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偉祿集團控股有限公司

REALORD GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1196)

**VERY SUBSTANTIAL ACQUISITION
IN RELATION TO
ACQUISITION OF 60% OF THE ISSUED SHARE CAPITAL OF
TOP EAGLE INTERNATIONAL TRADING LIMITED**

THE ACQUISITION AGREEMENT

After the trading hours of the Stock Exchange on 5 September 2016, the Company, the Purchaser (a wholly-owned subsidiary of the Company), the Vendor and the Guarantor entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares at a maximum consideration of HK\$60,000,000. The Sale Shares represent 60% of the issued share capital of the Target.

The Consideration shall be satisfied by the Purchaser to the Vendor as to HK\$25,000,000 in cash and as to a maximum of HK\$35,000,000 by way of allotment and issuance of 5,000,000 Consideration Shares by the Company at the issue price of HK\$7.00 per Consideration Share to the Vendor. The Consideration Shares will be allotted and issued under a special mandate of the Company to be sought at the SGM. The 5,000,000 Consideration Shares, when all allotted and issued, will represent (i) approximately 0.4% of the existing issued Shares as at the date of this announcement; and (ii) approximately 0.4% of the issued Shares as enlarged by the allotment and issuance of the Consideration Shares. The allotment and issuance of the Consideration Shares to the Vendor is subject to the fulfilment of the Target Profits as described below.

The Target Group is principally engaged in the business of recycling, dismantling and sales of scrap materials. Upon Completion, the Target will become an indirect non-wholly owned subsidiary of the Company and the financial statements of the Target Group will be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules, which is subject to the reporting, announcement and Shareholders' approval requirements. The SGM will be convened and held for the purpose of considering and, if thought fit, approving the resolution(s) in respect of the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issuance of the Consideration Shares). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition and is required to abstain from voting on the relevant resolution(s) to be proposed at the SGM.

A circular containing, among other things, (i) the details of the Acquisition Agreement; (ii) the financial information of the Group; (iii) the financial information of the Target Group; (iv) the unaudited pro forma financial information of the Enlarged Group assuming Completion takes place; (v) the notice convening the SGM; and (vi) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 25 November 2016, which has been determined after taking into account of the estimated time required for the Company to prepare relevant information for inclusion in the circular.

As Completion is subject to fulfilment or waiver (as the case may be) of the conditions precedent to the Acquisition Agreement, the Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

INTRODUCTION

Reference is made to the announcements of the Company dated 9 May 2016 and 9 August 2016 in relation to the entering into of the Letter of Intent dated 9 May 2016 (as supplemented by the supplemental letter of intent dated 9 August 2016) between the Company and the Vendor in respect of the possible acquisition of 60% of the issued share capital of the Target.

After the trading hours of the Stock Exchange on 5 September 2016, the Company, the Purchaser (a wholly-owned subsidiary of the Company), the Vendor and the Guarantor entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares at a maximum consideration of HK\$60,000,000. Details of the Acquisition Agreement are set out below.

THE ACQUISITION AGREEMENT

Date

5 September 2016

Parties

- (i) Way Strong Holdings Limited, a direct wholly-owned subsidiary of the Company, as the Purchaser;
- (ii) Fortune Victory Asia Corporation, as the Vendor;
- (iii) the Company, being the guarantor to guarantee the due performance of the obligations of the Purchaser under the Acquisition Agreement; and
- (iv) Ms. Zhong Chunmei, being the Guarantor to guarantee the due performance of the obligations of the Vendor under the Acquisition Agreement.

The Vendor is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owner (being the Guarantor) are third parties independent of (i) the Company and its connected persons (as defined under the Listing Rules); and (ii) the counterparties of the notifiable transactions conducted by the Group in the past two years and their respective ultimate beneficial owners.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares. The Sale Shares, representing 60% of the issued share capital of the Target, will be sold free from all encumbrances and together with all rights attaching thereto from Completion, including any dividend or other distribution declared, made or paid after Completion.

Consideration

The maximum Consideration of HK\$60,000,000 shall be satisfied by the Purchaser to the Vendor in the following manner:

- (i) as to HK\$3,000,000 by way of cash as a refundable deposit which has been paid by the Company to the Vendor upon signing of the Letter of Intent;
- (ii) as to HK\$22,000,000 payable by the Purchaser in cash at Completion; and
- (iii) as to a maximum of HK\$35,000,000 by way of allotment and issuance of up to 5,000,000 Consideration Shares (subject to the adjustments mechanism as described below) by the Company, to be credited as fully paid, at the issue price of HK\$7.00 per Consideration Share in the following manner:

- (a) 750,000 Consideration Shares shall be allotted and issued by the Company to the Vendor or its nominee(s) within 10 Business Days following the Purchaser and the Vendor agreeing in writing that the Qualified Profit of the Target Group, being the consolidated net profit after tax of the Target Group after excluding any (i) gain on bargain purchase; and (ii) revaluation gains or losses of properties and the associated deferred tax charged to the statement of profit or loss, for the financial year ending 31 December 2016 is not less than HK\$15,000,000;
- (b) 1,750,000 Consideration Shares shall be allotted and issued by the Company to the Vendor or its nominee(s) within 10 Business Days following the Purchaser and the Vendor agreeing in writing that the Qualified Profit of the Target Group for the financial year ending 31 December 2017 is not less than HK\$35,000,000; and
- (c) 2,500,000 Consideration Shares shall be allotted and issued by the Company to the Vendor or its nominee(s) within 10 Business Days following the Purchaser and the Vendor agreeing in writing that the Qualified Profit of the Target Group for the financial year ending 31 December 2018 is not less than HK\$50,000,000.

The refundable deposit of HK\$3,000,000 has been paid out of the internal resources of the Group and will be applied towards the payment of the Consideration at Completion. The cash consideration payable of HK\$22,000,000 (as referred to above) is expected to be funded by borrowings from the controlling Shareholder, Manureen Holdings Limited.

Adjustments to Consideration and Consideration Shares

Pursuant to the Acquisition Agreement, the Consideration Shares that may be allotted and issued by the Company to the Vendor or its nominee(s) as part of the Consideration shall be subject to the following adjustment mechanism:

In the event that the Qualified Profit, being the consolidated net profit after tax of the Target Group after excluding any (i) gain on bargain purchase; and (ii) revaluation gains or losses of properties and the associated deferred tax charged to the statement of profit or loss (the “**Excluded P&L Items**”):

- (i) is equal to or more than the Target Profit for the Relevant Financial Year (being HK\$15,000,000 for the financial year ending 31 December 2016, HK\$35,000,000 for the financial year ending 31 December 2017 and HK\$50,000,000 for the financial year ending 31 December 2018), the Company shall allot and issue the corresponding amount of the Consideration Shares for each of the Relevant Financial Year to the Vendor or its nominee(s) within 10 Business Days (or in such other time as the Purchaser and the Vendor may agree) following the Purchaser and the Vendor agreeing in writing in relation to the Qualified Profit for the Relevant Financial Year; or
- (ii) is less than the Target Profit for the Relevant Financial Year, the Company is not required to allot and issue any of the corresponding amount of the Consideration Shares under the respective tranches to the Vendor.

The Purchaser and the Vendor considered the Excluded P&L Items are of non-cash nature, which may distort the results of the Target Group's operation. Save for the aforesaid items, there are no other extraordinary items which would be excluded from the Qualified Profit.

The Qualified Profit of the Target Group for each of the financial year ending 31 December 2016, 2017 and 2018 (each being the Relevant Financial Year respectively) shall be calculated based on the audited consolidated financial statements of the Target Group for the Relevant Financial Year prepared in accordance with the Hong Kong Financial Reporting Standards, which the Purchaser shall procure the auditors of the Company to provide to the Purchaser such audited consolidated financial statements within five months after the end of the Relevant Financial Year. The Purchaser and the Vendor shall agree in writing for the Qualified Profit for the Relevant Financial Year within five Business Days after the issuance of the aforesaid audited consolidated financial statements of the Target Group by the auditors of the Company.

In the event that the Qualified Profit is less than the Target Profit for the Relevant Financial Year, the Vendor is not required to compensate the Purchaser for any shortfall of the Qualified Profit from the Target Profit.

The Target Profit of the Target Group for each of the respective financial year ending 31 December 2016, 2017 and 2018 was determined among the parties to the Acquisition Agreement, after taking into account, among other things, (i) the business development plan of the Target Group upon Completion (details of which is disclosed in the paragraph headed “Business of the Target Group” under the section headed “Information on the Target Group” below); (ii) the realisation of the intended synergies by the Target Group (details of which is disclosed in the section headed “Reasons for and benefits for the Acquisition” below); and (iii) the recent business performance of the Target Group for the seven months ended 31 July 2016 with unaudited profit after tax of more than HK\$10 million. The growth potential of the Target Group is currently limited by its production capacity as well as the working capital to support a larger business scale. As the Target will become an indirect non-wholly owned subsidiary of the Company upon Completion, the Company is able to contribute to the growth of the Target Group by enabling it to gain access to more financing channels, which will facilitate the implementation of its business development plan. In the event that the Target Profits are not achieved by the Target Group, the Vendor is not entitled to the corresponding amount of the Consideration Shares under the respective tranches. In light of the above, the Board considers the Target Profits have been reasonably determined and the adjustments to the Consideration and Consideration Shares are fair and reasonable.

Consideration Shares

Pursuant to the terms of Acquisition Agreement, a maximum of 5,000,000 Consideration Shares will be allotted and issued at the issue price of HK\$7.00 per Consideration Share. The issue price of HK\$7.00 per Consideration Share represents:

- (i) a premium of approximately 38.6% over the closing price of HK\$5.05 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 47.7% over the average of the closing prices as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day of approximately HK\$4.74 per Share; and
- (iii) a premium of approximately 52.5% over the average of the closing prices as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day of approximately HK\$4.59 per Share.

The issue price of HK\$7.00 per Consideration Share was arrived at after arm’s length negotiations between the Purchaser and the Vendor after taking into account the recent growth trend of price of the Shares and the future prospects of the Enlarged Group. The Directors consider the issue price of the Consideration Share is fair and reasonable.

The 5,000,000 Consideration Shares, when all allotted and issued, will represent (i) approximately 0.4% of the existing issued Shares as at the date of this announcement; and (ii) approximately 0.4% of the issued Shares as enlarged by the allotment and issuance of the Consideration Shares.

The Consideration Shares will be allotted and issued under special mandate of the Company to be sought at the SGM. The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects with the existing Shares then in issue.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Conditions precedent

Completion is conditional upon the satisfaction or waiver (as the case may be) of the following conditions:

- (i) the Vendor having obtained all necessary consents, authorisations and approvals in respect of the sale and purchase of the Sales Shares;
- (ii) the Purchaser having obtained all necessary consents, authorisations and approvals in respect of the sale and purchase of the Sales Shares;
- (iii) there being no situation, facts or circumstances which constitute or may constitute any breach of warranties under the Acquisition Agreement;
- (iv) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Consideration Shares;
- (v) the passing of the necessary resolution(s) by the Shareholders at the SGM to be convened and held to approve the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issuance of the Consideration Shares);
- (vi) the Purchaser having obtained a legal opinion issued by a firm of PRC lawyers appointed by the Purchaser in respect of the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to the due incorporation and valid existence of the PRC Company, the legality of the title of the land use rights in relation to the properties owned or possessed by the PRC Company and the legality in respect of the ownership of assets and operation of business by the Target Group after Completion) in such form and substance satisfactory to the Purchaser; and

(vii) the Purchaser being satisfied with the results of the due diligence review on the assets, liabilities, operations and affairs of the Target Group to be carried out by the Purchaser.

The Purchaser may in its absolute discretion at any time waive the conditions set out in (iii), (vi) and (vii) above by notice in writing to the Vendor. No other conditions may be waived by any parties to the Acquisition Agreement.

If any of the above conditions have not been fulfilled or waived by the Purchaser (as the case may be) on or before 31 December 2016 (or such later date as agreed by the parties to the Acquisition Agreement in writing), the Vendor shall immediately return the deposit of HK\$3,000,000 already paid by the Purchaser under the Acquisition Agreement in full without interest to the Purchaser and the Acquisition Agreement shall cease and determine and no party to the Acquisition Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the Acquisition Agreement.

Completion

Completion shall take place on the third Business Day after all the conditions precedent under the Acquisition Agreement having been fulfilled or waived by the Purchaser (as the case may be) (or such other date as agreed by the parties to the Acquisition Agreement).

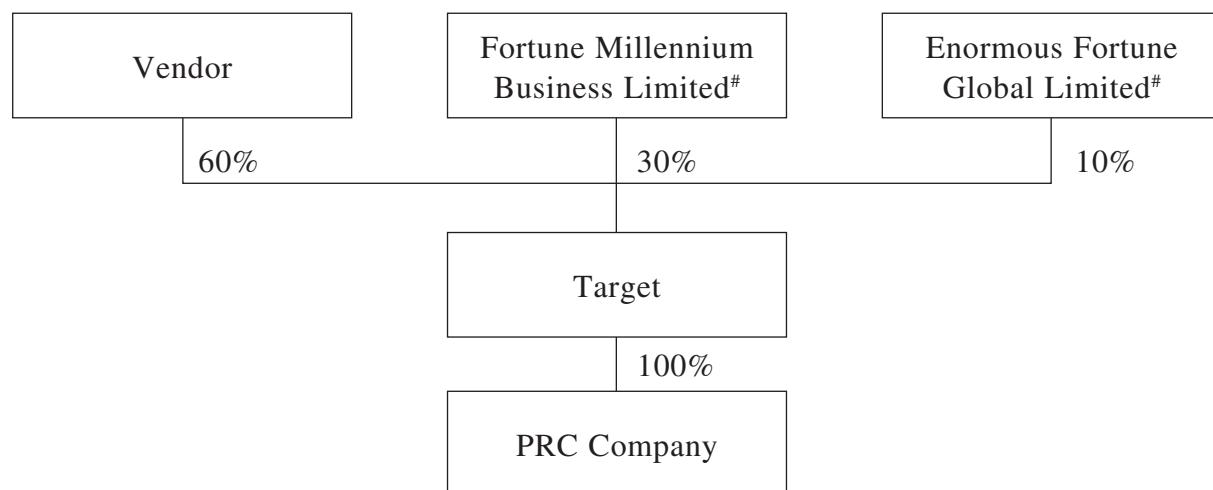
Upon Completion, the Target will become an indirect non-wholly owned subsidiary of the Company and the financial statements of the Target Group will be consolidated into the financial statements of the Group.

INFORMATION ON THE TARGET GROUP

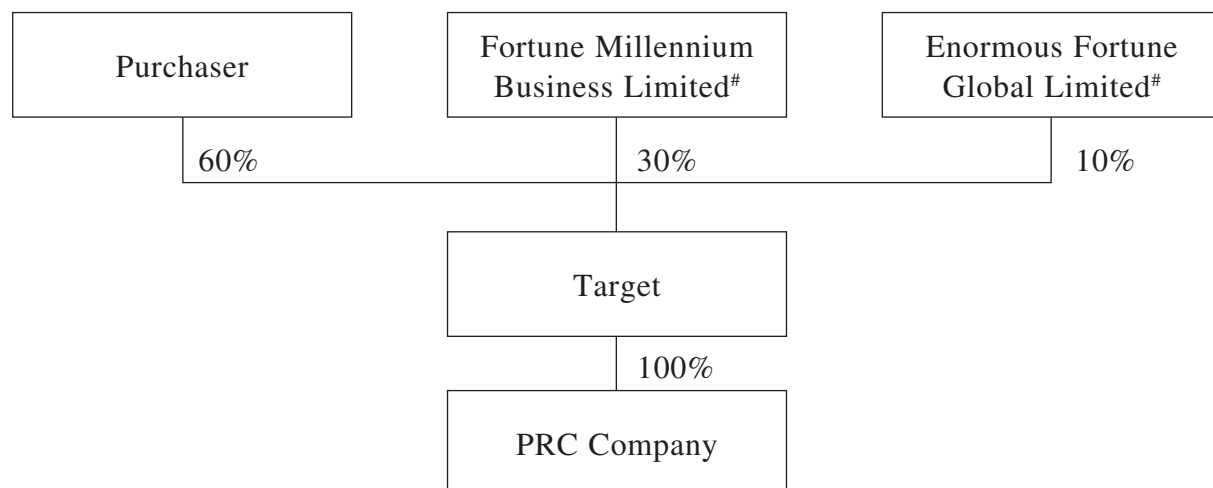
Set out below are the group structure of the Target Group, the business of the Target Group and the financial information on the Target Group:

Group structure of the Target Group

The diagram below depicts the group structure of the Target Group as at the date of this announcement:



The diagram below depicts the group structure of the Target Group immediately after Completion (assuming no other changes in the shareholding structure of the Target Group):



[#] To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Fortune Millennium Business Limited, Enormous Fortune Global Limited and their respective ultimate beneficial owner(s) are third parties independent of (i) the Company and its connected persons (as defined under the Listing Rules); and (ii) the counterparties of the notifiable transactions conducted by the Group in the past two years and their respective ultimate beneficial owners.

Business of the Target Group

The Target Group comprises two members, namely the Target and the PRC Company.

The Target was incorporated in Hong Kong with limited liability on 7 March 2013. As at the date of the Acquisition Agreement, the Target was owned as to 60% by the Vendor, 30% by Fortune Millennium Business Limited and 10% by Enormous Fortune Global Limited. The Target is principally engaged in trading of scrap materials. It mainly acts as an agent by sourcing scrap materials, such as metals, electrical appliances, wires, cables, copper clad laminate and plastics, from Hong Kong and overseas markets and reselling to recyclers and scrap materials processors in the Guangxi Province, the PRC.

On 19 February 2016, the Target acquired the entire issued share capital of the PRC Company from certain related parties of the existing shareholders of the Target at an aggregate consideration of RMB3,100,000 (equivalent to approximately HK\$3,596,000), which was determined with reference to the registered share capital of the PRC Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the aforesaid related parties of the existing shareholders of the Target are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

The PRC Company was established in the PRC with limited liability on 22 July 2009. It is principally engaged in recycling, dismantling and sales of scrap materials, including nonferrous metals (such as copper and aluminium), iron and plastics. It is situated at 梧州進口再生資源加工園區 (Wuzhou Import Renewable Resources Processing Park*), Wuzhou City, Guangxi Province, the PRC, which is a national approved industrial park for imported renewable resources recycling management and a key industrial park in Guangxi Province. The PRC Company sources the scrap materials from Hong Kong and overseas through the Target, dismantles the scrap materials in its factory in Wuzhou City, Guangxi, the PRC and sells to its targeted customers, which are mainly manufacturers using scrap copper, metals and plastics in its manufacturing process in the PRC.

Going forward, the Target Group will focus on the sales of scrap materials through the PRC Company. The PRC Company intends to increase its annual capacity of dismantling imported scrap materials from existing 40,000 tonnes to 80,000 tonnes by the year ending 31 December 2018, of which approximately 85% can be recycled and resold as copper, aluminium, iron or plastics. After the acquisition of the PRC Company by the Target in February 2016, the Target and the PRC Company have been and will continue to strengthen their sales with existing customers and target to expand geographically through consolidating their sales network in the PRC. With the increase in annual sales volume, the Target believes that it could strike for a lower cost on sourcing from scrap materials suppliers in bulk, which will lead to an improvement of gross margin.

The growth potential of the Target Group is currently limited by its production capacity as well as the working capital to support a larger business scale. The Target Group's operation is currently financed mainly by shareholders' loans of approximately HK\$64 million and bank facilities which amounted to approximately HK\$30 million. The shareholders' loans are interest-free, unsecured and repayable on demand. It is expected that the Target Group's shareholder's loan will be gradually repaid from its internally generated cash flows after Completion. After Completion, the Company is able to contribute to the growth of the Target Group by enabling it to gain access to more financing channels, such as utilizing the unutilized bank trading facilities of the Group which amounted to over HK\$100 million, providing guarantees pro rata to its interest in the Target in favour of financial institutions to facilitate the obtaining of bank facilities by the Target Group.

Financial information of the Target Group

The PRC Company became part of the Target Group since 19 February 2016 (being the date of completion of the acquisition of the PRC Company by the Target). The financial information of the Target and the PRC Company is separately presented below.

The Target

Set out below is the financial information of the Target as extracted from its unaudited financial statements for each of the two years ended 31 December 2014 and 2015, which were prepared in accordance with Hong Kong Financial Reporting Standards:

	For the year ended 31 December 2014	For the year ended 31 December 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax	641	715
Profit after tax	641	715

The unaudited net assets of the Target amounted to approximately HK\$16.8 million as at 31 December 2015.

The PRC Company

Set out below is the financial information of the PRC Company as extracted from its unaudited financial statements for each of the two years ended 31 December 2014 and 2015, which were prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended 31 December 2014		For the year ended 31 December 2015	
	<i>RMB'000</i>	<i>HK\$'000</i>	<i>RMB'000</i>	<i>HK\$'000</i>
Profit before tax	<u>5,254</u>	<u>6,095</u>	<u>8,019</u>	<u>9,302</u>
Profit after tax	<u>5,254</u>	<u>6,095</u>	<u>4,771</u>	<u>5,534</u>

The net assets of the PRC Company amounted to approximately RMB12.1 million (equivalent to approximately HK\$14.0 million) as at 31 December 2015.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (i) as at the date of this announcement; and (ii) upon Completion and immediately after the allotment and issuance of 5,000,000 Consideration Shares (assuming that there is no other change in the issued share capital of the Company since the date of this announcement).

	As at the date of this announcement		Upon Completion and immediately after the allotment and issuance of 5,000,000 Consideration Shares (assuming that there is no other change in the issued share capital of the Company since the date of this announcement)	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Manureen Holdings Limited (<i>note</i>)	783,337,518	67.9	783,337,518	67.6
The Vendor or its nominee(s)	–	–	5,000,000	0.4
Public Shareholders	<u>370,153,880</u>	<u>32.1</u>	<u>370,153,880</u>	<u>32.0</u>
	<u>1,153,491,398</u>	<u>100.0</u>	<u>1,158,491,398</u>	<u>100.0</u>

Note: As at the date of this announcement, Manureen Holdings Limited is owned as to 70% and 30% by Dr. Lin Xiaohui and Madam Su Jiaohua respectively, both of whom are executive Directors.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in (i) commercial printing; (ii) manufacture and sale of hangtags, labels, shirt paper boards and plastic bags; (iii) distribution and sales of motor vehicle parts; (iv) provision of securities brokerage services and margin financing; and (v) trading of electronic products, computer equipment and consumer products; and (vi) property investment.

As mentioned in the interim results announcement of the Company for the six months ended 30 June 2016, the Directors will continue to explore the potential opportunities to develop the businesses of the Group with the view of sustaining long term growth of the Group. The Directors are of the view that the Acquisition can diversify the business of the Group with the objective of broadening its sources of income.

As stated in 再生有色金屬產業發展推進計劃 (The Plan in relation to the Development of Renewable Nonferrous Metals Industry*) jointly issued by the Ministry of Industry and Information Technology, the Ministry of Science and Technology, and the Ministry of Finance of the PRC in 2011, the PRC government has encouraged the expansion of the production of renewable nonferrous metals in the PRC to meet with the growing demand of nonferrous metals in the PRC. In accordance with the 梧州市政府工作報告 (Report of the People's Government of Wuzhou City*) as reported during the 7th meeting of the 13th People's Congress of Wuzhou City, the annual output from the renewable resources industries in the Wuzhou City, where the principal place of activities of the Target Group in the PRC is situated, has reached RMB90 billion (equivalent to approximately HK\$104 billion) in 2015. The local government will continue to encourage the development of resources cycling in copper, aluminium, plastic and stainless steels and has targeted to achieve a production output of RMB100 billion (equivalent to approximately HK\$116 billion) from the renewable resources industry by 2020. In view of the government's plan to foster the development of the industry, the Directors are optimistic about the prospects of the scrap materials industry and are of the view that it is an opportunity for the Group to further diversify the business scope of the Group through the Acquisition.

Dr. Lin Xiaohui and Madam Su Jiaohua have over 10 years of experience in import and export industry in the electrical and electronic parts sector and have been responsible for running the manufacturing operations, marketing strategy planning and overall management of a company with annual import and export volume amount having been over US\$1.8 billion in the past. The Directors believe that the previous experiences of Dr. Lin and Madam Su will contribute to the management of the Target Group after Completion.

Upon Completion, the Target will enter into respective service contracts for a term of 3 years with Ms. Zhong Chunmei (being the Guarantor) and Mr. Zheng Weimin, the existing director of the Target and the ultimate beneficial owner of Fortune Millennium Business Limited, which holds 30% of issued share capital of the Target. The remuneration of the Guarantor and Mr. Zheng Weimin will be determined by the Target with reference to their respective duties and level of responsibilities in the Target Group. The Guarantor and Mr. Zheng Weimin have over 10 years of managerial experience and Mr. Zheng Weimin has extensive knowledge in the imports and sales of scrap materials in the PRC. The Guarantor and Mr. Zheng Weimin are currently responsible for managing and developing the business of the Target Group. With the retaining of the existing key management of the Target Group by the service contracts with the Guarantor and Mr. Zheng Weimin, the Directors are of the view that the experience of existing management of the Group and the Target Group is valuable in leading and managing the future development of the Target Group.

The Directors consider that it is beneficial to the Company to partner with the substantial shareholders of the Target given their extensive experience and substantial knowledge in the industry. The Company views the Acquisition as the commencement of a long-term strategic cooperation between the Group and substantial shareholders of the Target. Nevertheless, none of the substantial shareholders of the Target is, or is proposed to be, a controller, or will become an associate of a controller of the Company. As at the date of this announcement, the Company has no plan to acquire further interests in the Target.

The Directors also believe that the Acquisition represents an investment opportunity that combines the experience and expertise of the Target Group in the recycling business, and the financial capability and management experience of the Group to enable the Target Group to exploit fully its growth potential. The Acquisition would allow the Target Group to release potential synergies through (i) gaining access to more financing channels; (ii) sharing of management expertise of Group in terms of accounting, information technology, marketing and human resources; and (iii) enhancing the image and reputation of the Target Group as a result of becoming a member of the listed company in Hong Kong.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to, among other things, (i) the Target Profits (as described in the paragraph headed "Adjustments for the Consideration and Consideration Shares" above); and (ii) the net assets of the Target and the PRC Company as at 31 December 2015. During the negotiation process between the Purchaser and the Vendor on the terms of the Acquisition Agreement, the Purchaser had requested to settle the Consideration by a combination of cash and consideration shares, the settlement method of HK\$25 million in cash and HK\$35 million by issuance of the Consideration Shares was reached between the Purchaser and the Vendor after arm's length negotiation. The Qualified Profits of the Target Group, assuming the Target Profits are achieved, would be not less than HK\$100,000,000 in aggregate for the three

years ending 31 December 2016, 2017 and 2018, and the Group will be entitled to share 60% of such profit upon Completion (i.e. not less than HK\$60,000,000 in aggregate), which will strengthen the financial performance of the Enlarged Group. Taking into account the maximum Consideration of HK\$60,000,000 and assuming the Target Profits are achieved, the investment payback period for the investment in the Target Group by the Group would be 3 years. Besides, the net assets of the Target and the PRC Company as at 31 December 2015 attributable to the Sale Shares were approximately HK\$10.1 million and HK\$8.4 million respectively. In view of the above, the Directors consider the Consideration is fair and reasonable.

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

LISTING RULES IMPLICATIONS

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules, which is subject to the reporting, announcement and Shareholders' approval requirements. The SGM will be convened and held for the purpose of considering and, if thought fit, approving the resolution(s) in respect of the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issuance of the Consideration Shares). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition and is required to abstain from voting on the relevant resolution(s) to be proposed at the SGM.

A circular containing, among other things, (i) the details of the Acquisition Agreement; (ii) the financial information of the Group; (iii) the financial information of the Target Group; (iv) the unaudited pro forma financial information of the Enlarged Group assuming Completion takes place; (v) the notice convening the SGM; and (vi) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 25 November 2016, which has been determined after taking into account of the estimated time required for the Company to prepare relevant information for inclusion in the circular.

As Completion is subject to fulfilment or waiver (as the case may be) of the conditions precedent to the Acquisition Agreement, the Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Acquisition”	the proposed acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement dated 5 September 2016 entered into among the Company, the Purchaser, the Vendor and the Guarantor in relation to the Acquisition
“Board”	the board of Directors
“Business Day(s)”	a day(s) (excluding Saturday, Sunday or public holiday) on which licensed banks in Hong Kong generally open for business throughout their normal business hours
“Company”	Realord Group Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1196)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
“Consideration”	the consideration in respect of the Acquisition at a maximum amount of HK\$60,000,000
“Consideration Shares”	the new Shares to be allotted and issued by the Company as part of the Consideration
“Director(s)”	director(s) of the Company
“Enlarged Group”	the Group as enlarged by the Acquisition upon Completion
“Group”	the Company and its subsidiaries
“Guarantor”	Ms. Zhong Chunmei, being the ultimate beneficial owner of the Vendor

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Last Trading Day”	5 September 2016, being the date of the Acquisition Agreement and the last trading day of the Shares immediately prior to the release of this announcement
“Letter of Intent”	the letter of intent dated 9 May 2016 (as supplemented by the supplemental letter of intent dated 9 August 2016) entered into between the Company and the Vendor in relation to the Acquisition
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macao Special Administrative Region and Taiwan
“PRC Company”	廣西梧州市通寶再生物資有限公司 (Guangxi Wuzhou City Tong Bao Renewable Materials Limited*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Target
“Purchaser”	Way Strong Holdings Limited, a company incorporated in the British Virgins Islands with limited liability and a direct wholly-owned subsidiary of the Company
“Qualified Profit”	being the consolidated net profit after tax of the Target Group after excluding any (i) gain on bargain purchase; and (ii) revaluation gains or losses of properties and the associated deferred tax charged to the statement of profit or loss
“Relevant Financial Year”	the financial year ending 31 December 2016, 2017 or 2018 (as the case may be)
“Sale Shares”	9,000,000 shares of HK\$1 each in the Target, representing 60% of the issued share capital of the Target

“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the resolution(s) in respect of the Acquisition Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Top Eagle International Trading Limited, a company incorporated in Hong Kong with limited liability
“Target Group”	the Target and the PRC Company
“Target Profit(s)”	the Qualified Profit of HK\$15,000,000 for the financial year ending 31 December 2016, HK\$35,000,000 for the financial year ending 31 December 2017 or HK\$50,000,000 for the financial year ending 31 December 2018 (as the case may be)
“Vendor”	Fortune Victory Asia Corporation, a company incorporated in the British Virgin Islands with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

In this announcement, amounts in RMB are translated into HK\$ on the basis of RMB1 = HK\$1.16. The conversion rate is for illustration purpose only and should not be taken as a representation that RMB could actually be converted into HK\$ at such rate or at all.

- * *The English translation of Chinese names or words in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

By order of the Board
Realord Group Holdings Limited
Lin Xiaohui
Chairman

Hong Kong, 5 September 2016

As at the date of this announcement, the executive Directors are Dr. Lin Xiaohui, Madam Su Jiaohua and Mr. Lin Xiaodong and the independent non-executive Directors are Mr. Yu Leung Fai, Mr. Fang Jixin and Dr. Li Jue.