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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

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017**

#### **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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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

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

## **FINANCIAL HIGHLIGHTS**

- Revenue of the Company for the year ended 31 March 2017 amounted to approximately HK\$327.6 million, representing an increase of approximately 25.1% as compared with that of approximately HK\$261.8 million for the year ended 31 March 2016.
- Profit attributable to owners of the Company for the year ended 31 March 2017 amounted to approximately HK\$4.3 million, as compared with loss of approximately HK\$14.9 million for the year ended 31 March 2016.
- Basic and diluted earnings per share for the year ended 31 March 2017 amounted to approximately HK cents 0.11 (basic and diluted loss per share for the year ended 31 March 2016: HK cents 0.39).
- The Directors do not recommend the payment of any dividend in respect of the year ended 31 March 2017.

## **ANNUAL RESULTS**

The Board of Directors (the “Board”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2017 together with the comparative audited figures for the preceding financial year as follows:

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the year ended 31 March 2017*

	<i>Notes</i>	<b>2017</b> <b>HK\$'000</b>	2016 HK\$'000 (Restated)
Revenue	3	<b>327,637</b>	261,844
Cost of sales		<b>(279,133)</b>	(227,807)
Gross profit		<b>48,504</b>	34,037
Other income	4	<b>1,988</b>	2,233
Other gains and losses	5	<b>748</b>	1,520
Selling and distribution expenses		<b>(4,339)</b>	(4,569)
Administrative expenses		<b>(38,215)</b>	(48,444)
Finance costs		<b>(1,013)</b>	(1,239)
Profit (loss) before tax		<b>7,673</b>	(16,462)
Income tax (expense) credit	7	<b>(3,390)</b>	1,612
Profit (loss) for the year	6	<b>4,283</b>	(14,850)
Other comprehensive (expense) income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>(2,683)</b>	492
Total comprehensive income (expense) for the year		<b>1,600</b>	(14,358)
<b>Earnings (loss) per share (HK cents)</b>	8		
Basic and diluted		<b>0.11</b>	(0.39)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	<i>Notes</i>	<b>2017</b> <b>HK\$'000</b>	2016 <i>HK\$'000</i> (Restated)
<b>Non-current assets</b>			
Property, plant and equipment		<b>7,098</b>	8,992
Intangible assets		<b>3,325</b>	6,758
Financial asset at fair value through profit or loss		<b>13,622</b>	14,513
Prepayments		<b>1,590</b>	2,864
Deferred tax assets		<b>1,434</b>	2,275
		<b>27,069</b>	35,402
<b>Current assets</b>			
Inventories	10	<b>50,942</b>	33,712
Trade and other receivables	11	<b>86,042</b>	42,148
Amount due from a related company		<b>383</b>	295
Tax recoverable		—	4,048
Pledged bank deposits		<b>2,160</b>	2,251
Bank balances and cash		<b>36,584</b>	35,050
		<b>176,111</b>	117,504
<b>Current liabilities</b>			
Trade and other payables	12	<b>83,586</b>	57,419
Amount due to a related company		<b>2,446</b>	98
Borrowings		<b>45,164</b>	24,951
Obligations under finance lease		—	32
Income tax payables		<b>340</b>	362
		<b>131,536</b>	82,862
Net current assets		<b>44,575</b>	34,642
Total assets less current liabilities		<b>71,644</b>	70,044
<b>Capital and reserves</b>			
Share capital	13	<b>4,800</b>	4,800
Reserves		<b>66,844</b>	65,244
		<b>71,644</b>	70,044

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	PRC statutory reserve HK\$'000 (Note)	Exchange reserve HK\$'000	Retained earnings/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 April 2015	—	22,126	(5,826)	3,182	3,347	3,431	26,260
Loss for the year	—	—	—	—	—	(14,850)	(14,850)
Other comprehensive expense for the year:							
Exchange difference arising on translation of foreign operations	—	—	—	—	639	—	639
Total comprehensive expenses for the year	—	—	—	—	639	(14,850)	(14,211)
Capitalisation of shares	3,600	(3,600)	—	—	—	—	—
Issue of new shares upon placing	1,200	67,200	—	—	—	—	68,400
Expenses incurred in connection with issue of new shares	—	(10,258)	—	—	—	—	(10,258)
Appropriation to PRC statutory reserve	—	—	—	789	—	(936)	(147)
At 31 March 2016	4,800	75,468	(5,826)	3,971	3,986	(12,355)	70,044
Profit for the year	—	—	—	—	—	4,283	4,283
Other comprehensive expense for the year:							
Exchange difference arising on translation of foreign operations	—	—	—	—	(2,683)	—	(2,683)
Total comprehensive expense for the year	—	—	—	—	(2,683)	4,283	1,600
Appropriation to PRC statutory reserve	—	—	—	501	—	(501)	—
At 31 March 2017	<b>4,800</b>	<b>75,468</b>	<b>(5,826)</b>	<b>4,472</b>	<b>1,303</b>	<b>(8,573)</b>	<b>71,644</b>

*Note:* According to the People's Republic of China (the "PRC") Company Law, companies in the PRC are required to transfer 10% of their respective after-tax profits, calculated in accordance with the relevant accounting principles and financial regulations applicable to entities established in the PRC, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The statutory reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of these companies, provided that such fund is maintained at a minimum of 25% of the registered capital. The statutory reserve is not distributable as cash dividends and must be made before distribution of dividend to equity owners.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION AND BASIS OF PRESENTATION

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

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

The controlling shareholders of the Company are Mr. Tam Wing Ki (“Mr. Tam”) and Mr. Hsu Wing Sang (“Mr. Hsu”) (collectively, the “Controlling Shareholders”).

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

## 2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“HKASs”), amendments and interpretations (“Int(s)”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

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 year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosure set out in these consolidated financial statements.

## New and revised HKFRSs issued but not yet effective

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

HKFRS 9 (2014)	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>4</sup>
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration <sup>2</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 Cycle <sup>3</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>2</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>5</sup> Effective date not yet been determined.

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

### HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2015 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an “expected credit loss” model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes

in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.
- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company made an assessment on the financial impact on the Group's results and financial position resulting from the adoption of HKFRS 9 including the classification categories and the measurement of financial assets, and disclosures. The directors of the Company concluded that the impact is not significant. Based on analysis of the Group's financial instruments as at 31 March 2017, the directors of the Company considered that the replacement of incurred loss impairment model in HKAS 39 with the expected credit loss model required in HKFRS 9 may result in early and additional provision of credit losses on the Group's financial assets measured at amortised costs including the trade receivables. The credit losses will be recognised in the consolidated statement of profit or loss and other comprehensive income. The directors of the Company concluded that the impact is not significant under the assessment of probability-weighted estimate of credit losses over the expected life of the Group's financial assets measured at amortised costs, with reference to the historical credit loss experience of trade receivables and the estimates of future economic conditions.

#### **HKFRS 15 Revenue from Contracts with Customers**

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

- i) Identify the contract with the customer;
- ii) Identify the performance obligations in the contract;
- iii) Determine the transaction price;
- iv) Allocate the transaction price to the performance obligations; and
- v) Recognise revenue when (or as) the entity satisfies a performance obligation.



HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. Certain costs incurred in fulfilling a contract which are currently expensed may need to be recognised as an asset under HKFRS 15. More disclosures relating to revenue are also required. Based on preliminary assessment conducted, the Group does not expect the adoption of HKFRS 15 would have a material impact other than presenting more disclosures.

### **HKFRS 16 Leases**

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 *Leases* and the related Interpretations when it becomes effective.

HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of HKFRS 16. As at 31 March 2017, the Group has non-cancellable operating lease commitments of HK\$899,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these lease unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

## Amendment to HKAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfill the new disclosure requirements. However, the amendments indicate that one way is to provide reconciliation between the opening and closing balances for liabilities arising from financing activities.

Amendments to HKAS 7 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted. The directors of the Company anticipate that the application of Amendments to HKAS 7 will result in disclosures on the Group's financing activities, especially reconciliation between the opening and closing balances for liabilities arising from financial activities will be provided on application.

### 3 REVENUE

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue comprises:		
Two-way radios	268,581	229,614
Baby-monitors	43,084	18,477
Servicing business	103	2,093
Other products	15,869	11,660
	<u>327,637</u>	<u>261,844</u>

The Group operates in six (2016: six) principal geographical areas — the United States of America, Germany, Europe, Asia, the Netherlands and the United Kingdom.

All analysis of revenue by geographical location is set below:

	Revenue from external customers	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
The United States of America	130,764	86,194
Germany	54,921	50,183
Europe ( <i>Note (i)</i> )	31,502	41,953
Asia ( <i>Note (ii)</i> )	54,877	29,157
The Netherlands	27,472	22,208
The United Kingdom (the "UK")	21,388	20,909
Others ( <i>Note (iii)</i> )	6,713	11,240
	<u>327,637</u>	<u>261,844</u>

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

*Note (ii):* Asia includes but is not limited to the PRC and Hong Kong.

*Note (iii):* Others include but are not limited to Brazil, Canada and Russia.

Revenue is allocated based on the shipping destination.

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

### Information about major customers

Details of the customers accounting for 10% or more of aggregate revenue of the Group during the years are as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Customer A <sup>1</sup>	N/A <sup>2</sup>	61,651
Customer B <sup>1</sup>	<u>124,104</u>	<u>69,715</u>

<sup>1</sup> Revenue from two-way radios segment.

<sup>2</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group.

### 4 OTHER INCOME

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Restated)
Bank interest income	138	121
Interest income from financial asset at fair value through profit or loss	361	351
Interest income charged to customers	275	1,190
Government grants	354	364
Gain on disposals of property, plant and equipment	266	68
Service income	110	—
Rental income	322	60
Sundry income	<u>162</u>	<u>79</u>
	<u>1,988</u>	<u>2,233</u>

*Note:*

Government grants recognised as other income are awarded to the Group by the PRC government as incentives primarily to encourage the development of the Group and the contribution to the local economic development. The government grants are one-off with no specific condition attached.

### 5 OTHER GAINS AND LOSSES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Exchange gains, net	1,868	1,688
Fair value losses on financial asset at fair value through profit or loss	<u>(1,120)</u>	<u>(168)</u>
	<u>748</u>	<u>1,520</u>

## 6 PROFIT (LOSS) FOR THE YEAR

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit (loss) for the year has been arrived at after charging:		
Directors' emoluments	4,501	5,145
Salaries and allowances (excluding directors' emoluments)	46,716	58,031
Retirement benefit scheme contributions (excluding directors)	8,324	5,844
	<hr/>	<hr/>
Total staff costs	59,541	69,020
	<hr/>	<hr/>
Auditor's remuneration	820	1,161
Depreciation of property, plant and equipment	4,103	4,573
Amortisation of intangible assets (included in cost of sales)	3,396	2,679
Allowance for inventories (included in cost of sales)	899	527
Cost of inventories recognised as an expense	157,981	132,195
Research and development costs recognised as a expense	1,398	892
Written off of property, plant and equipment	1,209	—
Minimum lease payments in respect of operating lease for office premises, staff quarters and factories	4,256	5,189
Listing expenses	—	8,676
	<hr/> <hr/>	<hr/> <hr/>

## 7 INCOME TAX EXPENSE (CREDIT)

The amount of income tax expense/(credit) charged/(credited) to the consolidated statement of comprehensive income represents:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current income tax		
— Current income tax	2,549	2,026
— Over-provision in prior years	—	(1,998)
Deferred income tax	841	(1,640)
	<hr/>	<hr/>
Income tax expense/(credit)	3,390	(1,612)
	<hr/> <hr/>	<hr/> <hr/>

## 8 EARNINGS (LOSS) PER SHARE

### (a) Basic

Basic earnings (loss) per share is calculated by dividing the profit (loss) for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during each of the year ended 31 March 2017 and 2016.

	2017	2016 (Restated)
Profit (loss) for the year attributable to owners of the Company ( <i>HK\$'000</i> )	4,283	(14,850)
Weighted average number of ordinary shares in issue ( <i>'000</i> )	3,840,000	3,840,000
Basic earnings (loss) per share ( <i>HK cents per share</i> )	<u>0.11</u>	<u>(0.39)</u>

### (b) Diluted

Diluted earnings (loss) per share were the same as the basic earnings (loss) per share as there were no potential dilutive ordinary shares outstanding during the two years ended 31 March 2017 and 2016.

With effective from 15 December 2016, each of the existing issued and non issued ordinary share of par value of HK\$0.01 each in the share capital of the Company was subdivided into eight subdivided ordinary shares of HK\$0.00125 each. The calculation of the basic and diluted earnings per share for the year ended 31 March 2017 and 2016 have been adjusted as a result of the share subdivision.

## 9 DIVIDENDS

No dividend has been declared by the Company for the year ended 31 March 2017, nor has any dividend been proposed since the end of the reporting period (2016: nil).

## 10 INVENTORIES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Raw materials	20,328	13,595
Work in progress	21,701	14,060
Finished goods	<u>8,913</u>	<u>6,057</u>
	<u>50,942</u>	<u>33,712</u>

## 11 TRADE AND OTHER RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables	55,448	29,391
Prepayments ( <i>note</i> )	11,208	9,330
Value-added tax receivables	19,078	5,586
Deposits	1,365	690
Other receivables	533	15
	<hr/>	<hr/>
Total trade and other receivables	87,632	45,012
Less: Non-current portion — prepayments	(1,590)	(2,864)
	<hr/>	<hr/>
Current portion	<u>86,042</u>	<u>42,148</u>

The Group does not hold any collateral over these balances.

The Group normally grants credit terms to its customers ranging from 0 to 90 days. At 31 March 2017 and 2016, the ageing analysis of the trade receivables based on invoice date which approximates the respective revenue recognition dates were as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 30 days	23,488	13,983
31 to 60 days	8,262	4,826
61 to 90 days	18,967	8,974
91 to 180 days	4,656	1,536
Over 180 days	75	72
	<hr/>	<hr/>
	<u>55,448</u>	<u>29,391</u>

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly. 78% of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the external credit scoring system used by the Group.

As of 31 March 2017, trade receivables of approximately HK\$12,035,000 (2016: HK\$4,571,000) were past due but not impaired. These relate to a number of independent customers, of which approximately HK\$3,816,000 (2016: HK\$3,008,000) were due from the top five customers for the year ended 31 March 2017, for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables based on due date is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 30 days	10,340	3,986
31 to 60 days	1,276	490
61 to 90 days	241	—
91 to 180 days	125	37
Over 180 days	53	58
	<hr/>	<hr/>
	<u>12,035</u>	<u>4,571</u>

Trade receivables that were past due but not impaired were related to a number of individual customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances that are still considered fully recoverable.

Included in trade and other receivables are the following amounts denominated in a currency other than the functional currency of relevant group entities:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
USD	<u>51,338</u>	<u>22,660</u>

At 31 March 2017, the carrying amount of the short-term receivables which have been pledged as security for the borrowing, is HK\$32,639,000 (2016: HK\$10,720,000). The carrying amount of the associated liability is approximately HK\$25,861,000.

## 12 TRADE AND OTHER PAYABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables	<u>64,688</u>	<u>38,752</u>
Other payables and accruals		
Accrued expenses	13,795	14,516
Other payables	1,027	915
Receipt in advance ( <i>Note</i> )	<u>4,076</u>	<u>3,236</u>
	<u>18,898</u>	<u>18,667</u>
Trade and other payables	<u>83,586</u>	<u>57,419</u>

*Note:* Receipt in advance represented advance payments of related sales of goods from customers pursuant to the respective sales contracts.

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 30 days	18,169	17,204
31 to 60 days	19,853	7,351
61 to 90 days	18,304	8,880
More than 90 days	<u>8,362</u>	<u>5,317</u>
Total	<u>64,688</u>	<u>38,752</u>

The credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The Group's trade and other payables that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	2017 HK\$'000	2016 HK\$'000
RMB	159	—
USD	<u>8,207</u>	<u>493</u>

### 13 SHARE CAPITAL

	Number of shares		Share capital	
	2017 '000	2016 '000	2017 HK\$'000	2016 HK\$'000
Ordinary shares of HK\$0.00125 each (2016: HK\$0.01 each) (Note (iii))				
<b>Authorised</b>				
At beginning of the financial year	780,000	39,000	7,800	390
Capitalisation of shares	—	741,000	—	7,410
Increase on 15 December 2016 (Note (iii))	<u>3,060,000</u>	—	<u>(3,000)</u>	—
At the end of the financial year	<u>3,840,000</u>	<u>780,000</u>	<u>4,800</u>	<u>7,800</u>
<b>Issued and fully paid</b>				
At beginning of the financial year	480,000	20	4,800	—
Capitalisation of shares (Note (i))	—	359,980	—	3,600
Issue of new shares pursuant of share offer (Note (ii))	—	120,000	—	1,200
Effect of share subdivision (Note (iii))	<u>3,360,000</u>	—	—	—
At the end of the financial year	<u>3,840,000</u>	<u>480,000</u>	<u>4,800</u>	<u>4,800</u>

*Notes:*

- (i) On 16 September 2015, the Company capitalised an amount of HK\$3,599,800 by crediting to the share premium account of the Company and that the said sum be applied in paying up in full for 359,980,000 shares, representing 99.994% of the enlarged issued share capital of the Company. Such shares are allotted and issued, credited as fully paid, to Mr. Tam, Mr. Hsu, Solution Smart Holdings Limited and Pacific Able Limited as to 179,450,030 shares, 79,735,570 shares, 67,208,266 shares and 33,586,134 shares, respectively, in proportion to their then respective shareholdings in the Company of 49.85%, 22.15%, 18.67% and 9.33% respectively.
- (ii) In connection with the Company's initial public offering on GEM Board 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 amounting to HK\$10,258,000. This resulted in share premium of approximately HK\$56,942,000.
- (iii) With effective from 15 December 2016, each of the existing issued and non issued ordinary share of par value of HK\$0.01 each in the share capital of the share capital of the Company was subdivided into eight subdivided ordinary shares of HK\$0.00125 each. The calculation of the basic and diluted earnings per share for the year ended 31 March 2017 and 2016 have been adjusted as a result of the share subdivision.

All the ordinary shares issued during the year ended 31 March 2017 and 2016 rank pari passu with the then existing shares in all respects.



## 14 COMMITMENTS

### (a) Capital commitment

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Contracted but not provided for		
— Property, plant and equipment	674	279
— Intangible assets	<u>1,703</u>	<u>774</u>

### (b) Operating lease commitments

The Group leases certain of its factory premises, offices and staff quarters under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years and rentals are fixed. The Group does not have an option to purchase the leased assets at the expiry of the lease period.

At the end of the reporting period, the Group had future minimum lease payments under non-cancellable operating lease which fall due as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within one year	679	915
In the second to fifth year inclusive	<u>220</u>	<u>264</u>
	<u>899</u>	<u>1,179</u>

## 15 RELATED PARTY TRANSACTIONS

### (a) Compensation of key management personnel

The remuneration of key management personnel during the years ended 31 March 2017 and 2016 are as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Short-term employee benefits	6,245	6,837
Post-employment benefits	<u>119</u>	<u>104</u>
	<u>6,364</u>	<u>6,941</u>

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

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

<b>Name of company</b>	<b>Nature of transactions</b>	<i>Note</i>	<b>2017</b>	2016
			<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Xinxing On Time	Rental expenses charged	(i)	<b>1,465</b>	1,221
Electronics Limited	Interest expenses paid		<b><u>14</u></b>	<u>—</u>

*Note:*

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

## 16 COMPARATIVE FIGURES

Finance income was previously presented separately in the consolidated statement of profit or loss and other comprehensive income. To conform to current year's presentation, the above amount for the year ended 31 March 2016 has been reclassified to other income in the consolidated statement of profit or loss and other comprehensive income to facilitate a better presentation.

Amount due from a related company, amount due to a related company and obligations under finance lease were previously included in trade and other receivables, trade and other payables and borrowing, respectively in the consolidated statement of financial position. To conform to current year's presentation, the above amounts for the year ended 31 March 2016 have been separated in the consolidated statement of financial position to facilitate a better presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OUTLOOK

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. The management is seeking the opportunity to cooperate with other company for business development.

As detailed in the Company's voluntary announcement dated 20 January 2017, the Company and Veivo Technology Limited ("**Veivo**") entered into a strategic alliance agreement in relation to future possible commercial collaborations between the Company and Veivo. The formation of the alliance does not incur any fees or costs to be borne by either party. The cooperation is subject to further negotiation between the Company and Veivo. Veivo is a software development company whose principal activities are mobile cloud social media software development and instant messaging network operation. The Board expected that the cooperation with Veivo may have benefit to the Company in the area of the Internet of Things ("**IoT**"). IoT is the inter-networking of physical devices, vehicles, buildings, and other items embedded with electronics, software, sensors, actuators, and network connectivity which enables these objects to collect and exchange data. In order to maintain a stable growth, the Company is considering to develop a new business segment focusing on mobile application and cloud computing services to obtain higher margin.

For the existing business, we will also consider to improve the production procedure to maintain the Company continuing growth. We have also launched new product pipeline, with new models in all three product categories of consumer two-way radios, commercial two-way radios and baby monitors, which are proven to be competitive. During the year, we received 16 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.

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 connectivity. The high-end commercial digital two-way radio, the high-end marine two-way radio and digital analog two-way radio, new series of baby monitor products and the new video baby monitor products had already launched during the year ended 31 March 2017. 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.
- ii) Enhance our information management system: We have started the feasibility evaluation of our information management system and the enhancement program will start in late 2017.
- iii) Strengthen our marketing efforts: we continue to maintain our market presence and expand our sales channels and strengthen our presence in the United States of America (the "**US**") and the People's Republic of China (the "**PRC**") by introducing our products and services to potential customers. We have started to explore new sales channels to launch new products in North America through participating in a crowd-funding activity, of which the first launch will start in July 2017.

In addition to the objectives and strategies as disclosed in the Prospectus, it is the Company's continuous effort to maintain low overhead costs, and by reducing our own in-house production; and increasing outsourcing to some PRC manufacturers, the Company is able to enhance its flexibility and maintained a cost control. The Company will continue to outsource more production in the future.

## BUSINESS REVIEW

The Group is a two-way radio product designer and manufacturer established in 2001. We derive revenue principally from designing, manufacturing and selling two-way radios and baby monitor products on original design manufacturing basis.

The Group's revenue increased from approximately HK\$261.8 million for the year ended 31 March 2016 to approximately HK\$327.6 million for the year ended 31 March 2017, representing an increase of approximately 25.1%. The major reason is the increase of the Group's revenue of two-way radios for the year ended 31 March 2017. As detailed in the Company's announcement dated 8 January 2016, the reformulation and change of sales strategies of the major customer (the "Customer") to license its brand for the consumer two way radios exclusively to licensee and ceased to place orders of consumer two way radios to the Company directly. The Customer started to place the purchase order through the licensee since August 2016. The licensee placed more purchase orders than the Customer for the year ended 31 March 2017 as compared to the same period of previous year.

The Group's revenue of two-way radios increased by approximately 17.0% from approximately HK\$229.6 million for the year ended 31 March 2016 to approximately HK\$268.6 million for the year ended 31 March 2017 mainly due to the increase in sales for reason mentioned above.

The Group's revenue of baby monitor significantly increased by approximately 1.3 times from approximately HK\$18.5 million for the year ended 31 March 2016 to approximately HK\$43.1 million for the year ended 31 March 2017 mainly due to the increase in demand of our new model of audio baby monitor products launched in the last quarter as well as the original product maintained a good sales.

The Group's revenue of service business significantly decreased by approximately 95.1% from approximately HK\$2.1 million for the year ended 31 March 2016 to approximately HK\$0.1 million for the year ended 31 March 2017 mainly due to the Company reduced our in-house production and so did not have extra capacity to provide service business to third parties.

The following table sets forth the breakdown of the revenue of the Group by product categories for each of the year ended 31 March 2017 and 2016:

	For the year ended 31 March					
	2017		2016		Increase (Decrease)	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Two-way radio	268,581	82.0	229,614	87.7	38,967	17.0
Baby monitors	43,084	13.1	18,477	7.1	24,607	133.2
Service business	103	0.0	2,093	0.8	(1,990)	(95.1)
Other products	15,869	4.9	11,660	4.4	4,209	36.1
Total	<u>327,637</u>	<u>100.0</u>	<u>261,844</u>	<u>100.0</u>	<u>65,793</u>	<u>25.1</u>

## **Cost of sales and gross profit**

The majority of the Group's cost of sales comprised of raw material cost and subcontracting fees. The cost of sales increased by approximately 22.5% from approximately HK\$227.8 million for the year ended 31 March 2016 to approximately HK\$279.1 million for the year ended 31 March 2017, which is in line with the increase in revenue. The gross profit margin increased from approximately 13.0% for the year ended 31 March 2016 to approximately 14.8% for the year ended 31 March 2017, mainly due to the increase in the gross margin which was mainly due to (i) the increase in number of units produced which led to decrease in the production cost per unit; and (ii) duplicated factory overhead for running 2 factories during the transition period in the previous year.

## **Other income**

Other income mainly comprised of government grant, rental income of plant and equipment, interest income from customers, gain on disposals of plant and equipment and staff quarter rental income. The decrease in other income of approximately HK\$0.2 million from approximately HK\$2.2 million for the year ended 31 March 2016 to approximately HK\$2.0 million for the year ended 31 March 2017 was due to (i) the decrease in the interest income from customers from HK\$1.2 million for the year ended 31 March 2016 to HK\$0.3 million for the year ended 31 March 2017; and (ii) the increase of rental income of plant and equipment and gain on disposal of plant and equipment from nil for the year ended 31 March 2016 to HK\$0.5 million for the year ended 31 March 2017.

## **Other gains and losses**

Other gains comprised of mainly net exchange gains and fair value losses on financial asset at fair value through profit or loss. The decrease in other gain from HK\$1.5 million for the year ended 31 March 2016 to HK\$0.7 million for the year ended 31 March 2017 was due to the increase of fair value losses on derivative financial instruments from HK\$0.2 million for the year ended 31 March 2016 to HK\$1.1 million for the year ended 31 March 2017.

## **Selling and distribution expenses**

Selling and distribution expenses slightly decreased from approximately HK\$4.6 million for the year ended 31 March 2016 to approximately HK\$4.3 million for the year ended 31 March 2017, which was mainly due to the decrease of sampling charge, offset by the increase of transportation cost.

## **Administrative expenses**

Administrative expenses decreased from approximately HK\$48.4 million for the year ended 31 March 2016 to approximately HK\$38.2 million for the year ended 31 March 2017, which was mainly due to the non-recurring listing expense of approximately HK\$8.7 million recognised during the year ended 31 March 2016.

## **Finance costs**

Finance costs decreased from approximately HK\$1.2 million for the year ended 31 March 2016 to approximately HK\$1.0 million for the year ended 31 March 2017, which was mainly due to the decrease of bank interest expenses during the year ended 31 March 2017.

### **Income tax (expense)/credit**

Income tax turned from credit approximately HK\$1.6 million for the year ended 31 March 2016 to expense approximately HK\$3.3 million for the year ended 31 March 2017, was mainly due to profit making in current year.

### **Profit/(loss) attributable to owners of the Company**

Profit attributable to owners of the Company for the year ended 31 March 2017 amounted to approximately HK\$4.3 million, compared with loss of approximately HK\$14.6 million for the year ended 31 March 2016. It was mainly due to the increase in Group revenue and gross profit, as well as no listing expenses incurred in the year ended 31 March 2017.

### **Dividends**

The Board does not recommend the payment of a dividend for the year ended 31 March 2017.

### **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 31 March 2017 nor material acquisitions and disposals of subsidiaries during the year ended 31 March 2017. 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 31 March 2017.

### **Treasury policies**

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

### **Charges on group's assets**

As at 31 March 2017, the Group did not have any charges on assets (2016: Nil).

### **Employees and remuneration policies**

As at 31 March 2017, the Group had a total of 510 staff (2016: 811). Total staff costs (including Directors' emoluments) were approximately HK\$57.8 million for the year ended 31 March 2017 (2016: approximately HK\$69.0 million). Remuneration is determined with reference to market conditions and the performance, qualifications and experience of individual employee. Year-end bonus will be paid to employees as recognition of and reward for their contributions according to individual performance. Other benefits include share option scheme, contributions to statutory mandatory provident fund schemes and social insurance together with housing provident funds to its employees in Hong Kong and the PRC respectively.

## **Liquidity and financial resources**

As at 31 March 2017, the Group's cash and cash equivalents amounted to approximately HK\$36.6 million, representing an increase of approximately HK\$1.6 million as compared to that of approximately HK\$35.1 million as at 31 March 2016. Historically, the Group has funded the liquidity and capital requirements primarily through operating cash flows and bank borrowings. As of 31 March 2017, we had various bank borrowings and overdrafts of approximately HK\$45.2 million, representing an increase of approximately HK\$13.9 million as compared to that as at 31 March 2016.

Net current assets increased from approximately HK\$34.6 million for the year ended 31 March 2016 to approximately HK\$44.6 million for the year ended 31 March 2017, which was in line with revenue.

The Company requires cash primarily for working capital need. As of 31 March 2017, the Company had approximately HK\$36.6 million in cash and bank balances (as at 31 March 2016: approximately HK\$35.1 million), representing an increase of approximately HK\$1.6 million as compared to that as at 31 March 2016.

## **Gearing Ratio**

As at 31 March 2017, the gearing ratio of the Group was approximately 63.0% (as at 31 March 2016: approximately 35.7%). The gearing ratio is calculated based on the total 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 Company's working capital.

## **Contingent Liabilities**

As at 31 March 2017, the Company had no significant contingent liabilities (as at 31 March 2016: Nil).

## **Capital structure**

Details of the movements in the Company's share capital are set out in note 12 to the consolidated financial statements in this announcement.

## **Pledged of Assets**

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

- (i) certain of the Group's trade receivables with an aggregate amount of approximately HK\$32,639,000 (2016: HK\$10,720,000);
- (ii) pledged bank deposits with an aggregate amount of approximately HK\$2,160,000 (2016: HK\$2,251,000);
- (iii) pledge of key-man insurance with an aggregate amount of approximately HK\$13,622,000 (2016: HK\$14,513,000); and
- (iv) a corporate guarantee from the Company with an aggregate amount of approximately HK\$65,000,000 (2016: HK\$65,000,000).



## Capital Commitments

The Company had capital commitments on acquisition of intangible assets and property, plant and equipment of approximately HK\$2.4 million (as at 31 March 2016: HK\$1.1 million).

## Use of Proceeds from the Listing

On 30 September 2015, 120,000,000 ordinary shares of the Company were allotted at HK\$0.57 per placing share pursuant to the Placing (as defined in the Prospectus). The net proceeds from the Placing received by the Company were approximately HK\$30.9 million (after deduction of any related expenses). As at 31 March 2017, the unused proceeds of approximately HK\$21.1 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 year ended 31 March 2017, the net proceeds had been utilized as follows:

	<b>Actual net</b>	<b>Amount</b>	<b>Balance as at</b>
	<b>proceeds</b>	<b>utilized up to</b>	<b>31 March</b>
	<b>allocated</b>	<b>31 March</b>	<b>31 March</b>
	<b>HK\$Million</b>	<b>2017</b>	<b>2017</b>
	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>
Strengthen our product portfolio	21.7	8.9	12.8
Enhance our information management systems	2.4	—	2.4
Strengthen our marketing efforts	4.0	2.4	1.6
Working capital and other general corporate purposes	2.8	2.7	0.1
	<u>30.9</u>	<u>14.0</u>	<u>16.9</u>

## MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed in this announcement, during the year ended 31 March 2017, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

## DIVIDENDS

The Board of Directors do not recommend the payment of any final dividend for the year ended 31 March 2017.

## FUTURE PROSPECTS

The Group will continue to put effort in developing new model of our products which is expected to bring growth potential to the revenue of the Group and provides consistent returns to the shareholders. To reduce the impact of economic recession in the United States of America and Europe, we are going to expand and market our products in the Asian market, especially the PRC. For avoiding the effect of too reliance on single customer, we sold and will continue to sell more products to two other major customers in the North America.



## **OTHER INFORMATION**

### **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

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

### **CORPORATE GOVERNANCE PRACTICES**

The Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules during the year ended 31 March 2017 except the following deviation:

#### **Code Provision A.2.1**

The above code provision stipulates that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual.

However, the Board is of the view that although Mr. Tam Wing Ki is the chairman and chief executive officer of the Company, this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting the operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Tam and believes that his appointment to the posts of chairman and chief executive officer is beneficial to the business prospects of the Group.

### **MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.46 to 5.67 of the GEM Listing Rules.

Having been made specific enquiry by the Company, all Directors confirmed that they have complied with the required standard of dealings and its code of conduct concerning securities transactions by the Directors during the year ended 31 March 2017.

### **SHARE OPTION SCHEME**

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

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

#### **INTERESTS OF THE COMPLIANCE ADVISER**

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

As confirmed by Lego Corporate Finance Limited, except for the compliance adviser agreement entered into between the Company and Lego Corporate Finance Limited, none of Lego Corporate Finance Limited or its directors, employees and associates is materially interested in any contract or arrangement or had any interest in the securities of the Company for the period from 26 January 2016 to 31 March 2017, which is significant in relation to the business of the Group.

As confirmed by Quam Capital Limited, except for the compliance adviser agreement and the supplemental sponsorship service agreement entered into between the Company and Quam Capital Limited, none of Quam Capital Limited or its directors, employees and associates is materially interested in any contract or arrangement or had any interest in the securities of the Company for the period from 1 April 2015 to 26 January 2016, which is significant in relation to the business of the Group.

#### **DIRECTORS’ INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

No Director had a material interest in any transactions, arrangements or contracts of significance to the business of the Group, to which the Company or any of its subsidiaries was a party during the year ended 31 March 2017.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESSES**

During the year ended 31 March 2017 and up to the date of this announcement, none of the Directors or any of their respective close associates, engaged in any business that competes or might compete with the business of the Group, or had any other conflict of interest with the Group.

## **SUFFICIENCY OF PUBLIC FLOAT**

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

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

There was no significant investment held as at 31 March 2017. There is no current plan for other material investments or additions of capital assets as at the date of this announcement.

## **FOREIGN CURRENCY EXPOSURE**

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

## **COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS**

The Group raised fund of net proceeds of approximately HK\$30.9 million from the placing. Up to 31 March 2017, (i) approximately HK\$8.9 million of the Proceeds was paid for engaging external technology companies to develop IoT connectivity in order to strengthening our product portfolio; (ii) Proceeds for enhancing our information management systems are still not yet used for reason that the enhancement program had been postponed to late 2017; (iii) approximately HK\$2.4 million of the Proceeds was spent on strengthening our marketing efforts by exploring new sales channels in North America; and (iv) approximately HK\$2.7 million working capital. As at 31 March 2017, the unutilised net proceeds were placed as bank deposits with authorised banks in Hong Kong.

## **MATERIAL GUARANTEE**

During the reporting period, the Group did not provide any material guarantee for its shareholders, its connected persons, subsidiaries and other companies.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company (the "Annual General Meeting") will be held on 25 July 2017. A notice convening the Annual General Meeting will be published on the websites of the Stock Exchange and the Company on 23 June 2017 and dispatched to the shareholders on 23 June 2017.

## **CLOSURE OF THE REGISTER OF MEMBER**

The register of members of the Company will be closed from Thursday, 20 July 2017 to Tuesday, 25 July 2017, both dates inclusive, during which period no transfer of shares of the Company could be registered for determination of entitlement of shareholders of the Company to the attendance at the forthcoming annual general meeting of the Company.

## **AUDIT COMMITTEE**

The Company has established an Audit Committee on 16 September 2015 with written terms of reference that set out the authorities and duties of the Audit Committee. The terms of reference of the Audit Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited. The Audit Committee performs, amongst others, review financial information of the Group, review relationship with and terms of appointment of the external auditors, determination of the nature and scope of the audit and review the Company's financial reporting system, internal control system and risk management system.

The Audit Committee comprises three members namely Mr. Wong Ching Wan (Chairman), Mr. Chan Shiu Man (Appointed on 31 August 2016) and Mr. Cheng Yuk Kiu.

All the members are Independent Non-executive Directors (including one Independent Non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The Audit Committee has reviewed the results of the Group for the year ended 31 March 2017.

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

Hong Kong, 14 June 2017

*As at the date of this announcement, the executive Directors are Mr. Tam Wing Ki, Mr. Gao Hong, Mr. Fu Yan Ming, Mr. Kwok Ming Fai and Mr. Tao Hong Ming and the independent non-executive Directors are Mr. Chan Shiu Man, Mr. Cheng Yuk Kin and Mr. Wong Ching Wan.*

*This announcement will remain on the Stock Exchange website at [www.hkexnews.hk](http://www.hkexnews.hk) on the "Latest Company Announcements" page for at least seven days from the day of its posting and will also published on the website of the Company at [www.on-real.com](http://www.on-real.com).*