



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

Interim Report

2015



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*This report, 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 the GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Mr. Tam Wing Ki
(Chairman and Chief Executive Officer)
Mr. Hsu Wing Sang
Mr. Tao Hong Ming

Non-executive Director:

Mr. Chau Wai Hung, Andy

Independent Non-executive Directors:

Mr. Cheng Yuk Kin
Mr. Fan Chun Wah, Andrew
Ms. Reina Lim Yan Xin

AUDIT COMMITTEE

Mr. Cheng Yuk Kin *(Chairman)*
Mr. Fan Chun Wah, Andrew
Ms. Reina Lim Yan Xin

REMUNERATION COMMITTEE

Ms. Reina Lim Yan Xin *(Chairman)*
Mr. Cheng Yuk Kin
Mr. Fan Chun Wah, Andrew
Mr. Tao Hong Ming

NOMINATION COMMITTEE

Mr. Tam Wing Ki *(Chairman)*
Mr. Cheng Yuk Kin
Mr. Fan Chun Wah, Andrew
Ms. Reina Lim Yan Xin

COMPANY SECRETARY

Ms. Au Man Wai Annie

COMPLIANCE OFFICER

Mr. Tao Hong Ming

AUTHORISED REPRESENTATIVES

Mr. Tao Hong Ming
Ms. Au Man Wai Annie

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG	Room 2401–02, 24/F Jubilee Centre 46 Gloucester Road Wanchai, Hong Kong
PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS	Codan Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE	Boardroom Share Registrars (HK) Limited 31/F, 148 Electric Road North Point, Hong Kong
COMPLIANCE ADVISER	Quam Capital Limited 18/F–19/F, China Building 29 Queen’s Road Central Hong Kong
PRINCIPAL BANKERS	The Hongkong and Shanghai Banking Corporation Limited 1 Queen’s Road Central Hong Kong Australia and New Zealand Banking Group Limited, Hong Kong Branch 14/F, Three Exchange Square 8 Connaught Place, Hong Kong DBS Bank (Hong Kong) Limited 16/F, The Center 99 Queen’s Road Central Hong Kong
AUDITOR	PricewaterhouseCoopers <i>Certified Public Accountants</i> 22/F, Prince’s Building Central, Hong Kong
STOCK CODE	8245
COMPANY’S WEBSITE	www.on-real.com

FINANCIAL HIGHLIGHTS

- Revenue of the Company for the six months ended 30 September 2015 amounted to approximately HK\$159.4 million, representing a decrease of approximately 8.2% as compared with that of approximately HK\$173.7 million for the six months ended 30 September 2014.
- Profit attributable to the owner of the Company for the six months ended 30 September 2015 amounted to approximately HK\$0.5 million, representing a decrease of approximately 93.0% as compared with that of approximately HK\$7.2 million for the six months ended 30 September 2014.
- Basic and diluted earnings per share for the six months ended 30 September 2015 amounted to approximately HK cents 0.14 (for the six months ended 30 September 2014: HK cents 2.79).
- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are 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 ODM basis. The revenue decreased from approximately HK\$173.7 million for the for the six months ended 30 September 2014 to approximately HK\$159.4 million for the six months ended 30 September 2015, representing a decrease of approximately 8.2%. This was mainly because of the decrease in sales of products shipped to the US, which was the geographic location based on shipment destination where we generated highest revenue for six months ended 30 September 2014 and 2015. Retail sales in the US shrunk in the first quarter of 2015, mainly due to the harsh weather which kept customers away from showrooms and malls and thus weakened consumption level, which in turn slow down the movement of inventories of our customers and hold up their procurement from us. Such decrease was partially offset by the increase in our sales to another major customer.

The revenue of baby monitor increased by 174.1% from approximately HK\$3.9 million for the six months ended 30 September 2014 to approximately HK\$10.6 million for the six months ended 30 September 2015 mainly due to the increase in demand of our audio baby monitor products and our customer started to launch the product in more retail shops. The revenue of two-way radios decreased by approximately 13.1% from approximately HK\$161.4 million for the six months ended 30 September 2014 to approximately HK\$140.3 million mainly due to the decrease in demand from one of our major customer for reason mentioned above.

The following table sets forth the breakdowns of the turnover of the Group by product categories for each of the six months ended 30 September 2014 and 2015:

	Unaudited					
	Six months ended 30 September					
	2015		2014		Increase (Decrease)	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Two-way radios	140,304	88	161,446	93	(21,142)	(13)
Baby monitors	10,628	7	3,878	2	6,750	174
Service business	1,026	1	1,318	1	(292)	(22)
Other products	7,410	4	7,029	4	381	5
Total	159,368	100	173,671	100	(14,303)	(8)

OUTLOOK

Based on our recent discussion with our largest customer, we were told that they are in process of formulating their sales strategy, which may have negative impact on our revenue for the year ending 31 March 2016. The proposed change in the strategy of such customer, should it materialise and have negative impact on our revenue, the Company will issue an announcement in this regard in accordance with the requirements under the Listing Rules as and when appropriate. We expect the decrease in revenue from such potential customer will be partially compensated by our significant growth of two-way radio business from one of our major customers and one of our new customers. We received six new project awards from one of the major customers and four new project awards from a new customer during the six months ended 30 September 2015.

Going forward, the Company will continue to execute our business strategy to diversify our revenue streams and expand our customer base by expanding product offerings.

Our new products pipeline is strong, with new models in all three product categories of consumer two-way radios, commercial two-way radios, and baby monitors. The new models comprise of digital two-way radios, high-end feature rich two-way radios, waterproof high-end two-way radio, high-end digital audio baby monitor with better sound quality and features, high-end digital audio baby monitor with non-invasive movement sensing capability. We received new project awards from our customers for the new products. The launching of the new products in the coming quarters will increase our revenue from our existing customers and new customers.

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

- i) Strengthen our product portfolio: we are going to develop new high-end two-way radio and baby monitor products with new features and technologies, such as Internet-of-Things (“IoT”) connectivity and non-invasive movement sensing. The new products will be launched in 2016.
- ii) Enhance our information management system: We are planning to start a feasibility evaluation of our information management system in quarter four of 2015 and start the enhancement program in 2016.

- iii) Strengthen our marketing efforts: We continue to maintain our market presence and expand our sales channels in the US and the PRC for introducing our products and services to potential customers.

PROSPECT

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

FINANCIAL REVIEW

Cost of Sales and Gross Profit

The majority of the Group's cost of sales comprised of raw material cost and labour cost. Our cost of sales decreased by approximately 9.0% from approximately HK\$145.1 million for the six months ended 30 September 2014 to approximately HK\$132.1 million for the six months ended 30 September 2015, which is in line with the decrease in revenue. The gross margin increased from approximately 16.5% for the six month ended 30 September 2014 to approximately 17.1% for the six months ended 30 September 2015, the increase in the gross margin was mainly due to (i) the increase in gross profit margin of two-way radios; and (ii) the decrease in labour cost after we outsourced part of our labour-intensive manufacturing process to subcontractors.

Administrative Expenses

The administrative expenses increased from approximately HK\$19.7 million for the six months ended 30 September 2014 to approximately HK\$23.2 million for the six months ended 30 September 2015, which was mainly due to the increase in the listing expense of approximately HK\$3.7 million.

Profit attributable to the owners of the Company

The profit decreased from approximately HK\$7.2 million for the six months ended 30 September 2014 to approximately HK\$0.5 million for the six months ended 30 September 2015, was mainly due to an increase in the listing expense of approximately HK\$3.7 million during the six months ended 30 September 2015 and one-off reversal of retirement benefit costs of approximately HK\$5.7 million during the six months ended 30 September 2014. After taking out effect of these one-off items, the profit attributable to owners of the Company was improved for the six months ended 30 September 2015 as compared to the same period in 2014.

Liquidity, Financial Resources and Capital Structure

Historically, the Company has funded the liquidity and capital requirements primarily through operating cash flows and bank borrowings. As of 30 September 2015, we had various bank borrowings and overdrafts of approximately HK\$80.4 million including factoring loan for trade receivables (as at 31 March 2015: approximately HK\$49.7 million), representing an increase of approximately HK\$30.7 million as compared to that as at 31 March 2015.

The Company requires cash primarily for working capital needs. As of 30 September 2015, the Company had approximately HK\$25.5 million in cash and bank balances (as at 31 March 2015: approximately HK\$28.4 million), representing a decrease of approximately HK\$2.9 million as compared to that as at 31 March 2015.

On 30 September 2015, the Company was listed on the GEM by way of placing and completed the placing of 120,000,000 ordinary shares at placing price of HK\$0.57 per share for a total cash consideration of approximately HK\$68.4 million. We believe that the funding from the placing of Shares on the GEM would help the Company to strengthen financial position to achieve its business objective.

Capital Expenditure

The Company purchased property, plant and equipment amounting HK\$2.0 million for the six months ended 30 September 2015 which mainly comprises of acquisition of leasehold improvement approximately HK\$0.4 million and machinery and equipment approximately HK\$1.6 million.

Capital Commitments

The Company had capital commitments of approximately HK\$1.5 million which comprises of commitments on acquisition of intangible assets and property, plant and equipment (as at 31 March 2015: approximately HK\$2.4 million).

Gearing Ratio

As at 30 September 2015, the gearing ratio of the Company was approximately 95.2% (as at 31 March 2015: approximately 189.4%). The gearing ratio is calculated based on the total debt divided by the total equity at the end of the period. The decrease of the gearing ratio was mainly attributable to the increased in share capital and reserves of the Company for the six months ended 30 September 2015.

Pledged of Assets

As at 30 September 2015, certain fixed deposits of approximately HK\$5.6 million (as at 31 March 2015: approximately HK\$5.5 million) and life insurance of approximately HK\$13.7 million (as at 31 March 2015: approximately HK\$14.5 million) were pledged to banks to secure banking facilities granted to the Company.

Contingent Liabilities

As at 30 September 2015, the Company had no significant contingent liabilities (as at 31 March 2015: nil).

Financial Risk Management

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

The Company did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure as of 30 September 2015.

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

There were neither significant investments held as at 30 September 2015 nor material acquisitions and disposals of subsidiaries during the six months ended 30 September 2015.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2015.

Employees and Remuneration Policies

As of 30 September 2015, the Company has a total of 941 employees. The Company's remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee. We recognizes the importance of a good relationship with its employees. The remuneration payable to its employees includes salaries and allowances.

Use of Proceeds from the Listing

On 30 September 2015, the Company was successfully listed on the GEM. The initial public offering by way of placing was welcomed by investors.

As stated in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 18 September 2015 (the “**Prospectus**”), the Group intends to use the proceeds for (i) strengthen our product portfolio; (ii) enhance our information management systems; (iii) strengthen our marketing efforts; and (iv) working capital and other general corporate purposes. The Company intends to continue to apply the net proceeds in accordance with the proposed applications set out above. The net proceeds have not yet been applied to the above purposes as at the date of this report.

OTHER INFORMATION

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

At 30 September 2015, Mr. Tam Wing Ki and Mr. Hsu Wing Sang, being the controlling shareholders 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:

Name of Shareholders	Name of Companies	Capacity	Number of shares and underlying shares	Percentage of shareholding
Mr. Tam Wing Ki (<i>Note 1</i>)	the Company	Beneficial owner	179,460,000	37.39%
Mr. Hsu Wing Sang (<i>Note 1</i>)	the Company	Beneficial owner	79,740,000	16.61%

Note:

1. All interests stated above represent long positions.

During the six months ended 30 September 2015, there were no debt securities issued by the Group at any time. Save as disclosed herein, as at 30 September 2015, 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 30 September 2015, the following shareholders had interests in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares of the Company

Name	Capacity	Number of shares	Percentage of shareholding
Solution Smart Holdings Limited <i>(Note 1)</i>	Beneficial owner	67,212,000	14.00%
SW Venture Asia Limited <i>(Note 2)</i>	Interest in a controlled corporation	67,212,000	14.00%
Mr. Yeung Shing Wai <i>(Note 2)</i>	Interest in a controlled corporation	67,212,000	14.00%
Pacific Able Limited <i>(Note 3)</i>	Beneficial owner	33,588,000	7.00%
Mr. Law Sai Hung <i>(Note 3)</i>	Interest in a controlled corporation	33,588,000	7.00%
HF Pre-IPO Fund	Beneficial owner	26,350,000	5.48%
Huge China Holdings Limited	Beneficial owner	26,350,000	5.48%

Notes:

1. Solution Smart Holdings Limited is an investment holding company which is wholly and beneficially owned by SW Venture Asia Limited.
2. Mr. Yeung Shing Wai is the beneficial owner of SW Venture Asia Limited, which directly held 67,212,000 shares of the Company, and has therefore deemed to have an interest in the shares held by Solution Smart Holdings Limited.
3. Mr. Law Sai Hung is the beneficial owner of Pacific Able Limited, which directly held 33,588,000 shares of the Company, and has therefore deemed to have an interest in the shares which Pacific Able Limited were interested.
4. All interests stated above represent long positions.

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

DIRECTORS' INTERESTS 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 six months ended 30 September 2015.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the six months ended 30 September 2015, 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 six months ended 30 September 2015. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the six months ended 30 September 2015, except for certain deviations as specified with considered reasons for such deviations as explained below.

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

During the six months ended 30 September 2015 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 our Group since 2001, the Board considers that the roles of chairman and chief executive officer being performed by Mr. Tam enable more effective and efficient overall business planning, decision making and implementation thereof by the Group. In order to maintain good corporate governance and fully

comply with code provision, the Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

DIRECTORS' SECURITIES TRANSACTIONS

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

Having made specific enquiry with all the Directors and all the Directors of the Company had confirmed compliance with the required standard of dealings and the code of conduct for Directors' securities transactions during the six months ended 30 September 2015.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 September 2015.

SHARE OPTION SCHEME

The share option scheme of the Company ("**Scheme**") was adopted pursuant to a resolution passed by the Company's shareholders on 16 September 2015 ("**Adoption Date**") for the primary purpose is to attract, retain and motivate talented Participants, to strive for future developments and expansion of our 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 Share Option Scheme is adopted, after which period no further Share Options will be granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect and Share Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue. The principal terms of which were summarized in the paragraph headed "**Share Option Scheme**" in Appendix IV to the Prospectus. No share options have been granted under the Scheme since its adoption.

INTERESTS OF THE COMPLIANCE ADVISER

As confirmed by Quam Capital Limited, the compliance adviser of the Company, none of Quam Capital Limited or its directors, employees and associates is materially interested in any contract or arrangement during the six months ended 30 September 2015, which is significant in relation to the business of the Group.

AUDIT COMMITTEE

The existing audit committee of the Company (the “**Audit Committee**”) consists of three independent non-executive Directors, chaired by Mr. Cheng Yuk Kin and the other two members are Mr. Fan Chun Wah, Andrew and Ms. Reina Lim Yan Xin.

The unaudited interim financial results of the Group for the six months ended 30 September 2015 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, 10 November 2015

As at the date of this report, the executive Directors are Mr. Tam Wing Ki, Mr. Hsu Wing Sang and Mr. Tao Hong Ming, the non-executive Director is Mr. Chau Wai Hung, Andy and the independent non-executive Directors are Mr. Cheng Yuk Kin, Mr. Fan Chun Wah, Andrew and Ms. Reina Lim Yan Xin.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

TO THE BOARD OF DIRECTORS OF ON REAL INTERNATIONAL HOLDINGS LIMITED

(incorporated in Cayman Islands with limited liability)

We have reviewed the interim financial information set out on pages 15 to 52, which comprises the interim condensed consolidated statements of financial position of On Real International Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 September 2015 and the related interim condensed consolidated income statements, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

OTHER MATTER

The condensed consolidated interim financial information includes comparative information as required by Hong Kong Accounting Standard 34, “Interim financial reporting”. The comparative information for the interim condensed consolidated statement of financial position is based on the audited financial statements as at 31 March 2015. The comparative information for the interim condensed consolidated income statements, statements of comprehensive income, changes in equity and cash flows, and related explanatory notes, for the three months and six months ended 30 September 2014 has not been audited or reviewed.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 10 November 2015

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2015

The Board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited consolidated results of the Group for the six months and three months ended 30 September 2015, together with the comparative figures for the corresponding period in 2014 which have been reviewed and approved by the audit committee of the Company (the “**Audit Committee**”), as follows:

	Note	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2015	2014	2015	2014
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	6	92,456	83,522	159,368	173,671
Cost of sales	9	(76,523)	(68,720)	(132,065)	(145,100)
Gross profit		15,933	14,802	27,303	28,571
Other income – net	7	145	4,249	112	4,348
Other gains/(losses) – net	8	1,124	(528)	167	(293)
Selling and distribution expenses	9	(1,102)	(1,164)	(1,888)	(2,370)
Administrative expenses	9	(12,370)	(11,173)	(23,227)	(19,735)
Operating profit		3,730	6,186	2,467	10,521
Finance income	10	733	127	1,242	319
Finance costs	10	(449)	(205)	(813)	(391)
Finance income/(costs) – net	10	284	(78)	429	(72)
Profit before income tax		4,014	6,108	2,896	10,449
Income tax expense	11	(1,737)	(1,362)	(2,389)	(3,214)
Profit for the period attributable to the owners of the Company		2,277	4,746	507	7,235
Earnings per share attributable to owners of the Company for the period – Basic and diluted (expressed in HK cents per share)	12	0.63	1.83	0.14	2.79
Dividends	13	–	34,960	–	50,960

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2015

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Profit for the period	2,277	4,746	507	7,235
Other comprehensive income:				
<i>Item that will not be reclassified subsequently to profit or loss</i>				
Recycle of currency translation differences upon disposal of a subsidiary	—	(1,552)	—	(1,552)
<i>Item that may be reclassified to profit or loss</i>				
Currency translation differences	(446)	93	(433)	(350)
Other comprehensive income for the period, net of tax	(446)	(1,459)	(433)	(1,902)
Total comprehensive income for the period attributable to owners of the Company	1,831	3,287	74	5,333

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

	Note	Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	8,348	9,068
Intangible assets	14	7,012	8,403
Financial asset at fair value through profit or loss		13,738	14,458
Prepayments	15	2,858	3,000
Deferred income tax assets		635	635
Total non-current assets		32,591	35,564
Current assets			
Inventories	16	35,028	28,558
Trade and other receivables	15	174,123	52,873
Restricted cash		5,542	5,510
Cash and bank balances		25,467	28,373
Total current assets		240,160	115,314
Total assets		272,751	150,878
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	4,800	—
Reserves		79,676	26,260
Total equity		84,476	26,260

	Note	Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
LIABILITIES			
Non-current liability			
Borrowings	18	—	32
Total non-current liability		—	32
Current liabilities			
Trade and other payables	19	101,205	67,256
Borrowings	18	80,466	49,697
Current income tax liabilities		6,604	7,633
Total current liabilities		188,275	124,586
Total liabilities		188,275	124,618
Total equity and liabilities		272,751	150,878
Net current assets/(liabilities)		51,885	(9,272)
Total assets less current liabilities		84,476	26,292

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 September 2015

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

	Attributable to owners of the Company						
	Share capital	Share premium	Capital reserve	PRC			Total Equity
				Statutory reserves	Exchange reserve	Retained earnings	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 April 2014 (Audited)	—	—	(5,402)	1,233	5,328	46,835	47,994
Profit for the period	—	—	—	—	—	7,235	7,235
Other comprehensive income							
Currency translation differences	—	—	—	—	(350)	—	(350)
Recycle of currency translation differences upon disposal of a subsidiary	—	—	—	—	(1,552)	—	(1,552)
Total other comprehensive income, net of tax	—	—	—	—	(1,902)	—	(1,902)
Total comprehensive income	—	—	—	—	(1,902)	7,235	5,333
Total contribution from and distribution to owners of the Company, recognised directly in equity							
Dividends relating to period ended 30 September 2014 (Note 13)	—	—	—	—	—	(16,000)	(16,000)
Special dividend (Note 13)	—	—	—	—	—	(34,960)	(34,960)
Deemed contribution upon disposal of a subsidiary (Note 22)	—	—	7,169	—	—	—	7,169
Total transactions with owners, recognised directly in equity	—	—	7,169	—	—	(50,960)	(43,791)
Balance at 30 September 2014 (Unaudited)	—	—	1,767	1,233	3,426	3,110	9,536

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 September 2015

	Unaudited Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000
Cash flows from operating activities		
Cash (used in)/generated from operations	(18,670)	6,690
Interest paid	(813)	(391)
Income tax paid	(3,418)	(170)
Net cash (used in)/generated from operating activities	(22,901)	6,129
Cash flows from investing activities		
Payments of development expenses capitalised as intangible assets	—	(4,657)
Purchases of property, plant and equipment	(2,391)	(801)
Proceeds from disposals of property, plant and equipment	15	4,122
Decrease in bank deposit with original maturity over 3 months	—	1,594
(Increase)/decrease in restricted cash	(32)	7,820
Interest received	239	319
Net cash (used in)/generated from investing activities	(2,169)	8,397
Cash flows from financing activities		
Proceeds from bank borrowings	30,542	6,174
Repayments of obligation under finance lease	(195)	(193)
Dividends paid to the subsidiaries' shareholders	—	(26,584)
Cash outflow upon disposal of a subsidiary (Note 22)	—	(6,442)
Capital injection by Solution Smart Holdings Limited and Pacific Able Limited	—	4,700
Payment for listing expenses	(7,833)	(180)
Net cash generated from/(used in) financing activities	22,514	(22,525)
Net decrease in cash and cash equivalents	(2,556)	(7,999)
Cash and cash equivalents at the beginning of the period	28,373	34,495
Exchange (losses)/gains on cash and cash equivalents	(350)	93
Cash and cash equivalents at end of the period	25,467	26,589

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 CORPORATION INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

(a) General information

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

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

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

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

(b) Basis of presentation

The presentation applied are consistent with those of the annual financial statements for the year ended 31 March 2015, as described in those annual financial statements.

2 BASIC OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2015 has been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34 ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2015, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group

The following new or amended standards have been adopted by the Group for the first time for the financial year beginning on or after 1 April 2015:

HKAS 19 (Amendment)	Defined Benefit Plans: Employee Contributions
Annual improvements 2010 to 2012	Improvements to HKASs and HKFRSs
Annual improvements 2011 to 2013	Improvements to HKASs and HKFRSs

3 ACCOUNTING POLICIES (CONTINUED)

- (b) The following new standards and amendments/revisions to standards have been issued, but are not effective for the financial year beginning 1 April 2015 and have not been early adopted.

		Effective for accounting periods beginning on or after
Amendments to HKAS 1	The disclosure initiative	1 January 2016
HKAS 16 and HKAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendment)	Agriculture: bearer plants	1 January 2016
HKAS 27 (Amendment)	Equity method in separate financial statements	1 January 2016
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory effective date of HKFRS 9 and transition disclosures	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investments entities applying the consolidation exception	1 January 2016
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operation	1 January 2016
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
Annual improvement to HKFRSs	2012–2014 cycle	1 January 2016

The Group has commenced an assessment of the impact of these new, amended and revised HKFRSs but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

4 ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2015.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2015.

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

5.2 Liquidity risk

Compared to year end, there have been no material changes to the policies and practices for the Group's liquidity and funding risks management as described in the annual financial statements for the year ended 31 March 2015.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 Fair value estimation

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

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

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

	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unaudited				
At 30 September 2015				
Asset				
– Financial asset at fair value through profit or loss	–	–	13,738	13,738
Audited				
At 31 March 2015				
Asset				
– Financial asset at fair value through profit or loss	–	–	14,458	14,458

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

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

The following table presents the changes in level 3 instruments for the six months ended 30 September 2015 and 2014:

	Unaudited	
	Financial asset at fair value through profit or loss	
	HK\$'000	HK\$'000
	2015	2014
Opening balance at 1 April	14,458	11,680
Interest income	173	172
Administrative expense charged to condensed consolidated income statement	(63)	(62)
Changes in fair value (<i>Note 8</i>)	(830)	1,188
Closing balance at 30 September	13,738	12,978

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

5.5 Group's valuation processes

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

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.5 Group's valuation processes (Continued)

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

The fair values of trade and other receivables, restricted cash, cash and cash equivalents, trade and payables, borrowings and finance lease liabilities as at 30 September 2015 approximate to their carrying amounts.

6 SEGMENT INFORMATION

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

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

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

Capital expenditure comprises additions to property, plant and equipment and intangible assets.

6 SEGMENT INFORMATION (CONTINUED)

The segment information provided to the executive directors for the reportable segments for the six months ended 30 September 2015 and 30 September 2014 is as follows:

	Two-way radios HK\$'000	Baby monitors HK\$'000	Service business HK\$'000	Other products (Note i) HK\$'000	Total HK\$'000
Unaudited					
For the six months ended					
30 September 2015					
Total segment revenue					
(from external customers)	140,304	10,628	1,026	7,410	159,368
Segment results					
for the period	22,699	2,322	982	1,300	27,303
Other segment items:					
Amortisation of intangible assets	363	1,028	—	—	1,391
Depreciation of property, plant and equipment	1,999	175	—	105	2,279
Capital expenditures	1,225	102	—	67	1,394
Unaudited					
For the six months ended					
30 September 2014					
Total segment revenue					
(from external customers)	161,446	3,878	1,318	7,029	173,671
Segment results					
for the period	20,960	370	158	1,416	22,904
Other segment items:					
Amortisation of land use rights and intangible assets	292	5	1	15	313
Depreciation of property, plant and equipment	3,047	46	11	158	3,262
Capital expenditures	5,088	147	30	193	5,458
Provision for inventories	298	10	—	10	318

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.

6 SEGMENT INFORMATION (CONTINUED)

Total revenue recognised during the respective period are as follows:

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Sales of goods	92,456	82,221	158,342	172,353
Sales of service	—	1,301	1,026	1,318
	92,456	83,522	159,368	173,671

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

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

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Segment results	15,933	9,135	27,303	22,904
Effects of one-off reversal of retirement benefit costs (<i>Note 9(a)</i>)	—	5,667	—	5,667
	15,933	14,802	27,303	28,571
Other income – net	145	4,249	112	4,348
Other gains/(losses) – net	1,124	(528)	167	(293)
Selling, distribution and administrative expenses	(13,472)	(12,337)	(25,115)	(22,105)
	3,730	6,186	2,467	10,521
Operating profit	3,730	6,186	2,467	10,521
Finance income/(costs) – net	284	(78)	429	(72)
	4,014	6,108	2,896	10,449
Profit before income tax	4,014	6,108	2,896	10,449

6 SEGMENT INFORMATION (CONTINUED)

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

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The United States of America (the "US")	37,041	32,739	65,019	73,935
Europe (Note 1)	15,246	13,295	23,696	28,646
The Netherlands	5,195	8,436	9,082	17,729
Asia (Note 2)	9,148	10,015	14,988	16,643
UK (Note 3)	8,401	10,425	13,482	16,020
Germany	12,287	3,029	25,078	7,915
Others (Note 4)	5,138	5,583	8,023	12,783
	92,456	83,522	159,368	173,671

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

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

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

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

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

7 OTHER INCOME – NET

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff quarter rental income	16	56	30	138
Gain/(loss) on disposal of property, plant and equipment	—	2,631	(56)	2,631
Recycle of currency translation differences upon disposal of a subsidiary	—	1,552	—	1,552
Others	129	10	138	27
	145	4,249	112	4,348

8 OTHER GAINS/(LOSSES) – NET

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Fair value losses on derivative financial instruments				
– net losses on forward foreign exchange contracts	–	(305)	–	(919)
Net exchange gains on forward foreign exchange contracts	–	1,047	–	547
Exchange gains/(losses), net	970	(1,215)	997	(1,109)
Fair value gains/(losses) on financial asset at fair value through profit or loss	154	(55)	(830)	1,188
	1,124	(528)	167	(293)

9 EXPENSES BY NATURE

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of inventories recognised as expenses	47,908	50,164	83,225	107,896
Employee benefit expenses (Note (a))	15,732	16,253	34,228	33,987
Subcontracting fees	9,344	7,356	14,503	9,597
Amortisation of intangible assets (Note 14)	745	117	1,391	258
Amortisation of land use right	—	22	—	55
Depreciation of property, plant and equipment (Note 14)	984	1,518	2,279	3,262
Provision for inventories	—	220	—	318
Listing expenses	4,338	2,506	8,676	5,011
Other expenses	10,944	2,901	12,878	6,821
	89,995	81,057	157,180	167,205
Representing:				
Cost of sales	76,523	68,720	132,065	145,100
Selling and distribution expenses	1,102	1,164	1,888	2,370
Administrative expenses	12,370	11,173	23,227	19,735
	89,995	81,057	157,180	167,205

Note:

- (a) The Group reversed the provision for retirement benefit costs of HK\$5,667,000 during the period ended 30 September 2014 after considering the relevant local rules and regulations and the legal opinion received from the Company's PRC legal advisors that the Social Insurance Fund Management Bureau are time-barred from ordering payment based on the two-year statute of limitation. The Group had received a written confirmation from the Social Insurance Fund Management Bureau of Xinxing on 16 September 2014 confirming that it has not issued and will not issue an order requiring the subsidiary in Xinxing to repay the social insurance or impose administrative penalty on the subsidiary.

10 FINANCE INCOME/(COSTS) – NET

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Interest expense on bank borrowings				
– Repayable within 5 years	(443)	(187)	(800)	(351)
Interest expense on finance leases	(6)	(18)	(13)	(40)
Finance costs	(449)	(205)	(813)	(391)
Interest income from bank deposits	17	41	66	147
Interest income from financial asset at fair value through profit or loss	87	86	173	172
Other interest income	629	—	1,003	—
Finance income	733	127	1,242	319
Finance income/(costs) – net	284	(78)	429	(72)

11 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit during the six months ended 30 September 2015. The PRC enterprise income tax is provided at the rate of 25% during the six months ended 30 September 2015.

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

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Current income tax	1,737	1,468	2,389	3,434
Deferred income tax	—	(106)	—	(220)
Income tax expense	1,737	1,362	2,389	3,214

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

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective periods. In determining the weighted average number of ordinary shares, the 14,400 ordinary shares of the Company issued to the Controlling Shareholders during the reorganisation and the additional 259,185,600 shares under the proposed capitalisation on 16 September 2015 were treated as if they had been in issue since 1 April 2014; and the 5,600 shares issued to Solution Smart Holdings Limited (“**Solution Smart**”) and Pacific Able Limited (“**Pacific Able**”) during the reorganisation (Note 17(b)) and the additional 100,794,400 shares issued under the proposed capitalisation on 16 September 2015 were treated as if they had been in issue since 31 October 2014.

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

(CONTINUED)

(a) Basic (Continued)

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2015	2014	2015	2014
Profit attributable to owners of the Company (HK\$'000)	2,277	4,746	507	7,235
Weighted number of ordinary shares in issue ('000)	361,304	259,200	360,656	259,200
Basic earnings per share (HK cents per share)	0.63	1.83	0.14	2.79

(b) Diluted

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

13 DIVIDENDS

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Dividends	—	34,960	—	50,960

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

During the six months ended 30 September 2014, certain subsidiaries of the Group declared interim dividends to their then equity holders amounting to HK\$16,000,000.

13 DIVIDENDS(CONTINUED)

In addition, during the six months ended 30 September 2014, a subsidiary also declared (i) a special dividend of HK\$24,960,000 for settlement of consideration payable by Shine View Development Limited (“**Shine View**”), which is controlled by the Controlling Shareholders but is not a member of the Group, in connection with the disposal of the entire equity interest in Xinxing On Time Electronics Limited (“**Xinxing On Time**”) (Note 22); and (ii) a cash dividend of HK\$10,000,000.

14 CAPITAL EXPENDITURE

	Property, plant and equipment HK\$'000	Intangible assets – Product development costs HK\$'000
Unaudited		
Six months ended 30 September 2015		
Opening net book amount as at 1 April 2015	9,068	8,403
Additions	1,990	–
Depreciation/amortisation (Note 9)	(2,279)	(1,391)
Disposal	(71)	–
Exchange differences	(360)	–
	<hr/>	<hr/>
Closing net book amount as at 30 September 2015	8,348	7,012
Audited		
Year ended 31 March 2015		
Opening net book amount as at 1 April 2014	31,298	1,644
Additions	6,881	7,528
Depreciation/amortisation	(5,994)	(779)
Disposal	(1,520)	–
Disposal of a subsidiary (Note 22)	(21,339)	–
Exchange differences	(258)	10
	<hr/>	<hr/>
Closing net book amount as at 31 March 2015	9,068	8,403

15 TRADE AND OTHER RECEIVABLES

	Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
Trade and bills receivable (<i>Note a</i>)	93,632	36,703
Prepayments	7,410	9,694
Value-added tax receivables	5,728	8,334
Listing proceeds receivable	68,400	—
Other receivables and deposits	1,811	1,142
	176,981	55,873
Less non-current portion: prepayments	(2,858)	(3,000)
	174,123	52,873

(a) Trade and bills receivable

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

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

	Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
Current	63,162	20,667
1 to 30 days	29,996	15,672
31 to 60 days	28	4
61 to 90 days	444	235
91 to 180 days	2	113
Over 180 days	—	12
Total	93,632	36,703

16 INVENTORIES

	Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
Raw materials	17,533	16,562
Work in progress	16,441	9,548
Finished goods	1,054	2,448
	35,028	28,558

The cost of inventories recognised as expenses in “cost of sales” amounted to approximately HK\$83,225,000 (Six months ended 30 September 2014: HK\$107,896,000) for the six months ended 30 September 2015.

17 SHARE CAPITAL

	Number of shares	Amount HK\$
Authorised:		
As at 30 June 2014 (date of incorporation) and 30 September 2014 (<i>Note (a)</i>)	39,000,000	390,000
Capitalisation of shares (<i>Note (c)</i>)	741,000,000	7,410,000
As at 30 September 2015	780,000,000	7,800,000
Issued and fully paid:		
As at 30 June 2014 (date of incorporation) and 30 September 2014 (<i>Note (a)</i>)	10,000	100
Issue of shares to Mr. Tam, Mr. Hsu, Solution Smart and Pacific Able on 31 October 2014 (<i>Note (b)</i>)	10,000	100
Capitalisation of shares (<i>Note (c)</i>)	359,980,000	3,599,800
Issue of new shares pursuant of share offer (<i>Note (d)</i>)	120,000,000	1,200,000
As at 30 September 2015	480,000,000	4,800,000

17 SHARE CAPITAL (CONTINUED)

Notes:

- (a) On 30 June 2014, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$390,000 divided into 39,000,000 shares of HK\$0.01 each. On the same day, 10,000 ordinary shares were allotted and issued at par to the Controlling Shareholders.
- (b) On 31 October 2014, On Real (BVI) Limited acquired the whole equity interest of On Real Limited at a consideration to be satisfied by the allotment and issue of 10,000 shares of the Company to Mr. Tam, Mr. Hsu, Solution Smart and Pacific Able. In consideration of the Company's allotment and issue of the above shares, the Company was allotted and issued one share of On Real (BVI). On Real (BVI) became the wholly owned subsidiary of the Company.
- (c) On 16 September 2015, the authorised share capital of the Company increased from HK\$390,000 to HK\$7,800,000 by the creation of additional 741,000,000 shares of HK\$0.01 each. On the same date, the Company capitalised an amount of HK\$3,599,800 by charging to the share premium account of the Company and that the said sum to be applied in paying up in full for 359,980,000 shares. Such shares are allotted and issued, credited as fully paid to the then shareholders of the Company.
- (d) In connection with the Company's initial public offering on GEM on 30 September 2015, 120,000,000 ordinary shares of HK\$0.01 each were issued at a price of HK\$0.57 per share for a total cash consideration of HK\$68,400,000, with issuance costs amounted to HK\$10,258,000. This resulted in share premium of approximately HK\$56,942,000.

18 BORROWINGS

	Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
Non-current, secured		
Finance lease liabilities	—	32
	—	32
Current, secured		
Portion of long-term bank borrowings due for repayment within 1 year	2,118	7,900
Portion of long-term bank borrowings due for repayment after 1 year which contain a repayment on demand clause	2,515	7,235
Finance lease liabilities	220	383
Factoring loans	44,874	3,749
Import and export loans	30,739	30,430
	80,466	49,697
Total borrowings	80,466	49,729

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

18 BORROWINGS (CONTINUED)

As at 30 September 2015, the Group had aggregate banking facilities of approximately HK\$116,229,000 (31 March 2015: HK\$91,840,000) including loans, trade financing and bank guarantees. Unused facilities as at 30 September 2015 amounted to approximately HK\$35,763,000 (31 March 2015: HK\$42,111,000).

As at 30 September 2015, the facilities are secured/guaranteed by:

- (i) pledge of life insurance amounting to HK\$13,738,000 as at 30 September 2015;
- (ii) bank deposits of HK\$5,542,000 as at 30 September 2015;
- (iii) a corporate guarantee from the Company; and
- (iv) trade receivables of HK\$58,709,000.

As at 31 March 2015, the facilities were secured/guaranteed by:

- (i) joint and several guarantee executed by the Controlling Shareholders;
- (ii) pledge of life insurance amounting to HK\$14,458,000 as at 31 March 2015;
- (iii) bank deposits of HK\$5,510,000 as at 31 March 2015;
- (iv) trade receivables of HK\$4,667,000; and
- (v) government guarantee for the SME Loan.

The carrying amounts of the borrowings approximate their fair values. The weighted average interest rate is 3.34% (31 March 2015: 3.27%) as at 30 September 2015.

19 TRADE AND OTHER PAYABLES

	Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
Trade payables (<i>Note (a)</i>)	62,404	42,220
Other payables and accruals		
– Accruals for staff cost	7,955	7,615
– Accruals for retirement benefit costs and housing funds	4,919	7,663
– Accruals for listing expenses	14,743	1,480
– Advances from customers	3,920	574
– Payable for property, plant and equipment	2,042	1,927
– Payable for intangible assets	–	1,048
– Other accruals and other payables	5,222	4,729
	101,205	67,256

(a) Trade payables

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

	Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
0 to 30 days	32,040	8,762
31 to 60 days	1,392	13,044
61 to 90 days	12,290	11,510
Over 90 days	16,682	8,904
	62,404	42,220

20 COMMITMENTS

(a) Capital commitments

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

	Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
Contracted but not provided for		
– Property, plant and equipment	724	981
– Intangible assets	774	1,460

(b) Operating lease commitments

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

	Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
Land and buildings		
– No later than 1 year	2,927	3,106
– Later than 1 year and no later than 5 years	2,146	3,445
	5,073	6,551

The Group has no other material commitments as at 30 September 2015 (31 March 2015: Nil).

21 RELATED-PARTY TRANSACTIONS

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

The directors are of the view that the following companies were related parties that had transactions or balances with the Group during the three months and six months ended 30 September 2015 and 30 September 2014:

Name of the related party	Relationship with the Group
On Time (HK) Limited	Controlled by Mr. Tam and Mr. Hsu
Shine View	Controlled by Mr. Tam and Mr. Hsu
Xinxing On Time	Controlled by Mr. Tam and Mr. Hsu

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the three months and six months ended 30 September 2015 and 30 September 2014.

(a) Transactions with related parties

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of goods to a related company				
– On Time (HK) Limited	–	1,257	–	3,548
Rental expenses charged by a related company				
– Xinxing On Time	(305)	(123)	(611)	(123)
Disposal of a subsidiary to a related company				
– Shine View (Note 22)	–	24,960	–	24,960

21 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

Certain administrative expenses of the Company incurred during the six months ended 30 September 2015 were borne by On Real Limited, the subsidiary indirectly held by the Company.

(b) Key management compensation

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

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Wages, salaries and allowances	842	602	1,684	1,204
Retirement benefit costs	14	9	27	17
	856	611	1,711	1,221

(c) Guarantees from related parties

As at 31 March 2015, bank and other borrowings of the Group of HK\$49,729,000 was guaranteed by the Controlling Shareholders of the Company. Upon listing of the Company on 30 September 2015, this guarantee was released and was replaced by the corporate guarantee of the Company.

22 DISPOSAL OF A SUBSIDIARY

On 31 August 2014, On Real disposed of Xinxing On Time to Shine View, which is controlled by the Controlling Shareholders but is not a member of the Group, at a consideration of US\$3,200,000 (equivalent to HK\$24,960,000). Details of the assets and liabilities disposed are as follows:

	HK\$'000
Consideration settled through dividends (Non-cash transaction)	24,960
Less assets and liabilities disposed of:	
Land use right	5,627
Property, plant and equipment (<i>Note 14</i>)	21,339
Trade and other receivables and prepayments	12,847
Cash and cash equivalents	6,442
Trade payables, accruals and other payables	<u>(28,464)</u>
Net assets	<u>17,791</u>
Deemed contribution upon disposal of a subsidiary	<u>7,169</u>