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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)

ADDITIONAL INFORMATION IN RELATION TO THE ANNUAL REPORT 2022

Reference is made to the annual report of the Company for the year ended 31 March 2022 (the “**2022 Annual Report**”). Terms used herein shall have the same meanings as defined in the 2022 Annual Report unless otherwise stated.

The Board would like to provide the following additional information in relation to the 2022 Annual report:

DISCLAIMER OF AUDIT OPINION

The Company’s auditor has issued a disclaimer opinion on the Company’s consolidated financial statements for the year ended 31 March 2022 (the “**Disclaimer**”) relating to the Company’s going concern. It was disclosed that as of the date of the 2022 Annual Report, the auditor were unable to obtain sufficient appropriate evidence from the management to assess the appropriateness and reasonableness for their underlying assumptions including but not limited to (i) whether positive cash flows can be successfully generated from its new operation; (ii) whether the Group can be successfully negotiate with the cooperator in relation to the proposed cooperation to develop 5.0G sales network for Internet systems and value-added services in China and any positive cash flows could be generated from the cooperation; and (iii) whether the Group can be successfully raising additional funds through placing, issuance of convertible bond and share options. As a result of these limitation of audit scope, the potential interaction of these uncertainties, and the possible cumulative effect thereof, the auditor were unable to form an opinion as to whether the going concern basis of preparation is appropriate.

It was the Management's views that in respect of the new operation from the Acquisition of World Smarts Co. Limited, after having considered the orders on hand, the list of existing and new customers and the prospects of market demands, the Management expected that the new operation will be able to meet the profit guarantee and provide positive cashflow to the Group for the coming year.

The Negotiations with the Cooperator to develop 5.0G sales network for internet systems and value-added services in China was still ongoing prior to issue of the 2022 Annual Report. The Negotiation has been progressing well thereafter but the details terms of cooperation are yet to be finalized. The Company will make further announcement on the progress as and when appropriate.

The Company has been considering possible funding raising within the second half of 2022, preferably by way of equity such as rights issue and placing. Debt financing will incur interest expenses and could not improve the net liability position of the Company. It is expected that further equity financing will improve the balance sheet position of the Company and provide working capital for its operation and business development. The Company has approached certain licensed corporations in relation to the proposed equity fund raising but no concrete arrangement has been reached as at the date hereof. The Company is optimistic of the progress and will make further announcement as and when appropriate.

In addition, the Company is undergoing a restructuring of its existing business with the aim of reducing the costs of production and increasing the profit margin. It is expected that implementation of the restructuring will take place during the second half of 2022 and upon its implementation, the Company would be able to turn around the gross loss position of its business.

The Company expects that upon successful implementation of the above actions, the uncertainty regarding the Group's ability to continue on a going concern basis would be removed in the year ended 31 March 2023.

Despite the Management's views on the prospects of the new operation from the Acquisition, the potential cooperation with the Cooperator and the plan for fund raising activities, the auditor was of the view that such measures are subject to multiple uncertainties and they were unable to form an opinion as to whether the going concern basis of preparation is appropriate.

The audit committee of the Company had discussed in detail with the auditor on the Disclaimer and the factors the auditor had considered in arriving at the Disclaimer. The audit committee fully understood the views of the auditor and their basis for the Disclaimer. The audit committee ensured that the auditor had carefully considered and fully taken into account of the Management's views and proposed actions to address the Disclaimer. The audit committee agreed that the relevant factual circumstances taken into account by the auditor relating to the Disclaimer were correct and that the opinion of the auditor that there existed multiple uncertainties which may cast significant doubt about the Group's ability to continue as a going concern was a matter of professional judgment.

The audit committee has discussed in detail with the Management regarding the proposed actions to be taken to address the Disclaimer and agreed that upon the successful implementation of the actions proposed by the Management as set out above and in the 2022 Annual Report, the Disclaimer will be removed in the year ended 31 March 2023.

The Company has agreed with auditor that the action plans proposed by the Management are the right direction to address the Disclaimer.

CORPORATE GOVERNANCE REPORT

On page 21 of the 2022 Annual Report, it was disclosed that the Directors have ensured that the consolidated financial statements are prepared on a going concern basis.

Attention should be drawn to the Disclaimer and note 3 to the consolidated financial statements that the Group incurred a loss attributable to owners of the Company of approximately HK\$60,447,000 for the year ended 31 March 2022 and as of that date, the Group had net current liabilities and net liabilities of approximately HK\$28,270,000 and HK\$28,051,000 respectively. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. These conditions, together with other matters described in note 3 to the consolidated financial statements, indicate the existence of multiple uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

As disclosed in Note 9 to financial statements in the 2022 Annual Report, the Company recognised net impairment loss on other receivables of HK\$7,253,000 which included impairment of investment deposit of HK\$7,600,000 (the “**Investment Deposits**”) in relation to three memorandums of understanding entered between the Group and independent third parties during the financial year ended 31 March 2021 and 2022 for potential acquisitions.

As the potential acquisitions did not materialize, the Investment Deposits were recognised as other receivables in the consolidated financial statements of the Company for the financial year ended 31 March 2022.

According to the credit risk and impairment assessment policies of the Company, the Group’s trade and other receivables (including the Investment Deposits) are subject to impairment assessment under expected credit loss model. Having considered the characteristics of the Investment Deposits including but not limited to its past-due status and the debtors’ nature, size and industry, the management of the Company credit-impaired the Investment Deposits pursuant to the expected credit loss model. In addition, the Company has engaged a professional valuer to conduct a valuation in determining the said impairment loss.

Despite the Investment Deposits were credit-impaired, the Company has taken various actions in recovering the said investment deposits, including (i) issuing requests and demands to the debtors to repay the Investment Deposits; (ii) seeking legal advice on possible legal actions against the said debtors; and (iii) considering alternative means of recovering the Investment Deposits such as appointment of collecting agents.

The counterparties to the aforesaid transactions and their respective ultimate beneficial owners were third parties independent of the Company and its connected persons. The highest applicable percentage ratio under Chapter 19 of the GEM Listing Rules for each of the aforesaid transactions was less than 5%. Therefore the aforesaid transactions did not constitute connected transactions or notifiable transactions under the GEM Listing Rules for the Company.

USE OF NET PROCEEDS FROM RIGHTS ISSUE

Reference is made to the annual report of the Company for the year ended 31 March 2021 (“**2021 Annual Report**”). On page 10 of both the 2021 Annual Report and 2022 Annual Report, the reference to the net proceeds of the “Subscription” should be deleted, as the net proceeds was related to the Rights Issue only.

In respect of the use of the HK\$3.7 million from the net proceeds of the Rights Issue, it was utilized as to approximately HK\$3,000,000 for payment of salaries and HK\$439,000 for freight costs and HK\$261,000 for other operating expenses.

By Order of the Board of
On Real International Holdings Limited
Yeung Shing Wai
Executive Director

Hong Kong, 10 August 2022

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Yeung Shing Wai, Mr. Au Yeung Yiu Chung & Ms. Zhu Xiu Zhi; and three independent non-executive Directors, namely Mr. Chan Shiu Man, 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 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.