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## **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)**

## **DISCLOSEABLE TRANSACTION INVOLVING ISSUE OF SHARES UNDER GENERAL MANDATE**

The Board is pleased to announce that on 2 June 2022, the Purchaser, a wholly owned subsidiary of the Company, entered into the Agreement with the Vendors for the acquisition of 100% issued shares of the Target at the consideration of HK\$15 million to be settled by the allotment and issue of the Consideration Shares.

Completion of the Acquisition is conditional upon, among others, the Stock Exchange granting the listing of and permission to deal in the Consideration Shares.

As the highest percentage ratio under the GEM Listing Rules exceeds 5% but is under 25%, the Acquisition constitutes a discloseable transaction and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

### **THE AGREEMENT**

**Date:** 2 June 2022

**Parties:**

1. Wong Ming Kwan Victoria and DD Innovation Limited as vendors;
2. Joyful Earn Holdings Limited as purchaser.

DD Innovation Limited is principally engaged in investment holding and is wholly owned by Wong Ming Kwan Victoria. To the best of the Directors' knowledge, information and belief, and after making all reasonable enquiries, the Vendors and their ultimate beneficial owner are Independent Third Parties.

### **Assets to be acquired**

The Company shall acquire 100% issued ordinary shares in the Target.

### **Consideration**

The consideration is HK\$15 million, which is subject to adjustment as set out under the section headed "Profit guarantee and compensation" below.

The consideration is to be satisfied by the Purchaser upon completion by procuring the allotment and issue of the Consideration Shares by the Company to the Vendors (or their nominees).

### **Basis of consideration**

The consideration of HK\$15 million was determined after arm's length negotiations between the Purchaser and the Vendors with reference to (i) the profit guarantee provided by the Vendors under the Agreement as set out under the section headed "Profit guarantee and compensation" below and (ii) the future prospects of the business of the Target as set out under the section "REASONS FOR THE ACQUISITION" below. Accordingly the Directors consider that the consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## Profit guarantee and compensation

The Vendors guarantee to the Purchaser that the audited net profit before tax of the Target (i) for the year ended 31 March 2023 shall be no less than HK\$1.9 million (“**1<sup>st</sup> Year Guaranteed Profit**”); and (ii) for the year ended 31 March 2024 shall be no less than HK\$1.9 million (“**2<sup>nd</sup> Year Guaranteed Profit**”). If the aggregate of the actual audited net profit before tax of the Target for the year ended 31 March 2023 (“**1<sup>st</sup> Year Actual Profit**”) and for the year ended 31 March 2024 (“**2<sup>nd</sup> Year Actual Profit**”) shall be less than the aggregate of the 1st Year Guaranteed Profit and 2nd Year Guaranteed Profit, the Vendors shall pay compensation (“**Compensation**”) to the Purchaser according to the following formula:

$$A = 15,000,000 \times \frac{(1^{\text{st}} \text{ Year Guaranteed Profit} + 2^{\text{nd}} \text{ Year Guaranteed Profit}) - (1^{\text{st}} \text{ Year Actual Profit} + 2^{\text{nd}} \text{ Year Actual Profit})}{1^{\text{st}} \text{ Year Guaranteed Profit} + 2^{\text{nd}} \text{ Year Guaranteed Profit}}$$

where A is the Compensation payable to the Company. For the avoidance of doubt, (i) if any of the 1<sup>st</sup> Year Actual Profit or the 2<sup>nd</sup> Year Actual Profit shall be negative, such loss shall be offset against the profit for the other period and (ii) if the aggregate 1<sup>st</sup> Year Actual Profit and 2<sup>nd</sup> Year Actual Profit shall be negative, it shall be deemed to be zero. The maximum amount of the Compensation shall be HK\$15,000,000.

The Vendors and the Purchaser shall procure the auditor nominated by the Purchaser to complete the audited financial statements of the Target for the year ended 31 March 2023 and 31 March 2024 respectively within 3 months after the end of the relevant period. The Compensation (if any) shall be paid by the Vendors to the Company in cash within 7 business days after determination of the 1st Year Actual Profit and 2nd Year Actual Profit.

## Conditions precedent

Completion of the Agreement shall be conditional upon and subject to:

- (a) the Company being satisfied with the results of its due diligence review of the assets, liabilities, operations and affairs of the Target;
- (b) all necessary consents and approvals required to be obtained on the part of the Vendors, the Target, the Purchaser and the Company in respect of the Agreement and the transactions contemplated thereunder having been obtained;
- (c) all necessary waiver, consent, approval, licence, authorisation, permission, order and exemption from the relevant governmental or regulatory authorities or other third parties which are necessary in connection with the Agreement and the transactions contemplated thereunder having been obtained;

- (d) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares; and
- (e) the warranties set out in the Agreement remaining true and accurate in all material respects.

If the above conditions have not been satisfied (or as the case may be, waived by the Company in respect of (a) and (e) only) on or before the Long Stop Date, the Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other hereunder save for any antecedent breaches of the terms hereof.

### **Completion**

Completion shall take place within five business days after all the conditions precedent of the Agreement are satisfied (or waiver the case may be), or such other date as the Vendors and the Purchaser may agree in writing.

After Completion, the Target will become a wholly owned subsidiary of the Company and the financial results of the Target will be consolidated into the Company.

### **INFORMATION ON THE TARGET**

The Target is a limited company incorporated in Hong Kong in 2014 and is principally engaged in the production and sales of OEM, ODM and OBM plastic products with specialty in 3D items, infants and children products.

Set out below is the financial information of the Target extracted from its unaudited financial statements for the two years ended 31 March 2022 and 31 March 2021:

	<b>Year ended 31 March 2022</b>	Year ended 31 March 2021
	<i>HK\$</i>	<i>HK\$</i>
Profit before taxation	<b>437,292</b>	150,101
Profit after taxation	<b>437,292</b>	150,101
Net assets (liabilities)	<b>14,512</b>	(422,781)

## **CONSIDERATION SHARES AND ISSUE PRICE**

The Consideration Shares will be allotted and issued at the issue price of HK\$0.132 each, which represents:

- (i) a discount of approximately 20% over the closing price of HK\$0.165 per Share as quoted on the Stock Exchange on the date of the Agreement;
- (ii) a discount of approximately 16.03% over the average closing price of approximately HK\$0.1572 per Share as quoted on the Stock Exchange for the last five consecutive trading days of the Shares immediately before the date of the Agreement.

The issue price was determined after arm's length negotiation between the Purchaser and Vendors with reference to the prevailing and historical market prices of the Shares. The Directors consider that the issue price is fair and reasonable.

The Consideration Shares represent approximately 18.99% of the total number of issued Shares as at the date of this announcement and represent approximately 15.96% of the total number of issued Shares as enlarged by the allotment and issue of Consideration Shares.

## **THE GENERAL MANDATE**

The Consideration Shares will be allotted and issued pursuant to the general mandate to allot, issue and deal with Shares granted to the Directors by a resolution of the Shareholders passed at the Company's annual general meeting held on 16 September 2021 up to 119,700,000 Shares. As at the date of this announcement, no Share has been issued pursuant to the general mandate.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when issued, will rank *pari passu* in all respects with the existing Shares in issue.

## **REASONS FOR THE ACQUISITION**

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

The Target provides one-stop solutions in the supply of high quality plastic products to customers in Japan, Europe, America and China. The Target specializes in 3D items, infants and children products and is able to cater for the needs of customers from design, production to logistics. Leveraging on the years of experience in the B2B market and understanding of market needs, the Target is expanding into the B2C market through online platforms to capture more customers in different areas.

The Board has been actively looking for business opportunities to diversify the income source of the Group. The Board considers that the Acquisition represents a good opportunity to expand its current business and to develop product diversification. The Acquisition will also serve as a lateral expansion of the Group's business in sale, trading, distribution, and processing of branded consumer products.

The Directors are of the view that the terms and conditions of the Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

## **EFFECTS ON THE SHAREHOLDING STRUCTURE**

The following table summarises the shareholding structure of the Company as at the date of this announcement and upon issue of the Consideration Shares (assuming that there is no other change in the share capital of the Company):

	<b>As at the date of this announcement</b>		<b>Immediately after issue of the Consideration Shares</b>	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Solution Smart Holdings Limited	112,589,600	18.81	112,589,600	15.81
SMK Investment Company Limited	90,997,600	15.20	90,997,600	12.78
Vendors	0	0.00	113,636,364	15.96
Other public Shareholders	394,912,800	65.98	394,912,800	55.45
Total	<u>598,500,000</u>	<u>100.00</u>	<u>712,136,364</u>	<u>100.00</u>

## **GEM LISTING RULES IMPLICATIONS**

As the highest percentage ratio under the GEM Listing Rules exceeds 5% but is under 25%, the Acquisition constitutes a discloseable transaction and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following words and phrases have the following meanings:

“Acquisition”	the acquisition of the Target pursuant to the Agreement
“Agreement”	the sale and purchase agreement dated 2 June 2022 made between the Vendors and the Purchaser relating to the sale and purchase of 100% issued shares of the Target

“Board”	the Board of directors of the Company
“business day”	a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	On Real International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM
“connected persons”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration Shares”	113,636,364 new Shares to be issued by the Company at the issue price of HK\$0.132 per Share pursuant to the Agreement in satisfaction of the consideration under the Agreement
“Directors”	the directors of the Company
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a third party independent of the Company and its connected persons
“Long Stop Date”	31 December 2022 or such later date as the Vendors and the Purchaser may agree
“PRC”	The People’s Republic of China
“Purchaser”	Joyful Earn Holdings Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of the Company

“Share(s)”	ordinary share(s) of HK\$0.0125 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the GEM Listing Rules
“Target”	World Smarts Co. Limited, a company incorporated in Hong Kong
“Vendors”	Wong Ming Kwan Victoria and DD Innovation Limited

By Order of the Board of  
**On Real International Holdings Limited**  
**Au Yeung Yiu Chung**  
*Executive Director*

Hong Kong, 2 June 2022

*As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Yeung Shing Wai and Mr. Au Yeung Yiu Chung; one non-executive Director, namely Mr. Tao Hong Ming; and four independent non-executive Directors, namely Mr. Chan Shiu Man, Ms. Zhu Xiu Zhi, Mr. Choi Pun Lap and Mr. Sheng Wei.*

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

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