



## On Real International Holdings Limited

## 安悅國際控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8245)**

### **THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2018**

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

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*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 nine months ended 31 December 2018 amounted to approximately HK\$252.2 million, representing an increase of approximately 9.7% as compared with that of approximately HK\$229.9 million for the nine months ended 31 December 2017.
- Profit attributable to the owner of the Company for the nine months ended 31 December 2018 amounted to approximately HK\$3.2 million compared with loss of approximately HK\$6.6 million (restated) for the nine months ended 31 December 2017.
- Basic and diluted earnings per share for the nine months ended 31 December 2018 amounted to approximately HK cents 0.08 (loss per share for the nine months ended 31 December 2017: HK cents 0.17 (restated)).
- The Directors do not recommend the payment of any dividend in respect of the nine months ended 31 December 2018.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the three and nine months ended 31 December 2018

The Board is pleased to announce the unaudited consolidated results of the Group for the nine months ended 31 December 2018, together with the comparative figures for the corresponding period in 2017 which have been reviewed and approved by the Audit Committee, as follows:

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited) (restated)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited) (restated)
Revenue		85,298	79,141	252,158	229,851
Cost of sales	6	(79,922)	(75,272)	(229,477)	(213,580)
<b>Gross profit</b>		<b>5,376</b>	<b>3,869</b>	<b>22,681</b>	<b>16,271</b>
Other income	4	3,674	4,511	6,658	6,888
Other gains and (losses)	5	(165)	507	(120)	304
Selling and distribution expenses	6	(1,253)	(1,007)	(3,295)	(2,854)
Administrative expenses	6	(7,751)	(7,613)	(18,870)	(26,126)
Finance costs	7	(660)	(307)	(1,314)	(725)
Share-based payment		(1,423)	—	(1,423)	—
<b>Profit (Loss) before income tax</b>		<b>(2,202)</b>	<b>(40)</b>	<b>4,317</b>	<b>(6,242)</b>
Income tax expense	8	77	(231)	(1,045)	(361)
<b>Profit (Loss) for the period</b>		<b>(2,125)</b>	<b>(271)</b>	<b>3,272</b>	<b>(6,603)</b>
<b>Profit (Loss) for the period attributable to:</b>					
Owners of the Company		(2,125)	(271)	3,201	(6,603)
Non-controlling interest		—	—	71	—
		<b>(2,125)</b>	<b>(271)</b>	<b>3,272</b>	<b>(6,603)</b>
<b>Other comprehensive income (expenses)</b>					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		(2,212)	(531)	(3,396)	2,064

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and nine months ended 31 December 2018

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited) (restated)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited) (restated)
<b>Total comprehensive income for the period</b>	<u>(4,337)</u>	<u>(802)</u>	<u>(124)</u>	<u>(4,539)</u>
<b>Total comprehensive income for the period attributable to:</b>				
Owners of the Company	(4,337)	(802)	(195)	(4,539)
Non-controlling interest	<u>—</u>	<u>—</u>	<u>71</u>	<u>—</u>
	<u>(4,337)</u>	<u>(802)</u>	<u>(124)</u>	<u>(4,539)</u>
<b>Earnings (Loss) per share (HK Cents)</b>				
Basic and diluted	<u>(0.06)</u>	<u>(0.01)</u>	<u>0.08</u>	<u>(0.17)</u>

# CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the nine months ended 31 December 2018

	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	PRC	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Share options reserve HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
				statutory reserve HK\$'000						
Balance at 1 April 2018 (Audited)	4,800	75,468	(5,826)	5,190	2,751	(8,401)	—	73,982	(5)	73,977
Profit (Loss) for the period	—	—	—	—	—	3,201	—	3,201	71	3,272
<b>Other comprehensive income</b>										
Exchange differences arising on translation of foreign operations	—	—	—	—	(3,396)	—	—	(3,396)	—	(3,396)
Total comprehensive (loss)/income	—	—	—	—	(3,396)	3,201	—	(195)	71	(124)
Recognition of share options	—	—	—	—	—	—	1,423	1,423	—	1,423
Balance at 31 December 2018 (Unaudited)	4,800	75,468	(5,826)	5,190	(645)	(5,200)	1,423	75,210	66	75,276

	Attributable to owners of the Company							Total equity HK\$'000 (restated)
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	PRC	Exchange reserve HK\$'000	Accumulated losses HK\$'000 (restated)	Total equity HK\$'000 (restated)	
				statutory reserve HK\$'000				
Balance at 1 April 2017 (Audited)	4,800	75,468	(5,826)	4,472	1,303	(8,573)	71,644	
(Loss) Profit for the period	—	—	—	—	—	(6,603)	(6,603)	
<b>Other comprehensive income</b>								
Exchange differences arising on translation of foreign operations	—	—	—	—	2,064	—	2,064	
Total comprehensive (loss)/income	—	—	—	—	2,064	—	2,064	
Balance at 31 December 2017 (Unaudited)	4,800	75,468	(5,826)	4,472	3,367	(15,176)	67,105	

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1 CORPORATION INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

### (a) General information

The Company was incorporated in the Cayman Islands on 30 June 2014 as an exempted company with limited liability under Companies Law, Cap 22 (Law 3 of 1961 as consolidated and revised), of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is Office D, 27/F., Billion Plaza 2, 10 Cheung Yue Street, Kowloon, Hong Kong.

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

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

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

### (b) Basis of presentation

The presentation applied are consistent with those of the consolidated annual financial statements for the year ended 31 March 2018, as described in those consolidated annual financial statements.

## 2 BASIC OF PREPARATION

This unaudited condensed consolidated third quarterly financial information for the nine months ended 31 December 2018 has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by HKICPA and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM (the “**GEM Listing Rules**”).

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2018 are consistent with those used in the audited financial statements of the Group for the year ended 31 March 2018.

HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the nine months ended 31 December 2018. There have been no significant changes to the accounting policies applied in these financial statements for the nine months ended 31 December 2018 presented as a result of these developments.

The unaudited condensed consolidated financial statements for the nine months ended 31 December 2018 have not been audited by the Company's independent auditor but have been reviewed by the Company's audit committee.

The preparation of the unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2018 is in conformity with the HKFRSs requirements in the use of certain critical accounting estimates. The HKFRSs also require the management to exercise their judgements in the process of applying the Group's accounting policies.

#### **ADOPTION OF NEW AND AMENDED HKFRSs**

In the current period, the Group has applied for the first time the new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's unaudited condensed consolidated financial statements for the period beginning on 1 April 2018.

The adoption of these new and amended HKFRSs, except for HKFRS 9 and HKFRS 15, the details of which are explained below, had no material impact on how the results and financial positions for the current and prior periods have been prepared and presented.

The Group has not early adopted the new or revised standards and interpretations that have been issued but are not yet effective. The Directors anticipate that the application of these new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

## **HKFRS 9 Financial instruments**

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group has performed a high-level assessment of the impact upon the adoption of HKFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The impacts arising from the adoption of HKFRS 9 are summarised as follows:

### **(a) *Classification and measurement***

The adoption of HKFRS 9 does not have a significant impact on the classification and measurement of the Group financial assets. The carrying amounts for all financial assets and financial liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

### **(b) *Impairment***

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applies the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables.

The Group established expected credit losses model based on historical settlement records, past experience and available forward-looking information. The Group has concluded that the impact of expected credit losses on these financial assets is insignificant as at 1 April 2018.



## **HKFRS 15 Revenue from contracts with customers**

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 superseded the revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction contracts” and the related interpretations.

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. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

The adoption of HKFRS 15 does not have a significant impact on how the Group recognises revenue and this change in accounting policy had no material impact on how the Group recognises its revenue.

### **Correction of prior year errors**

During the nine months ended 31 December 2017, the issue of bond has been restated in respect to the correction of error in the gain on early repayment of bond payables recognised. The other income of the Company for the three months ended 31 December 2017 and nine months ended 31 December 2017 were understated by approximately HK\$662,000 and HK\$1,822,000 respectively.

## **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.

## 4 ESTIMATES

The preparation of unaudited condensed consolidated third quarterly 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 unaudited condensed consolidated 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 2018.

## 5 SEGMENT INFORMATION

Total revenue recognised during the respective period are as follows:

	Three months ended		Nine months ended	
	31 December		31 December	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales of goods	<b>85,298</b>	77,439	<b>250,915</b>	221,591
Sales of service	<b>—</b>	1,702	<b>1,243</b>	8,260
	<b><u>85,298</u></b>	<b><u>79,141</u></b>	<b><u>252,158</u></b>	<b><u>229,851</u></b>

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

The Group is principally engaged in the designing, trading and manufacturing of two-way radios, baby monitors, smart TV 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, smart TV 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 nine months ended 31 December 2018 and 31 December 2017 is as follows:

	Two-way radios HK\$'000 (unaudited)	Baby monitors HK\$'000 (unaudited)	Service business HK\$'000 (unaudited)	Smart TV HK\$'000 (unaudited)	Other products (Note i) HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<b>For the nine months ended 31 December 2018</b>						
Total segment revenue (from external customers)	<u>161,447</u>	<u>15,234</u>	<u>1,243</u>	<u>39,937</u>	<u>34,297</u>	<u>252,158</u>
<b>Segment results for the period</b>	<u>17,761</u>	<u>138</u>	<u>475</u>	<u>710</u>	<u>3,597</u>	<u>22,681</u>
<b>Other segment items:</b>						
Amortisation of intangible assets	382	1,145	—	—	—	1,527
Depreciation of property, plant and equipment	<u>1,350</u>	<u>32</u>	<u>5</u>	<u>—</u>	<u>392</u>	<u>1,779</u>

	Two-way radios HK\$'000 (unaudited)	Baby monitors HK\$'000 (unaudited)	Service business HK\$'000 (unaudited)	Smart TV HK\$'000 (unaudited)	Other products (Note i) HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<b>For the nine months ended 31 December 2017</b>						
Total segment revenue (from external customers)	176,039	18,704	8,260	—	26,848	229,851
<b>Segment results for the period</b>	13,386	842	1,372	—	671	16,271
<b>Other segment items:</b>						
Amortisation of intangible assets	505	1,514	—	—	—	2,019
Depreciation of property, plant and equipment	1,663	40	50	—	334	2,087
Capital expenditures	2,047	270	111	—	374	2,802

*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.

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

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited) (restated)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited) (restated)
Segment results	5,376	3,869	22,681	16,271
Other income	3,674	4,511	6,658	6,888
Other gains and (losses)	(165)	507	(120)	304
Selling, distribution and administrative expenses	(9,004)	(8,620)	(22,165)	(28,980)
Finance costs	(660)	(307)	(1,314)	(725)
Share-based payment	(1,423)	—	(1,423)	—
Profit/(Loss) before income tax	(2,202)	(40)	4,317	(6,242)

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

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
The United States of America	<b>29,707</b>	32,747	<b>113,417</b>	93,612
Europe ( <i>Note 1</i> )	<b>12,438</b>	7,068	<b>21,625</b>	21,941
The Netherlands	<b>72</b>	4,251	<b>7,281</b>	18,584
Asia ( <i>Note 2</i> )	<b>5,489</b>	9,563	<b>33,867</b>	31,936
The United Kingdom (“UK”)	<b>1,808</b>	5,985	<b>5,510</b>	13,130
Germany	<b>26,346</b>	18,214	<b>60,413</b>	37,435
Others ( <i>Note 3</i> )	<b>9,438</b>	1,313	<b>10,045</b>	13,213
	<b><u>85,298</u></b>	<u>79,141</u>	<b><u>252,158</u></b>	<u>229,851</u>

*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:* Others include but is 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.

## 6 OTHER INCOME

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited) (restated)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited) (restated)
Bank interest income	44	18	79	50
Interest income from financial asset at fair value through profit or loss	—	186	93	276
Interest income charged to customers	—	—	—	22
Staff quarter rental income	11	17	33	56
Machinery rental income	197	197	591	503
Sales of material	22	2,130	211	2,385
Gain on disposal of non-current asset	327	1	327	247
Gain on early repayment of bond payables	—	662	514	1,822
Others	3,073	1,300	4,810	1,527
	<u>3,674</u>	<u>4,511</u>	<u>6,658</u>	<u>6,888</u>

## 7 OTHER (LOSSES) AND GAINS

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Exchange gains, net	(165)	625	(61)	479
Fair value losses on financial asset at fair value through profit or loss	—	(118)	(59)	(175)
	<u>(165)</u>	<u>507</u>	<u>(120)</u>	<u>304</u>

## 8 PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE OF THE OWNERS OF THE COMPANY

(Loss) Profit for the period is arrived at after charging/(crediting):

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Cost of inventories				
recognised as expenses	<b>57,539</b>	48,985	<b>172,437</b>	136,932
Employee benefit expenses	<b>7,797</b>	9,764	<b>21,983</b>	35,127
Subcontracting fees	<b>13,531</b>	12,945	<b>32,053</b>	38,267
Amortisation of intangible assets	<b>543</b>	664	<b>1,527</b>	2,019
Depreciation of property, plant and equipment	<b>547</b>	837	<b>1,779</b>	2,656
Operating leases				
— Office premises	<b>255</b>	335	<b>891</b>	1,188
— Factories	<b>508</b>	494	<b>1,522</b>	1,448
— Plant and machinery	<b>160</b>	197	<b>478</b>	638
	<u><b>660</b></u>	<u>307</u>	<u><b>1,314</b></u>	<u>718</u>

## 9 FINANCE COSTS

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Interest on:				
— bank and other borrowings	<b>660</b>	307	<b>1,314</b>	718
— amount due to a related company	<b>—</b>	—	<b>—</b>	7
	<u><b>660</b></u>	<u>307</u>	<u><b>1,314</b></u>	<u>725</u>

## 10 INCOME TAX EXPENSE

Hong Kong profit tax has been provided at the rate of 16.5% on the assessable profit during the nine months ended 31 December 2018. The PRC enterprise income tax is provided at the rate of 25% (2017: 25%) during the nine months ended 31 December 2018.

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

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Current income tax expense (credit)	<u>(77)</u>	<u>231</u>	<u>1,045</u>	<u>361</u>

## 11 (LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE PERIOD — BASIC AND DILUTED

### (a) Basic

Basic (losses) earnings per share is calculated by dividing the loss (profit) for the period attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective periods.

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited) (restated)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited) (restated)
(Loss)/profit attributable to owners of the Company (HK\$'000)	(2,125)	(271)	3,201	(6,603)
Weighted number of ordinary shares in issue ('000)	3,840,000	3,840,000	3,840,000	3,840,000
Basic (losses)/earnings per share (HK cents per share)	<u>(0.06)</u>	<u>(0.01)</u>	<u>0.08</u>	<u>(0.17)</u>



**(b) Diluted**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has dilutive potential ordinary shares due to share options for the period ended 31 December 2018. The calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Diluted loss per share for the period ended 31 December 2017 is the same as basic loss per share due to the absence of dilutive potential ordinary shares.

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
		(restated)		(restated)
(Loss)/profit attributable to owners of the Company ( <i>HK\$'000</i> )	<b>(2,125)</b>	(271)	<b>3,201</b>	(6,603)
Weighted number of ordinary shares in issue ( <i>'000</i> )	<b>3,840,000</b>	3,840,000	<b>3,840,000</b>	3,840,000
Adjustment for share options ( <i>'000</i> )	<b>21,184</b>	—	<b>21,184</b>	—
Weighted number of ordinary shares in issue for diluted earnings per share ( <i>'000</i> )	<b>3,861,184</b>	3,840,000	<b>3,861,184</b>	3,840,000
Diluted earnings/losses per share ( <i>HK cents per share</i> )	<b><u>(0.06)</u></b>	<u>(0.01)</u>	<b><u>0.08</u></b>	<u>(0.17)</u>

## 12 DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the nine months ended 31 December 2018 and 2017.

## 13 RELATED-PARTY TRANSACTIONS

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

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the three and nine months ended 31 December 2018 and 31 December 2017.

### (a) Transactions with related parties

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Rental expenses charged by a related company	441	426	1,320	1,245
Interest expenses paid	<u>—</u>	<u>—</u>	<u>—</u>	<u>7</u>

*Note:*

Rental expenses charged and interest expenses paid was paid to Xinxing On Time Electronics Limited (“Xinxing On Time”). Mr. Tam, the director of the Group, has direct interest in Xinxing On Time.

**(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:

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
Wages, salaries and allowances	<b>424</b>	895	<b>1,631</b>	3,544
Retirement benefit costs	<b>18</b>	13	<b>54</b>	48
	<b>442</b>	908	<b>1,685</b>	3,592

**14 EVENT AFTER REPORT PERIOD**

As of the approval date of these unaudited condensed consolidated financial statements, the Group had no significant event after the reporting period which need to be disclosed.

## MANAGEMENT DISCUSSION AND ANALYSIS

The board of Directors (the “**Board**”) of the Company is pleased to present the unaudited condensed consolidated results of the Group for the nine months ended 31 December 2018, together with the unaudited comparative figures for the corresponding periods in 2017.

### BUSINESS REVIEW

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

The Group’s revenue increased from approximately HK\$229.9 million for the nine months ended 31 December 2017 to approximately HK\$252.2 million for the nine months ended 31 December 2018, representing a increase of approximately 9.7%. Such increase was mainly due to start trading of smart TV during the period for nine months ended 31 December 2018.

The Group’s revenue of two-way radios decreased by approximately 8.3% from approximately HK\$176.0 million for the nine months ended 31 December 2017 to approximately HK\$161.4 million for the nine months ended 31 December 2018 mainly due to the decrease in demand from our customers.

The Group’s revenue of baby monitor decreased by approximately 18.6% from approximately HK\$18.7 million for the nine months ended 31 December 2017 to approximately HK\$15.2 million for the nine months ended 31 December 2018 mainly due to the decrease in demand of our audio baby monitor products.

The Group’s revenue of other products increased by approximately 27.7% from approximately HK\$26.8 million for the nine months ended 31 December 2017 to approximately HK\$34.3 million for the nine months ended 31 December 2018 mainly due to the increase in sales of materials and parts to customers in the People’s Republic of China (the “**PRC**”).

The Group’s revenue of trading of smart TV approximately HK\$39.9 million for the nine months ended 31 December 2018 was newly launched during the period ended 31 December 2018.

The Group’s revenue of service business decreased by approximately 85.0% from approximately HK\$8.3 million for the nine months ended 31 December 2017 to approximately HK\$1.2 million for the nine months ended 31 December 2018 mainly due to decrease the demand in the provision of electronic manufacturing servicing business.

The following tables set forth the breakdowns of the turnover of the Group by product/service categories for each of the three and nine months ended 31 December 2018 and 2017:

	Three months ended 31 December					
	2018		2017		Increase (Decrease)	
	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%	HK\$'000	%
Two-way radio	66,704	78.2	65,365	82.6	1,339	2.0
Baby monitors	8,502	10.0	5,408	6.8	3,094	57.2
Service business	—	0.0	1,702	2.2	(1,702)	(100)
Smart TV	—	0.0	—	—	—	—
Other products	10,092	11.8	6,666	8.4	3,426	51.4
<b>Total</b>	<b>85,298</b>	<b>100.0</b>	<b>79,141</b>	<b>100</b>	<b>6,157</b>	<b>7.8</b>

  

	Nine months ended 31 December					
	2018		2017		Increase (Decrease)	
	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%	HK\$'000	%
Two-way radio	161,447	64.0	176,039	76.6	(14,592)	(8.3)
Baby monitors	15,234	6.0	18,704	8.1	(3,470)	(18.6)
Service business	1,243	0.5	8,260	3.6	(7,017)	(85.0)
Smart TV	39,937	15.9	—	—	39,937	100.0
Other products	34,297	13.6	26,848	11.7	7,449	27.7
<b>Total</b>	<b>252,158</b>	<b>100.0</b>	<b>229,851</b>	<b>100</b>	<b>22,307</b>	<b>9.7</b>

## OUTLOOK

Our business objectives are to grow our existing business by strengthen our product portfolio, enhancing our information management system and strengthen our marketing efforts. We have continued reviewing our business and manufacturing processes to implement cost saving measures in operations. Riding on our car camera system product launched last year, the Group is exploring opportunity in electronic component distribution business by starting of trading of smart TV in the first quarter of 2018/19.

The Group will continue looking into opportunities to diversify our revenue stream. For instance, we will be exploring the way to leverage our research and development capability to provide design engineering service to our customers. We will also be searching opportunities to leverage our developed sales channels and network for distributing related products.

On 11 December 2017, On Real Limited (as vendor), an indirect wholly-owned subsidiary of the Company, and Smart Tech Development Limited (as purchaser) entered into a disposal agreement (the “**Disposal Agreement**”), pursuant to which On Real Limited has conditionally agreed to sell and Smart Tech Development Limited has conditionally agreed to purchase the entire issued share capital in Onward Technology Development Limited, an indirect wholly-owned subsidiary of the Company, at a total consideration of HK\$9.5 million (the “**Disposal**”).

The Disposal is a step to achieve the cost restructuring plan of the Group and to reduce the costs of production and contingent liabilities for the labour cost.

Pursuant to the Disposal Agreement (as supplemented by the supplemental agreement dated 29 March 2018), the conditions precedent to the Disposal Agreement (as supplemented by the supplemental agreement dated 29 March 2018) shall be satisfied (or as the case may be, waived) on or before 30 June 2018 (the “**Long Stop Date**”), or such other date as the Vendor and the Purchaser may agree in writing. As certain conditions precedent to the Disposal Agreement have not been satisfied (or as the case may be, waived) on or before 30 June 2018, the Disposal Agreement (as supplemented by the supplemental agreement dated 29 March 2018) has ceased and determined. Given that considerable time has elapsed since the date of the Disposal Agreement (as supplemented by the supplemental agreement dated 29 March 2018) and the market condition has changed, the Purchaser decided, and the Vendor agreed, not to further extend the Long Stop Date and proceed with the transaction.

Upon termination of the Disposal Agreement, neither party shall have any obligations and liabilities towards each other thereunder.

Details of the Disposal and the expiry of the Long Stop Date were set out in the Company’s announcements dated 11 December 2017, 5 January 2018, 5 February 2018, 5 March 2018, 29 March 2018, 7 May 2018, 4 June 2018 and 3 July 2018.

On 27 September 2018, the Company, as subscriber, entered into the memorandum of understanding (the “**MOU**”) with Primus Power Corporation, a company incorporated and existing under the laws of the State of Delaware, the United States of America (“**Target**”), pursuant to which the parties to the MOU will negotiate for the proposed subscription by the Company of certain securities in the Target.

Subject to further negotiation and the entering into of a legally-binding formal agreement, and the fulfilment or waiver of conditions precedent which may be set out in the formal agreement, the Company intends to subscribe for certain number of securities to be issued by the Target at a consideration to be determined (the “**Proposed Subscription**”).

The final terms of the Proposed Subscription, including the consideration and the number of securities to be subscribed will be subject to further negotiations and the formal agreement to be entered into between the parties to the MOU.

On 8 October 2018, the Company entered into a non-legally binding term sheet (the “**Term Sheet**”) with the Target, pursuant to which the parties to the Term Sheet will further negotiate for the Proposed Subscription by the Company of certain number of Series F Convertible Preferred Stock to be issued by the Target at a share price to be determined by the parties to upon signing of a formal agreement. The indicative total subscription consideration is US\$10 million. The subscription price will be payable by the Company to the Target at the applicable closing date of the upon the satisfaction or waiver of closing conditions as may be stated in the formal agreement.

On 16 December 2018, the Company entered into the Series F preferred stock purchase agreement with the Target (the “**Preferred Stock Purchase Agreement**”), pursuant to which the Company agrees to purchase and the Target agrees to sell and issue to the Company, the 47,510,800 Series F preferred stocks at the subscription price of US\$0.136811 per Series F preferred stock (“**Purchased Preferred Stocks**”). As at the date of the Preferred Stock Purchase Agreement, the Purchased Preferred Stocks represent approximately 11.89% of the enlarged issued share capital of the Target upon full conversion of all issued preferred stocks of the Target but before the exercise of options under the employees share option plan and the warrants of the Target in issue.

In addition to the Purchased Preferred Stocks, the Target will issue to the Company without additional consideration, the warrants, to purchase the number of 5,138,574 fully paid and nonassessable shares of Series F preferred stocks at the fair value.

On 17 January 2019, the Company announced that the Preferred Stock Purchase Agreement has lapsed on 14 January 2019. The Board is in the course of negotiating with the Target to continue the transaction contemplated under the Preferred Stock Purchase Agreement, yet as at the date of this announcement no binding agreement has been entered into between the parties to such effect. Further announcement will be made by the Company as and when appropriate when material development take place.

Details of the Proposed Subscription and Preferred Stock Purchase Agreement were set out in the Company's announcements dated 27 September 2018, 8 October 2018, 7 December 2018, 14 December 2018, 16 December 2018 and 17 January 2019.

On 10 October 2018, the Company entered into the technology collaboration agreement (the "**Agreement**") with Seiki Corporation ("**Seiki**"), which is a company incorporated in the United States of America, pursuant to which the Company has agreed to provide engineering design and technical support service to Seiki in relation to the Project (defined as below).

The Company will provide engineering design and technical support service to Seiki to facilitate the implementation of the project(s) (the "**Project**") under a collaboration agreement entered into between Google LLC ("**Google**") and Kelly Digital Company Limited ("**KDI**"), the holding company of Seiki. The Project is related to the products and services developed by KDI under Google's technology including but not limited to smart TV, smart speakers, smart soundbar, smart idisplay and smart monitors.

Details of the Agreement were set out in the Company's announcement dated 10 October 2018.

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. The high-end commercial two-way radio for European market was launched in third quarter of 2017. A new series of analog radio with new outlook has been launched by the end of 2017. Another high-end marine two-way radio is expected to be launched in the coming year. We are also looking at enhancing our business revenue and profitability by introducing new product categories and/or leverage our research and development capability to provide design engineering service to our customers.
- ii) Enhance our information management system: We will keep evaluating our information management system, upon the market condition, we will target to improve our information system to cope with the communication between our customers and suppliers.
- iii) Strengthen our marketing efforts: we continue to maintain our market presence and expand our sales channels and new potential customers globally by introducing new products.



In additional to the objectives and strategies as disclosed in Prospectus, we are proceeding costs migration of our fixed overhead in manufacturing into a variable cost in order to increase the flexibility of operation the business.

## **PROSPECT**

Our business objectives are to grow our existing business by strengthen our product portfolio, enhancing our information management system and strengthen our marketing efforts. We have continued reviewing our business and manufacturing processes to implement cost saving measures in operations. Riding on our car camera system product launched last year, the Group is exploring opportunity in electronic component distribution business by starting of trading of smart TV in the first quarter of 2018/19.

The Group will continue looking into opportunities to diversify our revenue stream. For instance, we will be exploring the way to leverage our research and development capability to provide design engineering service to our customers. We will also be searching opportunities to leverage our developed sales channels and network for distributing related products.

In coming year, the Group is expecting to deploy more subcontracting arrangement to enhance the flexibility in terms of fixed cost commitment. The subcontracting arrangement may shift outside the People's Republic of China (the "**PRC**") to diversify the production processes and fulfill the requirement from the customers. We have started trading of smart TV to diversify the revenue stream. We will continue to put effort in developing new model of our products and diversify our revenue streams which are expected to bring growth potential for turnover to the Group and returns to the shareholders of the Company (the "**Shareholders**").

The Group will continue to put effort in developing new models of our products and aim to streamline the business and improve overall performance of the Group which are expected to bring growth potential for revenue to the Group and returns to the Shareholders. The Group looks at and considers potential investment opportunities from time to time and looking for business opportunity of the Company. The Group will also be looking at enhancing our business revenue and profitability by introducing new product categories and/or leverage our research and development capability to provide design engineering service to our customers.

Our gross margin and the profitability has been impacted by the exchange rate fluctuation and raw material increment in the financial year. To improve the profitability and compensate the exposure, we have been adjusting our pricing strategy to our customers and our material vendors and expecting some improvement in future.

## **FINANCIAL REVIEW**

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

The majority of the Group's cost of sales comprised of raw material cost, product costs, direct labour costs and subcontracting fees. The cost of sales increased by approximately 7.4% from HK\$213.6 million for the nine months ended 31 December 2017 to approximately HK\$229.5 million for the nine months and 31 December 2018 due to start trading of smart TV. The gross profit margin increased from approximately 7.1% for the nine months ended 31 December 2017 to approximately 9.0% for the nine months ended 31 December 2018, mainly due to the result of cost restructuring plan of the Group.

### **Selling and distribution expenses**

The selling and distribution expenses increased from approximately HK\$2.9 million for the nine months ended 31 December 2017 to approximately HK\$3.3 million for the nine months ended 31 December 2018, which was mainly due to marketing and promotion expenses for the market of America.

### **Administrative Expenses**

The administrative expenses decreased from approximately HK\$26.1 million for the nine months ended 31 December 2017 to approximately HK\$18.9 million for the nine months ended 31 December 2018, which was mainly due to the costs optimization.

### **Profit (Loss) attributable to the owners of the Company**

Profit attributable to the owners of the Company for the nine months ended 31 December 2018 amounted approximately HK\$3.2 million compared to a loss of HK\$6.6 million (restated) for the nine months ended 31 December 2017. The main reason of the profit was the increase in gross profit HK\$6.4 million and decrease in administrative expenses for the reason mentioned above.

### **Dividend**

The Board does not recommend the payment of a dividend for the nine months ended 31 December 2018.

## Issue of Shares

On 19 December 2018, the Company and Eternal Pearl Securities Limited (the “**Placing Agent**”) entered into a placing agreement (the “**Placing Agreement**”), pursuant to which the Company proposes to offer the placing shares for subscription up to 450,000,000 ordinary shares of the Company at a price HK\$0.19 (the “**Placing Shares**”), and thereby appoints the Placing Agent to procure subscription by not less than six placees for the Placing Shares on best-effort basis. As the Placing Shares will be allotted and issued under the general mandate (the “**Placing**”), the allotment and issue of the Placing Shares are not subject to the Shareholders’ approval.

As at the date of the Placing Agreement, the Placing Shares represents (i) approximately 11.7% of the existing issued share capital of the Company as at the date of the Placing Agreement; and (ii) approximately 10.5% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares.

Assuming all Placing Shares are placed under the Placing Agreement, the gross proceeds from the Placing will be HK\$85.5 million, and the net proceeds will be approximately HK\$84.4 million (after deduction of commission and other expenses of the Placing). It is intended that such net proceeds from the Placing will be used as to (i) approximately HK\$51 million to settle the consideration of the Purchased Preferred Stocks; (ii) approximately HK\$14.5 million to pay for fees and expenses in relation to the Placing and the Preferred Stock Purchase Agreement; and (iii) balance of which in the amount of approximately HK\$18.9 million would be utilised as general working capital of the Group.

On 17 January 2019, the Company announced that the placing period of the Placing was expired on 15 January 2019 and no placee has been identified so far. As such, the Board foresees the Placing Agreement will lapse on 29 January 2019, which being the closing date of Placing Agreement.

On 29 January 2019, the closing date of Placing Agreement, the Placing Agreement has lapsed due to no placee has been identified.

Details of the Placing were set out in the Company’s announcement dated 19 December 2018 and 17 January 2019.

## 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 December 2018, the unused proceeds of approximately HK\$6.1 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 nine months ended 31 December 2018, the net proceeds had been utilized as follows:

	<b>Actual net proceeds HK\$ Million</b>	<b>Amount utilised up to 31 December 2018 HK\$ Million</b>	<b>Balance as at 31 December 2018 HK\$ Million</b>
Strengthen our product portfolio	21.7	18.2	3.5
Enhance our information management systems	2.4	—	2.4
Strengthen our marketing efforts	4.0	3.9	0.1
Working capital and other general corporate purposes	2.8	2.7	0.1
Total	<u>30.9</u>	<u>24.8</u>	<u>6.1</u>

## OTHER INFORMATION

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

At 31 December 2018, Mr. Tam Wing Ki (“**Mr. Tam**”), the executive Director and chief executive officer of the Company had the following interests in the shares and underlying shares of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (“**SFO**”) as recorded in the register required to be kept under section 352 of SFO:

<b>Name of Shareholders</b>	<b>Name of Companies</b>	<b>Capacity</b>	<b>Number of shares and underlying shares</b>	<b>Percentage of shareholding</b>
Mr. Tam	the Company	Beneficial owner	898,176,000	23.39%

*Note:* All interests stated above represent long positions. The percentage of shareholding is calculated based on the number of issued shares of the Company as at 31 December 2018.

Save as disclosed herein, as at 31 December 2018, none of the Directors or chief executive of the Company or their associates had any interests and short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (iii) which were required, pursuant to Rules 5.46 to 5.67 of the Rules Governing the Listing of Securities on the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as is known to the Directors, at 31 December 2018, the following shareholders had interests in the shares or underlying shares of the Company and its associated corporations within the meaning of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

### **Long positions in shares of the Company**

<b>Name</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Percentage of shareholding</b>
Solution Smart Holdings Limited (" <b>Solution Smart</b> ") ( <i>Note 1</i> )	Beneficial owner	1,125,896,000	29.32%
SW Venture Asia Limited ( <i>Note 1</i> )	Interest in a controlled corporation	1,125,896,000	29.32%
Mr. Yeung Shing Wai ( <i>Note 1</i> )	Interest in a controlled corporation	1,125,896,000	29.32%
SMK Investment Company Limited (" <b>SMK</b> ") ( <i>Note 2</i> )	Beneficial owner	898,176,000	23.39%
Mr. Tam ( <i>Note 2</i> )	Interest in a controlled corporation	898,176,000	23.39%
Ms. Tang Yin Ping ( <i>Note 3</i> )	Interest of his child under 18 or spouse/interest of a substantial shareholder's child under 18 or spouse	898,176,000	23.39%
Cocoon Holdings Limited	Beneficial owner	244,690,000	6.37%

*Notes:*

1. Mr. Yeung Shing Wai is the sole beneficial shareholder of SW Venture Asia, which is the sole beneficial shareholder of Solution Smart. Therefore, Mr. Yeung Shing Wai and SW Venture Asia Limited are deemed to be interested in 1,125,896,000 shares of the Company held by Solution Smart under the SFO.
2. Mr. Tam, the Director and chief executive officer of the Company, is the sole beneficial shareholder of SMK. Therefore, Mr. Tam is deemed to be interested in 898,176,000 shares of the Company held by SMK under the SFO.

3. Ms. Tang Yin Ping is the spouse of Mr. Tam. Therefore, Ms. Tang Yin Ping is deemed to be interested in 898,176,000 shares of the Company held by Mr. Tam under the SFO.
4. The percentage of shareholding is calculated based on the number of issued shares of the Company as at 31 December 2018

Save as disclosed above, the Directors are not aware of any other person who has an interest or short position in the shares or underlying shares (including interest in options, if any) of the Company as recorded in the register required to be kept under section 336 of the SFO.

At no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors or the chief executive of the Company or any of their respective associates, including spouses or children under eighteen years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

#### **DIRECTORS' INTEREST IN CONTRACTS**

No contracts of significance in relation to the Group's business to which the Group was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during the nine months ended 31 December 2018.

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

For the nine months ended 31 December 2018, the Directors are not aware of any business or interest of the Directors, the management of the Company and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

#### **CORPORATE GOVERNANCE**

The Company is committed to ensure a high standard of corporate governance in the interests of the Shareholders and devotes considerable effort to maintain high level of business ethics and corporate governance practices. The Company has complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules throughout the nine months ended 31 December 2018. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the nine months ended 31 December 2018, 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 should be separated and should not be performed by the same individual.

During the nine months ended 31 December 2018 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 CG Code, 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 CG Code throughout the nine months ended 31 December 2018.

## **DIRECTORS' SECURITIES TRANSACTIONS**

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

Having made specific enquiry with all the Directors and all the Directors of the Company had confirmed compliance with the required standard of dealings and the code of conduct for Directors’ securities transactions during the nine months ended 31 December 2018.

## **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 nine months ended 31 December 2018.



## SHARE OPTION SCHEME

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

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

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

Details of the grant of the Options were set out in the Company’s announcements dated 2 October 2018. Save as mentioned above, no share options were granted by the Company during the nine months ended 31 December 2018. No share options were exercised, lapsed and cancelled during the nine months ended 31 December 2018.

Details of the movement of the share options of the Company under the Scheme for the nine months ended 31 December 2018 are set out below:

<b>Grantees</b>	<b>Date of grant of share</b>	<b>Expiry date of share options</b>	<b>Exercise price (HK\$)</b>	<b>Share options held as at 1 April 2018</b>	<b>Granted</b>	<b>Share option held as at 31 December 2018</b>
<b>Consultants</b>	02.10.2018	02.10.2028	0.0470	—	115,200,000	115,200,000
<b>Total:</b>				—	115,200,000	115,200,000

## AUDIT COMMITTEE

The existing audit committee of the Company (the “**Audit Committee**”) 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. Fung Chan Man Alex.

The unaudited third quarterly financial results of the Group for the nine months ended 31 December 2018 have been reviewed by the Audit Committee.

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

Hong Kong, 8 February 2019

*As at the date of this announcement, the executive Directors are Mr. Tam Wing Ki, Mr. Fu Yan Ming and Mr. Kwok Ming Fai; non-executive Director is Mr. Chan Chung Yin Victor; and independent non-executive Directors are Mr. Chan Shiu Man, Mr. Fung Chan Man Alex and Mr. Wong Ching Wan.*

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

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting and be posted on the website of the Company at [www.on-real.com](http://www.on-real.com).*