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On Real International Holdings Limited

安悦國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8245

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL IN ONWARD TECHNOLOGY DEVELOPMENT LIMITED

THE DISPOSAL

The Board announces that on 11 December 2017 (after trading hours of the Stock Exchange), the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares at a total consideration of HK\$9.5 million.

Upon Completion, each of the members of the Disposal Group will cease to be a subsidiary of the Company and their financial results will no longer be consolidated into the Group's consolidated financial statements.

GEM LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined in the GEM Listing Rules) for the Disposal exceed 25% but less than 75%, the Disposal constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements.

GENERAL

A circular containing, among other things, (i) further details of the Disposal; (ii) other information as required under the GEM Listing Rules; and (iii) the notice of the EGM to be convened for the purpose of considering and, if thought fit, approving the Disposal Agreement and the transactions contemplated thereunder will be despatched to the Shareholders on or before 5 January 2018 so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

Shareholders and potential investors of the Company should note that completion of the Disposal is subject to fulfillment or waiver (as the case may be) of the conditions precedent under the Disposal Agreement. As the Disposal may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

THE DISPOSAL

On 11 December 2017 (after trading hours of the Stock Exchange), the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares at a total consideration of HK\$9.5 million. Details of the Disposal Agreement are set out below:

The Disposal Agreement

Date:

11 December 2017

Parties

- (i) Vendor: On Real Limited, an indirect wholly-owned subsidiary of the Company; and
- (ii) Purchaser: Smart Tech Development Limited

The Purchaser is an investment holding company incorporated in Hong Kong. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Purchaser, its ultimate beneficial owner(s) and their respective associates is an Independent Third Party as at the date of this announcement.

Assets to be disposed

Pursuant to the Disposal Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, being 10,000 ordinary shares in the capital of the Disposed Company, representing the entire issued share capital of the Disposed Company.

Further information on the Disposal Group is set out in the section headed “Information on the Disposal Group” in this announcement.

Consideration

The Consideration for the Sale Shares is HK\$9.5 million which will be satisfied by the Purchaser to the Vendor upon Completion by cash.

The Consideration was determined after arm’s length negotiation between the parties with reference to the adjusted net asset value of the Disposal Group as shown in the combined unaudited management accounts of the Disposal Group as at 30 September 2017 after taking into account of the netting off of intra group loan due to and from between the Remaining Group and the Disposal Group, and excluding the accounts payable, value added tax refundable and accounts receivable of the Disposal Group accrued during its operation up to and including 30 September 2017 which shall be borne by the Remaining Group.

Accordingly, the Directors consider that the Consideration and the terms and conditions of the Disposal Agreement are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

Conditions precedent

Completion is conditional upon the satisfaction (or waiver, if applicable) of, *inter alia*, the following conditions precedent:

- (a) if necessary, the passing of the necessary resolution(s) by the Shareholders at an extraordinary general meeting of the Company to be convened and held to approve the Disposal Agreement and the transactions contemplated thereunder;
- (b) all necessary consents, licences and approvals required to be obtained on the part of the Vendor and the Company in respect of the Disposal Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect;
- (c) all necessary consents, licences and approvals required to be obtained on the part of the Purchaser in respect of the Disposal Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect; and

- (d) the warranties given by the Vendor under the Disposal Agreement remaining true, accurate and complete in all material respects.

The Purchaser may at its absolute discretion at any time waive in writing the condition set out in (d) above (to the extent it is capable of being waived) and such waiver may be made subject to such terms and conditions as are determined by the Purchaser. Conditions set out in (a) to (c) above are incapable of being waived. If the above conditions have not been satisfied (or as the case may be, waived) on or before 31 March 2018 (the “**Long Stop Date**”), or such later date as the Vendor and the Purchaser may agree in writing, the Disposal Agreement shall cease and determine and save for any antecedent breach, neither party shall have any obligations and liabilities towards each other.

Completion

Upon compliance with or fulfillment (or wavier) of all the conditions precedent as stated above on or before the Long Stop Date, the Completion shall take place on the Completion Date.

Undertakings

Prior to the entering into of the Disposal Agreement, the Disposal Group has assigned the right, title or benefit in all of its accounts receivable and value added tax refundable accrued during its operation up to 30 September 2017 in the amount of HK\$38,351,603 and HK\$20,180,138 respectively to the Vendor as a member of the Remaining Group. The Vendor has undertaken with the Purchaser that it shall settle for and on behalf of the Disposal Group its accounts payable accrued in its operation up to 30 September 2017 in the maximum amounts of HK\$64,836,308 when the same fall due and become payable (or to reimburse the Disposal Group on a dollar-to-dollar basis in the event that it is required to pay and has paid or settled such accounts payable or any part thereof).

For the avoidance of doubt, the accounts receivable, value added tax refundable and the accounts payable of the Disposal Group accrued after 30 September 2017 up to the Completion Date remain as the assets and liabilities of the Disposal Group and the Remaining Group will cease to have any interest in or obligations over the same upon Completion.

INFORMATION ON THE DISPOSAL GROUP

The Disposed Company is an investment holding company, which holds two wholly-owned subsidiaries, namely, Xinxing Great Success and Shenzhen Anyue (both incorporated in the PRC with limited liability). The Disposal Group is principally engaged in manufacturing of two-way radios, baby monitor products and other communication devices.

Financial information of the Disposal Group

Set out below is the unaudited financial information of the Disposal Group for the two years ended 31 March 2017 and for the six months ended 30 September 2017 (for illustration purposes only):

	For the year ended 31 March 2016 (unaudited) HK\$'000	For the year ended 31 March 2017 (unaudited) HK\$'000	For the six months ended 30 September 2017 (unaudited) HK\$'000
Profit/(Loss) before taxation	6,126	(5,162)	(6,543)
Profit/(Loss) after taxation	4,624	(7,695)	(6,645)

Based on the unaudited consolidated financial statement of the Disposal Group for the year ended 31 March 2017 and the unaudited six months ended 30 September 2017, the unaudited consolidated net liabilities and net assets of the Disposal Group as at 31 March 2017 and 30 September 2017 was approximately HK\$2,122,547 and HK\$1,520,973 respectively.

Upon Completion, each of the members of the Disposal Group will cease to be subsidiary of the Company. The financial results of each of the members of the Disposal Group will no longer be consolidated into the Group's financial statement.

In order to ensure the order delivery capacity of the Group where necessary, upon Completion, the Vendor and the Disposed Company will enter into a subcontracting agreement with a term of 3 years, pursuant to which the Disposed Company shall accept manufacturing orders of two-way radios, baby monitor products and other communication devices from the Group subject to the terms and conditions of such subcontracting agreement and each purchase order. The Group, on the other hand, has no obligation to place a guaranteed amount of order to the Disposal Group.

FINANCIAL IMPACT OF THE DISPOSAL AND USE OF PROCEEDS

Taking into account of (i) the Consideration and the related expenses relating to the Disposal; (ii) the gain resulted from the Disposal; (iii) the accounts receivable and value added tax refundable assigned to the Remaining Group and the accounts payable undertaken by the Remaining Group as disclosed in the paragraph headed "Undertakings" above, the Remaining Group currently expects to record a gain arising from Disposal of approximately HK\$1.7 million.

The aforesaid estimation is for illustrative purpose only and does not purport to represent how the financial position of the Group will be after Completion.

The net proceeds (after deducting other expenses in relation thereto) arising from the Disposal of approximately HK\$9.0 million will be used for general working capital of the Group.

UNDERTAKINGS AND ACKNOWLEDGMENT

The Purchaser acknowledged and agreed that the Disposal Group had assigned all of the rights, title and benefits over all of its accounts receivable and value added tax refundable accrued during its operation up to 30 September 2017 in the amount of HK\$38,351,603 and HK\$20,180,138 respectively to the Vendor as a member of the Remaining Group, and the Disposal Group has no right, title or benefit to such accounts receivable as at the date of the Disposal Agreement.

The Vendor irrevocably and unconditionally undertakes with the Purchaser that it shall pay for and on behalf of the Disposal Group its accounts payable accrued in its operation up to 30 September 2017 in the maximum amounts of HK\$64,836,308 when the same fall due and become payable.

In the event that the Disposal Group are required to pay and has paid or settled such accounts payable or any part thereof, the Vendor shall upon receipt of a written notice from the relevant member of the Disposal Group demanding for reimbursement of such payment promptly reimburse the relevant member of the Disposal Group on a dollar-to-dollar basis.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company is an investment holding company and the Group is principally engaged in trading and manufacturing of two-way radios, baby monitor products and other communication devices and servicing business of the above products.

The Directors have been continuously evaluating the current business strategies of the Group with an aim to streamline its business and improve its overall performance. The Group has continuously focusing on research and development of products and strength its products portfolio, to enhance the information and management system, and to strengthen its marketing efforts. The Disposal is therefore a step to achieve the cost restructuring plan of the Group and to reduce the costs of production and contingent liabilities for the labour cost.

The Disposal Group is not of vital importance to the business development of the Group. Nevertheless, to secure the production ability, the Vendor had signed subcontracting agreement with Xinxing Great Success to support our production. The Group also maintains remaining manufacturing facilities in Shenzhen, the PRC. The Directors consider the Disposal a good opportunity for the Group to restructure its strategic business position and focus its resources in pursuing development opportunities of other existing businesses of the Group.

Having considered the above, the Directors consider the terms of the Disposal are on normal commercial terms, fair and reasonable and the Disposal is in the interests of the Company and its Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As the applicable percentage ratio (as defined in the GEM Listing Rules) for the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements.

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Shareholders and potential investors of the Company should note that completion of the Disposal is subject to fulfillment or waiver (as the case may be) of the conditions precedent under the Disposal Agreement. As the Disposal may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 5:00 p.m. and is not lowered at or before 5:00 p.m. or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m. and is not discontinued at or before 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	On Real International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM (stock code: 8245)
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement
“Completion Date”	the date on which Completion take place in accordance with the terms and conditions of the Disposal Agreement, being a date falling within five (5) Business Days after the fulfillment (or waiver) of the conditions set out in Disposal Agreement or such other date as the Vendor and the Purchaser may agree in writing
“Consideration”	HK\$9.5 million, being the total consideration for the Disposal
“Director(s)”	director(s) of the Company
“Disposal”	the proposed disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the terms and conditions of the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement dated 11 December 2017 entered into between the Vendor and the Purchaser in relation to the Disposal
“Disposal Group”	the Disposed Company and its subsidiaries, namely Xinxing Great Success and Shenzhen Anyue
“Disposed Company”	Onward Technology Development Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, to approve, among other things, the Disposal
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a party which is not connected persons (as defined under the GEM Listing Rules) of the Company and is independent of the Company and its connected persons
“PRC”	The People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Smart Tech Development Limited, a company incorporated in Hong Kong with limited liability and is ultimate and beneficially owned by Independent Third Parties
“Remaining Group”	the Group excluding the Disposed Group after Completion
“Sale Shares”	10,000 issued shares in the issued share capital of the Disposed Company, representing the entire issued share capital of the Disposed Company
“Share(s)”	ordinary share(s) of HK\$0.00125 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Anyue”	深圳市安悦創新電子科技有限公司 (Shenzhen Anyue New Technology Limited*), a company established in the PRC with limited liability and is indirectly wholly-owned by the Disposed Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	On Real Limited, an indirect wholly owned subsidiary of the Company

“Xinxing Great Success”	新興縣偉輝塑膠製品有限公司 (Xinxing Great Success Plastic Limited*), a company established in the PRC with limited liability and is wholly-owned by the Disposed Company
“HK\$ and cents”	Hong Kong dollars and cents, the lawful currency of Hong Kong
“%”	per cent.

* *identification purpose only*

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

Hong Kong, 11 December 2017

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

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

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com 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.