



On Real International Holdings Limited

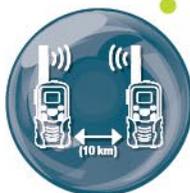
安悦國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8245



Interim Report
2017



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

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CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Mr. Tam Wing Ki
(Chairman and Chief Executive Officer)
Mr. Gao Hong *(Vice chairman)*
(appointed on 7 April 2017)
Mr. Tao Hong Ming
(resigned on 1 September 2017)
Mr. Fu Yan Ming
Mr. Kwok Ming Fai

Independent
Non-executive
Directors:

Mr. Cheng Yuk Kin *(resigned on 31 July 2017)*
Mr. Wong Ching Wan
Mr. Fung Chan Man, Alex
(appointed on 31 July 2017)
Mr. Chan Shiu Man

AUDIT COMMITTEE

Mr. Wong Ching Wan *(Chairman)*
Mr. Chan Shiu Man
Mr. Fung Chan Man, Alex
(appointed on 31 July 2017)
Mr. Cheng Yuk Kin *(resigned on 31 July 2017)*

REMUNERATION COMMITTEE

Mr. Fung Chan Man, Alex
(Chairman) (appointed on 31 July 2017)
Mr. Chan Shiu Man
Mr. Wong Ching Wan
Mr. Cheng Yuk Kin *(resigned on 31 July 2017)*
Mr. Tao Hong Ming *(resigned on 1 September 2017)*

NOMINATION COMMITTEE

Mr. Tam Wing Ki *(Chairman)*
Mr. Chan Shiu Man
Mr. Fung Chan Man, Alex
(appointed on 31 July 2017)
Mr. Wong Ching Wan
Mr. Cheng Yuk Kin *(resigned on 31 July 2017)*

COMPANY SECRETARY

Mr. Au Yeung Ming Yin Gordon
(appointed on 15 August 2017)
Mr. Chan Koon Fat *(resigned on 15 August 2017)*

COMPLIANCE OFFICER

Mr. Kwok Ming Fai *(appointed on 1 September 2017)*
Mr. Tao Hong Ming *(resigned on 1 September 2017)*

AUTHORISED REPRESENTATIVES

Mr. Kwok Ming Fai *(appointed on 1 September 2017)*
Mr. Au Yeung Ming Yin Gordon
(appointed on 15 August 2017)
Mr. Chan Koon Fat *(resigned on 15 August 2017)*
Mr. Tao Hong Ming *(resigned on 1 September 2017)*

REGISTERED OFFICE	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
PRINCIPAL PLACE OF BUSINESS IN HONG KONG	Shop Space No. 66, Ground Floor, Blocks 7-14 City Garden, No. 233 Electric Road, Hong Kong
PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE	Boardroom Share Registrars (HK) Limited 31/F, 148 Electric Road North Point, Hong Kong Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong (effective from 20 November 2017)
COMPLIANCE ADVISER	Lego Corporate Finance Limited Room 1601, 16/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 DBS Bank (Hong Kong) Limited 16/F, The Center 99 Queen's Road Central Hong Kong
AUDITOR	SHINEWING (HK) CPA Limited 43/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, 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 2017 amounted to approximately HK\$150.7 million, representing a decrease of approximately 2.6% as compared with that of approximately HK\$154.7 million for the six months ended 30 September 2016.
- Loss attributable to the owner of the Company for the six months ended 30 September 2017 amounted to approximately HK\$7.5 million as compared to a profit of approximately HK\$1.7 million for the six months ended 30 September 2016.
- Basic and diluted loss per share for the six months ended 30 September 2017 amounted to approximately HK cents 0.20 (for the six months ended 30 September 2016: earnings per share HK cents 0.04).
- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2017.

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 six months ended 30 September 2017, together with the unaudited comparative figures for the corresponding period in 2016.

BUSINESS REVIEW

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

The Group’s revenue decreased from approximately HK\$154.7 million for the six months ended 30 September 2016 to approximately HK\$150.7 million for the six months ended 30 September 2017, representing a decrease of approximately 2.6%. Such decrease was mainly due to the drop of number of purchase orders from two major customers during the six months ended 30 September 2017.

The Group’s revenue of two-way radios decreased by approximately 17.9% from approximately HK\$134.7 million for the six months ended 30 September 2016 to approximately HK\$110.7 million for the six months ended 30 September 2017 mainly due to the decrease in demand from one major customer.

The Group’s revenue of baby monitor increased by approximately 34.6% from approximately HK\$9.9 million for the six months ended 30 September 2016 to approximately HK\$13.3 million for the six months ended 30 September 2017 mainly due to the increase in demand of our audio baby monitor products and new models are in place.

The Group’s revenue of other products increased by approximately 100.8% from approximately HK\$10.1 million for the six months ended 30 September 2016 to approximately HK\$20.2 million for the six months ended 30 September 2017 mainly due to the increase in demand in materials and parts to customers in the People’s Republic of China (the “**PRC**”).

The Group’s revenue of service business significantly increased by approximately 151.5 times from approximately HK\$43 thousand for the six months ended 30 September 2016 to approximately HK\$6.6 million for the six months ended 30 September 2017 mainly due to increase in the provision of providing electric manufacturing servicing business to optimize the utilization of manufacturing capacity of the factory.

The following table sets forth the breakdown of the revenue of the Group by product categories for each of the three and six months ended 30 September 2016 and 2017:

	Three months ended 30 September					
	2017		2016		Increase (Decrease)	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)		(Unaudited)			
Two-way radio	58,444	79.7	80,947	87.4	(22,503)	(27.8)
Baby monitors	5,774	7.9	5,877	6.4	(103)	(1.8)
Service business	222	0.3	24	0.0	198	825
Other products	8,928	12.1	5,762	6.2	3,166	54.9
Total	73,368	100.0	92,610	100.0	(19,242)	(20.8)

	Six months ended 30 September					
	2017		2016		Increase (Decrease)	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)		(Unaudited)			
Two-way radio	110,674	73.4	134,728	87.1	(24,054)	(17.9)
Baby monitors	13,296	8.8	9,880	6.4	3,416	34.6
Service business	6,558	4.4	43	0.0	6,515	15,151.2
Other products	20,182	13.4	10,050	6.5	10,132	100.8
Total	150,710	100.0	154,701	100.0	(3,991)	(2.6)

OUTLOOK

The new products pipeline of the Group has competitive power, with new models in all three product categories of consumer two-way radios, commercial two-way radios and baby monitors. During the period, we received 7 new project awards from our customers including two-way radio and baby monitors.

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

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

- i) Strengthen our product portfolio: we are going to develop new high-end two-way radio and baby monitor products with new features and technologies, such as Internet-of-Things connectivity. A high-end digital commercial two-way radio for European market was launched in third quarter of 2017. A new series of analog radio with new outlook is expected to be launched by the end of 2017. Another high-end marine two-way radio is expected to be launched in 2018. A new series of baby monitor products has been launched in third quarter of 2017.

In addition, the first model of 3D car camera system was launched in first quarter of 2017, another two models of car camera system is expected to be launched by the end of 2017 as well.

- ii) Enhance our information management system: We will keep evaluating our information management system, upon the market condition, the enhancement program may be started in 2018.
- iii) Strengthen our marketing efforts: we continue to maintain our market presence and expand our sales channels and strengthen the presence in the US and the PRC by introducing our products and services to potential customers. We have started to explore new sales channels to launch new products in North America through participating in a crowd funding activity, in which the first launch of the program was started in 2016.

In addition to the objectives and strategies as disclosed in Prospectus, the consolidation of our manufacturing sites was completed in second quarter of 2017. We are considering a further plan to migrate more of our fixed overhead in manufacturing into a variable cost in order to increase the flexibility of operating the business.

PROSPECT

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

FINANCIAL REVIEW

Cost of Sales and Gross Profit

The majority of the Group's cost of sales comprised of raw material cost and labour cost. The Group's cost of sales increased by approximately 4.6% from HK\$132.2 million for the six months ended 30 September 2016 to HK\$138.3 million for the six months ended 30 September 2017. The gross margin decreased from approximately 14.6% for the six months ended 30 September 2016 to approximately 8.2% for the six months ended 30 September 2017, which was mainly due to increase in customs duties in PRC and the increase in sales of lower margin products ("**other products**" by product categories) comparing with other product categories which in turns drag down the entire profit margin of the Group.

Selling and Distribution Expenses

The selling and distribution expenses decreased from approximately HK\$2.0 million for the six months ended 30 September 2016 to approximately HK\$1.8 million for the six months ended 30 September 2017, which was mainly due to marketing and promotion expenses for new sales and distribution network's setup fee in North America incurred in the corresponding period in last year.

Administrative Expenses

The administrative expenses slightly decreased from approximately HK\$19.6 million for the six months ended 30 September 2016 to approximately HK\$18.5 million for the six months ended 30 September 2017.

Loss or Profit attributable to the owners of the Company

For the six months ended 30 September 2017, the loss was approximately HK\$7.5 million as compared to the profit of HK\$1.7 million in the same period last year. The loss for the six months ended 30 September 2017 was mainly due to the decrease in gross profit of approximately HK\$10.1 million.

Liquidity, Financial Resources and Capital Structure

Historically, the Group has funded the liquidity and capital requirements primarily through operating cash flows and bank borrowings. As at 30 September 2017, we had various bank borrowings and overdrafts of approximately HK\$38.6 million, including factoring loans for trade receivables (as at 31 March 2017: approximately HK\$45.2 million), representing a decrease of approximately HK\$6.6 million as compared to that as at 31 March 2017.

Net current assets decreased from approximately HK\$44.6 million as at 31 March 2017 to approximately HK\$42.7 million for the six months ended 30 September 2017, which was mainly due to the increase in trade payable during the period ended 30 September 2017.

During the year, the Company issued a total of HK\$19.2 million perpetual capital securities to strengthen the balance sheet and credit profile. Details of perpetual capital securities are set out in the Note 23 of this interim report.

The Company requires cash primarily for working capital needs. As at 30 September 2017, the Company had approximately HK\$32.9 million in cash and bank balances (as at 31 March 2017: approximately HK\$36.6 million), representing a decrease of approximately HK\$3.7 million as compared to that as at 31 March 2017.

Capital Expenditure

The Company purchased property, plant and equipment amounting HK\$3.1 million for the six months ended 30 September 2017 which mainly comprises of acquisition of machinery and equipment.

Capital Commitments

The Company had capital commitments on acquisition of intangible assets and property, plant and equipment of approximately HK\$2.4 million (as at 31 March 2017: HK\$2.4 million).

Gearing Ratio

As at 30 September 2017, the gearing ratio of the Group was approximately 56.7% (as at 31 March 2017: approximately 63.0%). The gearing ratio is calculated based on the borrowings divided by the total equity at the end of the period. The decrease of the gearing ratio was mainly attributable to the decrease in the amount of borrowings for bills payable and factory loan to support the settlement to suppliers.

Pledged of Assets

As at 30 September 2017, certain fixed deposits of approximately HK\$2.3 million (as at 31 March 2017: approximately HK\$2.2 million) and key-man insurance of approximately HK\$13.6 million (as at 31 March 2017: approximately HK\$13.6 million) were pledged to banks to secure banking facilities granted to the Group.

Contingent Liabilities

As at 30 September 2017, the Company had no significant contingent liabilities (as at 31 March 2017: Nil).

Financial Risk Management

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

The Company did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure as of 30 September 2017.

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

There were neither significant investments held as at 30 September 2016 nor material acquisitions and disposals of subsidiaries during the six months ended 30 September 2017. Save for the business plan and the capital commitments as disclosed in this report, there is no plan for material investment or capital assets as at 30 September 2017.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2017.

Employees and Remuneration Policies

As of 30 September 2017, the Group had a total of 438 employees. The Group remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee. We recognise the importance of a good relationship with its employees. The remuneration payable to its employees includes salaries and allowances.

Use of Proceeds from the Listing

On 30 September 2015, 120,000,000 ordinary shares of the Company were allotted at HK\$0.57 per placing share pursuant to the Placing (as defined in the Prospectus). The net proceeds from the Placing received by the Company were approximately HK\$30.9 million (after deduction of any related expenses). As at 30 September 2017, the unused proceeds of approximately HK\$13.6 million were deposited into licensed banks in Hong Kong. The Company intends to continue to apply the remaining net proceeds in accordance with the proposed applications set out above.

During the six months ended 30 September 2017, the net proceeds had been utilised as follows:

	Actual net proceeds HK\$ Million	Amount utilised up to 30 September 2017 HK\$ Million	Balance as at 30 September 2017 HK\$ Million
Strengthen our product portfolio	21.7	11.7	10.0
Enhance our information management systems	2.4	—	2.4
Strengthen our marketing efforts	4.0	2.9	1.1
Working capital and other general corporate purposes	2.8	2.7	0.1
Total	30.9	17.3	13.6

OTHER INFORMATION

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

At 30 September 2017, Mr. Tam Wing Ki (“**Mr. Tam**”), the Executive Director and chief executive officer of the Company, and Mr. Gao Hong, the Executive Director 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	The Company	Beneficial owner	898,176,000	23.39%
Mr. Gao Hong	The Company	Beneficial owner	16,000,000	0.42%

Note: All interests stated above represent long positions.

Save as disclosed herein, as at 30 September 2017, 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. There were no debt securities issued by the Group during the six months ended 30 September 2017.

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 2017, 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

Name	Capacity	Number of shares	Percentage of shareholding
Solution Smart Holdings Limited (" Solution Smart ") (Note 1)	Beneficial owner	1,125,896,000	29.32%
SW Venture Asia Limited (Note 1)	Interest in a controlled corporation	1,125,896,000	29.32%
Mr. Yeung Shing Wai (Note 1)	Interest in a controlled corporation	1,125,896,000	29.32%
SMK Investment Company Limited (" SMK ") (Note 2)	Beneficial owner	898,176,000	23.39%
Mr. Tam (Note 2)	Interest in a controlled corporation	898,176,000	23.39%
Ms. Tang Yin Ping (Note 3)	Interest of his child under 18 or spouse/ interest of a substantial shareholder's child under 18 or spouse	898,176,000	23.39%
Huge China Holdings Limited	Beneficial owner	210,230,000	5.47%
Zhang Jun	Beneficial owner	209,247,000	5.45%

Notes:

1. Mr. Yeung Shing Wai is the sole beneficial shareholder of SW Venture Asia Limited, 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.

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 2017.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the six months ended 30 September 2017, 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 2017. 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 2017, 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 2017 under review, the Company has not separated the roles of chairman and chief executive officer of the Company. Mr. Tam is currently performing the roles of chairman and chief executive officer of the Company. Taking into account Mr. Tam is the founder of the Group and has been operating and managing the Group since 2001, the Board considers that the roles of chairman and chief executive officer being performed by Mr. Tam enable more effective and efficient overall business planning, decision making and implementation thereof by the Group. In order to maintain good corporate governance and fully comply with code provision, the Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

Except for the deviation from the CG Code as set out above, the Company fully complied with all the Code Provisions throughout the six months ended 30 September 2017.

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 2017.

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 2017.

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. No share options have been granted under the Scheme since its adoption.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Lego Corporate Finance Limited (“**Lego**”), the compliance adviser of the Company, except for the compliance adviser agreement entered into between the Company and Lego dated 26 January 2016, neither Lego nor its directors, employees or close associates (as defined under the GEM Listing Rules) is materially interested in any contract or arrangement or had any interests in the securities of the Company for the period from 26 January 2016 to 30 September 2017.

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 interim financial results of the Group for the six months ended 30 September 2017 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, 14 November 2017

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2017

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 2017, together with the comparative figures for the corresponding period in 2016 which have been reviewed and approved by the Audit Committee, as follows:

	Notes	Three months ended 30 September		Six months ended 30 September	
		2017	2016	2017	2016
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	6	73,368	92,610	150,710	154,701
Cost of sales	9	(66,585)	(78,661)	(138,308)	(132,186)
Gross profit		6,783	13,949	12,402	22,515
Other income	7	505	769	1,217	1,234
Other (losses) and gains	8	(180)	(88)	(203)	301
Selling and distribution expenses	9	(900)	(932)	(1,847)	(1,977)
Administrative expenses	9	(9,055)	(10,534)	(18,513)	(19,553)
Finance costs	10	(248)	(231)	(418)	(373)
(Loss) Profit before income tax		(3,095)	2,933	(7,362)	2,147
Income tax (expense) credit	11	—	(605)	(130)	(443)
(Loss) Profit for the period attributable to the owners of the Company		(3,095)	2,328	(7,492)	1,704
(Loss) Earnings per share attributable to owners of the Company for the period — Basic and diluted (expressed in HK cents per share)	12	(0.08)	0.06	(0.20)	0.04

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
(Loss) Profit for the period	(3,095)	2,328	(7,492)	1,704
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	1,825	(843)	2,595	(828)
Other comprehensive income for the period, net of tax	1,825	(843)	2,595	(828)
Total comprehensive income for the period attributable to owners of the Company	(1,270)	1,485	(4,897)	876

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Notes	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	14	7,315	7,098
Intangible assets	14	1,980	3,325
Financial asset at fair value through profit or loss		13,622	13,622
Prepayments	15	1,272	1,590
Deferred income tax assets		1,434	1,434
Total non-current assets		25,623	27,069
Current assets			
Inventories	16	55,825	50,942
Trade and other receivables	15	88,906	86,042
Amount due from a related company	20	363	383
Tax recoverable		—	—
Pledged bank deposits		2,306	2,160
Bank balances and cash		32,899	36,584
		180,299	176,111
Total assets		205,922	203,180
Current liabilities			
Trade and other payables	19	97,832	83,586
Amount due to a related company	20	836	2,446
Borrowings	18	38,616	45,164
Income tax payables		355	340
		137,639	131,536

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
<i>Notes</i>		
Net current assets	42,660	44,575
Total assets less current liabilities	68,283	71,644
Capital and reserves		
Share capital	4,800	4,800
Reserves	63,483	66,844
	68,283	71,644

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Attributable to owners of the Company							
	Share capital	Share premium	Capital reserve	PRC		Perpetual Capital Securities	Accumulated loss	Total Equity
				Statutory reserve	Exchange reserve			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 April 2017 (Audited)	4,800	75,468	(5,826)	4,472	1,303	—	(8,573)	71,644
(Loss) for the period	—	—	—	—	—	—	(7,492)	(7,492)
Other comprehensive Income								
Exchange difference arising on translation of foreign operations	—	—	—	—	2,595	—	—	2,595
Total comprehensive income/(loss)	—	—	—	—	2,595	—	(7,492)	(4,897)
Issue of perpetual capital securities (note 23)	—	—	—	—	—	19,200	—	19,200
Transaction costs on issue of perpetual capital securities (note 23)	—	—	—	—	—	(2,304)	—	(2,304)
Distribution (note 23)	—	—	—	—	—	(15,360)	—	(15,360)
Balance at 30 September 2017 (Unaudited)	4,800	75,468	(5,826)	4,472	3,898	1,536	(16,065)	68,283

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Cash flows from operating activities		
Cash generated from (used in) operations	6,263	(30,019)
Interest paid	(418)	(373)
Income tax paid	(131)	(2,627)
Net cash generated from (used in) operating activities	5,714	(33,019)
Cash flows from investing activities		
Purchases of property, plant and equipment	(3,142)	(1,675)
Proceeds from disposals of property, plant and equipment	246	650
Decrease in restricted cash	—	50
Interest received	45	400
Net cash used in investing activities	(2,851)	(575)
Cash flows from financing activities		
(Repayment of) proceeds from bank borrowings	(6,548)	31,356
Repayments of obligation under finance lease	—	(32)
Net cash (used in) generated from financing activities	(6,548)	31,324
Net decrease in cash and cash equivalents	(3,685)	(2,270)
Cash and cash equivalents at the beginning of the period	36,584	35,050
Exchange losses on cash and cash equivalents	—	(29)
Cash and cash equivalents at end of the period	32,899	32,751

NOTES TO UNAUDITED 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, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is Shop Space No. 66, Ground Floor, Blocks 7–14 City Garden, No. 233 Electric Road, 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 Company was listed on the GEM on 30 September 2015.

This unaudited 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 consolidated annual financial statements for the year ended 31 March 2017, as described in those consolidated annual financial statements.

2 BASIC OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2017 has been prepared in accordance with Hong Kong Accounting Standards (“**HKAS**”) 34 ‘Interim financial reporting’. The unaudited condensed consolidated interim financial information should be read in conjunction with the consolidated annual financial statements for the year ended 31 March 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”).

3 PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2017, except as described below.

In the six months ended 30 September 2017, the Group has applied, for the first time, the following new standards, amendments and interpretation (the "**new HKFRSs**") issued by the HKICPA which are effective for the Group's financial year beginning on 1 April 2017.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle: Amendments to HKFRS 12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

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

4 ESTIMATES

The preparation of unaudited condensed consolidated 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 unaudited 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 2017.

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 unaudited interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the consolidated annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2017.

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 2017.

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. 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 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Unaudited				
At 30 September 2017				
Asset				
— Financial asset at fair value through profit or loss	—	—	13,622	13,622
Audited				
At 31 March 2017				
Asset				
— Financial asset at fair value through profit or loss	—	—	13,622	13,622

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 2017 and 2016:

	Financial asset at fair value through profit or loss	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Opening balance at 1 April	13,622	14,513
Interest income (<i>Note 7</i>)	90	179
Administrative expense charged to condensed consolidated income statement	(33)	(67)
Changes in fair value (<i>Note 8</i>)	(57)	(113)
Closing balance at 30 September	13,622	14,512

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

The fair values of trade and other receivables, pledged bank deposits, bank balances and cash, trade and payables, and borrowings as at 30 September 2017 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.

6 SEGMENT INFORMATION (CONTINUED)

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

Capital expenditure comprises additions to property, plant and equipment.

The segment information provided to the executive directors for the reportable segments for the six months ended 30 September 2017 and 30 September 2016 is as follows:

	Two-way radios HK\$'000 (Unaudited)	Baby monitors HK\$'000 (Unaudited)	Service business HK\$'000 (Unaudited)	Other products (Note i) HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
For the six months ended 30 September 2017					
Total segment revenue (from external customers)	110,674	13,296	6,558	20,182	150,710
Segment result for the period	10,161	989	298	954	12,402
Other segment items:					
Amortisation of intangible assets	338	1,016	—	—	1,354
Depreciation of property, plant and equipment	1,391	38	62	328	1,819
Capital expenditures	2,161	330	179	472	3,142
For the six months ended 30 September 2016					
Total segment revenue (from external customers)	134,728	9,880	43	10,050	154,701
Segment result for the period	19,547	1,383	3	1,582	22,515
Other segment items:					
Amortisation of intangible assets	371	1,052	—	—	1,423
Depreciation of property, plant and equipment	1,820	159	—	96	2,075
Capital expenditures	1,675	—	—	—	1,675

6 SEGMENT INFORMATION (CONTINUED)

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

Total revenue recognised during the respective period are as follows:

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Sales of goods	73,146	92,586	144,152	154,658
Sales of service	222	24	6,558	43
	73,368	92,610	150,710	154,701

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.

6 SEGMENT INFORMATION (CONTINUED)

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

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Segment results	6,783	13,949	12,402	22,515
Other income	505	769	1,217	1,234
Other (losses) and gains	(180)	(88)	(203)	301
Selling, distribution and administrative expenses	(9,955)	(11,466)	(20,360)	(21,530)
Finance costs	(248)	(231)	(418)	(373)
(Loss) Profit before income tax	(3,095)	2,933	(7,362)	2,147

6 SEGMENT INFORMATION (CONTINUED)

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

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
The United States of America (the "US")	24,728	41,651	60,865	64,210
Europe (Note 1)	8,989	6,434	14,873	14,144
The Netherlands	4,273	5,969	14,333	12,636
Asia (Note 2)	11,840	10,813	22,373	18,913
UK (Note 3)	3,956	9,841	7,145	14,967
Germany	11,290	13,588	19,221	25,082
Others (Note 4)	8,292	4,314	11,900	4,749
	73,368	92,610	150,710	154,701

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.

Revenue is allocated based on the shipping destination.

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

7 OTHER INCOME

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Bank interest income	16	19	32	48
Interest income from financial asset at fair value through profit or loss	—	89	90	179
Interest income charged to customers	—	80	22	174
Staff quarter rental income	17	29	39	52
Gain on disposal of non-current assets	—	277	246	277
Sale of scrap	108	8	255	13
Machinery rental income	180	77	306	77
Others	184	190	227	414
	505	769	1,217	1,234

8 OTHER (LOSSES) AND GAINS

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Exchange (losses)/ gains, net	(180)	(31)	(146)	414
Fair value losses on financial asset at fair value through profit or loss	—	(57)	(57)	(113)
	(180)	(88)	(203)	301

9 LOSS FOR THE PERIOD ATTRIBUTABLE OF THE OWNERS OF THE COMPANY

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Cost of inventories recognised as expenses	39,729	44,106	87,947	71,605
Employee benefit expenses	12,258	15,387	25,363	32,111
Subcontracting fees	12,528	20,137	25,322	29,860
Amortisation of intangible assets (Note 14)	693	711	1,354	1,423
Depreciation of property, plant and equipment (Note 14)	875	1,050	1,819	2,075
Operating leases				
– Office premises and staff quarters	415	451	853	877
– Factories	494	783	954	1,565
– Plant and machinery	282	159	441	318

10 FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest on:				
– bank and other borrowings	248	231	411	373
– amount due to a related company	–	–	7	–
	248	231	418	373

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 2017. The PRC enterprise income tax is provided at the rate of 25% during the six months ended 30 September 2017.

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

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Current income tax	–	605	130	443

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

(a) Basic

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

	Three months ended 30 September		Six months ended 30 September	
	2017 (Unaudited)	2016 (Unaudited) (restated)	2017 (Unaudited)	2016 (Unaudited) (restated)
(Loss) Profit attributable to owners of the Company (HK\$'000)	(3,095)	2,328	(7,492)	1,704
Weighted number of ordinary shares in issue ('000)	3,840,000	3,840,000	3,840,000	3,840,000
Basic (loss) earnings per share (HK cents per share)	(0.08)	0.06	(0.20)	0.04

(b) Diluted

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

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

13 DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the six months ended 30 September 2017 and 2016.

14 CAPITAL EXPENDITURE

	Property, plant and equipment HK\$'000	Intangible assets – Product development costs HK\$'000
Unaudited		
Six months ended 30 September 2017		
Opening net book amount as at 1 April 2017	7,098	3,325
Additions	3,142	–
Depreciation/amortisation	(1,819)	(1,354)
Disposal	(1,320)	–
Exchange differences	214	9
Closing net book amount as at 30 September 2017	7,315	1,980
Audited		
Year ended 31 March 2017		
Opening net book amount as at 1 April 2016	8,992	6,758
Additions	3,868	–
Written off	(1,209)	–
Depreciation/amortisation	(4,103)	(3,396)
Exchange differences	(450)	(37)
Closing net book amount as at 31 March 2017	7,098	3,325

15 TRADE AND OTHER RECEIVABLES

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Trade receivable (<i>Note a</i>)	50,607	55,448
Prepayments	10,588	11,208
Value-added tax receivables	26,969	19,078
Deposits	1,426	1,365
Other receivables	588	533
Total trade and other receivables	90,178	87,632
Less: non-current portion	(1,272)	(1,590)
Current portion	88,906	86,042

(a) Trade receivable

The carrying amounts of trade receivable approximate their fair values.

15 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivable (Continued)

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

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Currents	42,900	43,413
Within 30 days	4,220	10,340
31 to 60 days	665	1,276
61 to 90 days	2,519	241
91 to 180 days	249	125
Over 180 days	54	53
Amounts past due but not impaired	7,707	12,035
Total	50,607	55,448

16 INVENTORIES

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Raw materials	19,077	20,328
Work in progress	25,721	21,701
Finished goods	11,027	8,913
	55,825	50,942

The cost of inventories recognised as expenses in “cost of sales” amounted to approximately HK\$87,947,000 and HK\$71,605,000 for the six months ended 30 September 2017 and 30 September 2016, respectively.

17 SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.00125 each	6,240,000,000	7,800
Issued and fully paid:		
Ordinary shares of HK\$0.00125 each at 31 March 2017 (audited), 1 April 2017 (unaudited) and 30 September 2017 (unaudited)	3,840,000,000	4,800

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

18 BORROWINGS

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Bank borrowings due for repayment within 1 year	38,616	43,555
Portion of long-term bank borrowings due for repayment after 1 year which contain a repayment on demand clause	—	1,609
Amount shown under current liabilities	38,616	45,164

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

As at 30 September 2017, the Group's banking facilities are secured by:

- (i) pledge of key-man insurance with an aggregate amount of approximately HK\$13,622,000;
- (ii) pledged bank deposits with an aggregate amount of approximately HK\$2,306,000;
- (iii) a corporate guarantee from the Company with an aggregate amount of approximately HK\$65,000,000; and
- (iv) certain of the Group's trade receivables with an aggregate amount of approximately HK\$25,361,000.

18 BORROWINGS (CONTINUED)

As at 31 March 2017, the Group's banking facilities are secured by:

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

The carrying amounts of the borrowings approximate their fair values. The weighted average interest rate is 0.45% to 4.32% (31 March 2017: 0.45% to 4.15%) as at 30 September 2017.

19 TRADE AND OTHER PAYABLES

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Trade payables	73,204	64,688
Other payables and accruals		
Accrued expenses	13,604	13,795
Other payables	7,674	1,027
Receipt in advance (<i>Note</i>)	3,350	4,076
	24,628	18,898
Trade and other payables	97,832	83,586

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

19 TRADE AND OTHER PAYABLES (CONTINUED)

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

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Within 30 days	43,133	18,169
31 to 60 days	5	19,853
61 to 90 days	12,820	18,304
More than 90 days	17,246	8,362
	73,204	64,688

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

20 AMOUNT DUE FROM (TO) A RELATED COMPANY

(a) Amount due from a related company

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Xinxing On Time Electronics Limited	363	383

The balances are unsecured, interest-free and repayable on demand.

(b) Amount due to a related company

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Xinxing On Time Electronics Limited	836	2,446

The balances are unsecured, interest-free and repayable on demand.

21 CAPITAL COMMITMENTS

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Contracted but not provided for		
– Property, plant and equipment	731	674
– Intangible assets	1,703	1,703

The Group has no other material commitments as at 30 September 2017 (30 September 2016: HK\$1,606,000).

22 RELATED-PARTY TRANSACTIONS

For the purposes of these unaudited 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 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 2017 and 30 September 2016.

(a) Transactions with related parties

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Rental expenses charged by a related company	426	294	819	588
Interest expenses paid	—	—	7	—

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.

22 RELATED-PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation

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

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Wages, salaries and allowances	1,115	1,053	2,649	2,087
Retirement benefit costs	17	9	35	18
	1,132	1,062	2,684	2,105

23 PERPETUAL CAPITAL SECURITIES

During the period for the six months ended 30 September 2017, the Company issued a total of HK\$19.2 million perpetual capital securities (the “**Securities**”). The Securities are perpetual, non-callable and entitle the holders to receive distributions at distribution rate 14% per annum in the first 8 years, thereafter at distribution rate 0.001% per annum, payable annually in arrears. The distributions are at the Company’s discretion, if the Company does not (a) pay dividends to the shareholders of the Company within 6 months period prior to the scheduled distribution date or (b) cancel or reduce their share capitals within 6 months period prior to the scheduled distribution date. During the period for the six months ended 30 September 2017, the Company has accepted one-off early distributions at a discounted distribution rate amounting to HK\$15.4 million of the Securities. As the Securities do not contain any contractual obligation to pay cash or other financial assets, in accordance with HKAS 32, they are classified as equity and for accounting purpose regarded as part of non-controlling interests.

24 EVENT AFTER REPORT PERIOD

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

25 APPROVAL OF THE UNAUDITED INTERIM FINANCIAL STATEMENTS

The unaudited interim financial statements were approved and authorised for issue by the Board on 14 November 2017.