September				Increase (Decrease)	
	2016		2015		HK\$'000	
	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%	HK\$'000	%
Two-way radio	134,728	87.1	140,304	88.0	(5,576)	(4.0)
Baby monitors	9,880	6.4	10,628	6.7	(748)	(7.0)
Service business	43	0.0	1,026	0.6	(983)	(95.8)
Other products	10,050	6.5	7,410	4.7	2,640	35.6
Total	154,701	100.0	159,368	100.0	(4,667)	(2.9)

Outlook

The new products pipeline of the Group has competitive power, with new models in all three product categories of consumer two-way radios, commercial two-way radios and baby monitors. During the period, we received 8 new project awards from our customers including digital two-way radio, waterproof high-end two-way radio, traditional two-way radios, high-end digital video baby monitors with touch screen colour display and pan/tilt/zoom features and digital video baby monitors that supports multi-camera features.

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

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

- i) Strengthen our product portfolio: we are going to develop new high-end two-way radio and baby monitor products with new features and technologies, such as Internet-of-Things (“IoT”) connectivity. The high-end commercial digital two-way radio had already launched in the six months ended 30 September 2016. The high-end marine two-way radio and digital analog two-way radio are expected to be launched in end of 2016 and early of 2017 respectively. A new series of baby monitor products and the new video baby monitor products are expected to be launched in end of 2016 and early of 2017 respectively. For high-end video baby monitor, its features include large size colour LCD display with touch screen, pan/tilt/zoom features, temperature sensor, support multi-camera, infra-red night vision and parent talk back.

In addition, the Group is going to develop 3D car camera system. It consists of 4 camera which capture the images of front, rear and side to form a 360 degree full view of 3D image. The 3D image is generated real time by the central image processing unit which can help the driver to park and drive the car to avoid blind spot in a safety way.

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

In addition to the objectives and strategies as disclosed in Prospectus, we are consolidating our manufacturing sites to a single vertically integrated factory campus at Yunfu. The current production facilities and equipment at our Shenzhen factory have been moved to Yunfu factory campus. During the transition period for relocation of certain production facilities and equipments from the factory in Shenzhen to factory in Yunfu, the production efficiency has been affected and will incur one-off extra-ordinary expenses. However, we will reap improved future efficiencies from consolidated operations, and a lower cost structure there.

Prospect

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

FINANCIAL REVIEW

Cost of Sales and Gross Profit

The majority of the Group's cost of sales comprised of raw material cost and labour cost. The Group's cost of sales remained stable at approximately HK\$132.2 million for the six months ended 30 September 2015 and 30 September 2016. The gross margin decreased from approximately 17.1% for the six months ended 30 September 2015 to approximately 14.6% for the six months ended 30 September 2016, which was mainly due to increase in subcontracting charge and the increase in sales of lower margin products ("other products" in market segment) comparing with other business segments, which in turns drag down the entire profit margin of the Group.

Selling and Distribution Expenses

The selling and distribution expenses increased from approximately HK\$1.9 million for the six months ended 30 September 2015 to approximately HK\$2.0 million for the six months ended 30 September 2016, which was mainly due to marketing and promotion expenses for new sales and distribution network's setup fee in North America.

Administrative Expenses

The administrative expenses decreased from approximately HK\$23.2 million for the six months ended 30 September 2015 to approximately HK\$19.6 million for the six months ended 30 September 2016, which was mainly due to the listing expenses incurred during the six months ended 30 September 2015.

Profit attributable to the owners of the Company

The profit increased from approximately HK\$0.5 million for the six months ended 30 September 2015 to approximately HK\$1.7 million for the six months ended 30 September 2016, was mainly due to the listing expense incurred during the six months ended 30 September 2015.

Liquidity, Financial Resources and Capital Structure

Historically, the Group has funded the liquidity and capital requirements primarily through operating cash flows and bank borrowings. As of 30 September 2016, we had various bank borrowings and overdrafts of approximately HK\$56.3 million, including factoring loan for trade receivables (as at 31 March 2016: approximately HK\$25.0 million), representing an increase of approximately HK\$31.3 million as compared to that as at 31 March 2016.

Net current assets increased from approximately HK\$34.6 million for the six months ended 30 September 2015 to approximately HK\$38.8 million for the six months ended 30 September 2016, which was mainly due to normal seasonal adjustment on demand during peak season in September.

The Company requires cash primarily for working capital needs. As of 30 September 2016, the Company had approximately HK\$32.8 million in cash and bank balances (as at 31 March 2016: approximately HK\$35.1 million), representing a decrease of approximately HK\$2.3 million as compared to that as at 31 March 2016.

Capital Expenditure

The Company purchased property, plant and equipment amounting HK\$1.7 million for the six months ended 30 September 2016 which mainly comprises of acquisition of machinery and equipment.

Capital Commitments

The Company had capital commitments on acquisition of intangible assets and property, plant and equipment of approximately HK\$1.6 million (as at 31 March 2016: HK\$1.1 million).

Gearing Ratio

As at 30 September 2016, the gearing ratio of the Group was approximately 79.4% (as at 31 March 2016: approximately 35.7%). The gearing ratio is calculated based on the borrowings divided by the total equity at the end of the period. The increase of the gearing ratio was mainly attributable to increasing borrowings for bills payable and factory loan to support the additional inventories for peak season.

Pledged of Assets

As at 30 September 2016, certain fixed deposits of approximately HK\$2.2 million (as at 31 March 2016: approximately HK\$2.3 million) and life insurance of approximately HK\$14.5 million (as at 31 March 2016: approximately HK\$14.5 million) were pledged to banks to secure banking facilities granted to the Group.

Contingent Liabilities

As at 30 September 2016, the Company had no significant contingent liabilities (as at 31 March 2016: Nil).

Financial Risk Management

Risk management is carried out by finance department under policies approved by the Board. Finance department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides guidance for overall risk management and specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Company did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure as of 30 September 2016.

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

There were neither significant investments held as at 30 September 2016 nor material acquisitions and disposals of subsidiaries during the six months ended 30 September 2016. Save for the business plan and the capital commitments as disclosed in this announcement, there is no plan for material investment or capital assets as at 30 September 2016.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2016.

Employees and Remuneration Policies

As of 30 September 2016, the Group had a total of 668 employees. The Group remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee. We recognise the importance of a good relationship with its employees. The remuneration payable to its employees includes salaries and allowances.

Use of Proceeds from the Listing

On 30 September 2015, 120,000,000 ordinary shares of the Company were allotted at HK\$0.57 per placing share pursuant to the Placing (as defined in the Prospectus). The net proceeds from the Placing received by the Company were approximately HK\$30.9 million (after deduction of any related expenses). As at 30 September 2016, the unused proceeds of approximately HK\$22.5 million were deposited into licensed banks in Hong Kong. The Company intends to continue to apply the remaining net proceeds in accordance with the proposed applications set out above.

During the six months ended 30 September 2016, the net proceeds had been utilised as follows:

	Actual net proceeds	Amount utilised up to 30 September 2016	Balance as at 30 September 2016
	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Strengthen our product portfolio	21.7	4.4	17.3
Enhance our information management systems	2.4	—	2.4
Strengthen our marketing efforts	4.0	1.9	2.1
Working capital and other general corporate purposes	2.8	2.1	0.7
Total	<u>30.9</u>	<u>8.4</u>	<u>22.5</u>

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the six months ended 30 September 2016, 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.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 September 2016.

SHARE OPTION SCHEME

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

The Scheme will remain valid and effective for a period of 10 years commencing on the date on which the Scheme is adopted, after which period no further share options will be granted but the provisions of the Scheme shall in all other respects remain in full force and effect and share options which are granted during the life of the Scheme may continue to be exercisable in accordance with their terms of issue. The principal terms of which were summarized in the paragraph headed “Share Option Scheme” in Appendix IV to the Prospectus. No share options have been granted under the Scheme since its adoption.

CORPORATE GOVERNANCE

The Company is committed to ensure a high standard of corporate governance in the interests of the shareholders and devotes considerable effort to maintain high level of business ethics and corporate governance practices. The Company has complied with the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules throughout the six months ended 30 September 2016. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the six months ended 30 September 2016, except for certain deviations as specified with considered reasons for such deviations as explained below.

Under Code Provision A.2.1 of the CG Code, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual.

During the six months ended 30 September 2016 under review, the Company has not separated the roles of chairman and chief executive officer of the Company. Mr. Tam is currently performing the roles of chairman and chief executive officer of the Company. Taking into account Mr. Tam is the founder of the Group and has been operating and managing the Group since 2001, the Board considers that the roles of chairman and chief executive officer being performed by Mr. Tam enable more effective and efficient overall business planning, decision making and implementation thereof by the Group. In order to maintain good corporate governance and fully comply with code provision, the Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

Except for the deviation from the CG Code as set out above, the Company fully complied with all the Code Provisions throughout the six months ended 30 September 2016.

DIRECTORS' SECURITIES TRANSACTIONS

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

Having made specific enquiry with all the Directors and all the Directors of the Company had confirmed compliance with the required standard of dealings and the code of conduct for Directors’ securities transactions during the six months ended 30 September 2016.

INTERESTS OF THE COMPLIANCE ADVISER

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

AUDIT COMMITTEE

The existing audit committee of the Company consists of three independent non-executive Directors, chaired by Mr. Wong Ching Wan and the other two members are Mr. Chan Shiu Man and Mr. Cheng Yuk Kin.

The unaudited interim financial results of the Group for the six months ended 30 September 2016 have been reviewed by the Audit Committee.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 September 2016 containing all the information required by the GEM Listing Rules will be despatched to the shareholders of the Company and will also be published on the website of the Company at www.on-real.com and the Stock Exchange’s website at www.hkexnews.hk.

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

Hong Kong, 11 November 2016

As at the date of this announcement, the executive Directors are Mr. Tam Wing Ki, Mr. Kwok Ming Fai, Mr. Fu Yan Ming and Mr. Tao Hong Ming, the non-executive Director is Mr. Chau Wai Hung, Andy and the independent non-executive Directors are Mr. Chan Siu Man, Mr. Cheng Yuk Kin and Mr. Wong Ching Wan.

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