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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)**

## **CONTINUING CONNECTED TRANSACTIONS**

### **THE AGREEMENTS**

After the Stock Exchange trading hours on 15 May 2019, the Japanese Subsidiary and Tsugawa Metal entered into (i) the Lease Agreement, pursuant to which the Japanese Subsidiary has agreed to lease from Tsugawa Metal the Land and the Fixed Assets for JPY5,000,000 (equivalent to approximately HK\$374,550) in aggregate per month; and (ii) the Service Agreement, pursuant to which Tsugawa Metal agreed to provide the Technical Services to the Japanese Subsidiary for JPY2,700,000 (equivalent to approximately HK\$202,257) per month with workers' overtime charge on a hourly rate (if any), for carrying on the Group's dismantling and trading of scrap material business in Japan.

### **LISTING RULES IMPLICATIONS**

The Japanese Subsidiary is effectively owned as to 54% by the Company through its indirect 60%-owned subsidiary, Realord Environmental Protection, and directly owned as to 10% by Mr. Liu Tao, who is also a director of the Japanese Subsidiary and a majority shareholder holding 60% interests in Tsugawa Metal. Tsugawa Metal is therefore a connected person of the Company at the subsidiary level under the Listing Rules.

The transactions contemplated under the Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Agreements are subject to the announcement, annual review and reporting requirements but exempt from the circular and shareholders' approval requirements under Rule 14A.76(2)(a) of the Listing Rules as all applicable percentage ratios (other than the profits ratio) are less than 5%. All applicable percentage ratios (other than the profits ratio) in respect of the total amount payable under the Agreements, when aggregated with the purchases made under the Purchase Agreements, remain under 5%.

## **INTRODUCTION**

After the Stock Exchange trading hours on 15 May 2019, the Japanese Subsidiary and Tsugawa Metal entered into (i) the Lease Agreement, pursuant to which the Japanese Subsidiary has agreed to lease from Tsugawa Metal the Land and the Fixed Assets for JPY5,000,000 (equivalent to approximately HK\$374,550) in aggregate per month; and (ii) the Service Agreement, pursuant to which Tsugawa Metal agreed to provide the Technical Services to the Japanese Subsidiary for JPY2,700,000 (equivalent to approximately HK\$202,257) per month with workers' overtime charge on a hourly rate (if any), for carrying on the Group's dismantling and trading of scrap material business in Japan. Principal terms of the Agreements are set out below.

## **THE LEASE AGREEMENT**

### **Date**

15 May 2019

### **Parties**

- (i) The Japanese Subsidiary, as the lessee; and
- (ii) Tsugawa Metal, as the lessor.

### **Terms of lease**

Subject assets	: The Land and the Fixed Assets
Term	: 15 May 2019 to 14 May 2020 (both dates inclusive)
Monthly lease payment	: JPY5,000,000 (equivalent to approximately HK\$374,550) per month

The above charge was determined after arm's length negotiations between the Japanese Subsidiary and Tsugawa Metal with reference to the existing rental expenses paid by Tsugawa Metal to the respective owners of the Land and the Fixed Assets, which are independent third parties, and where such rental expenses are not available, the construction costs of the buildings erected on the Land and the prevailing market purchase price of the relevant Fixed Assets (consumption tax inclusive) charged over the estimated useful lives of the subject assets. Quotations from two independent suppliers were obtained to compare that the aforementioned rental and purchase price were no less favourable to the Group than offered by independent suppliers.

Lease payment shall be payable monthly in advance.

Early termination : Tsugawa Metal has the right to terminate the Lease Agreement without giving notice to the Japanese Subsidiary in the occurrence of any of the following events:

- (i) three months of lease payments are delinquent;
- (ii) the Japanese Subsidiary has delayed the lease payment for more than three times during the lease term; or
- (iii) the Japanese Subsidiary has breached any of the terms in the Lease Agreement and failed to correct or remedy in time after Tsugawa Metal's written request.

Other terms : Tsugawa Metal has confirmed that it has the rights to use and lease the Land and the Fixed Assets to the Japanese Subsidiary.

The Japanese Subsidiary is required to obtain a prior written consent from Tsugawa Metal in the following circumstances:

- (i) construct a new building on the Land;
- (ii) sub-lease the Land and the Fixed Assets, or other acts with similar purpose;
- (iii) change the purpose of the Land and the Fixed Assets; and
- (iv) change the existing state of the Land.

A deposit of JPY20,000,000 (equivalent to approximately HK\$1,498,200) has been paid to Tsugawa Metal on the date of the Lease Agreement. Upon expiry of the lease term and return of the subject assets by the Japanese Subsidiary to Tsugawa Metal, Tsugawa Metal shall, after deduction of any unpaid rent or damage fee, refund the deposit to the Japanese Subsidiary.

## **ANNUAL CAPS**

The Company has set the annual caps in relation to the lease of the Land and the Fixed Assets as follows:

<b>Period</b>	<b>Annual Caps HK\$</b>
For the year ending 31 December 2019	2,810,000
For the year ending 31 December 2020	1,686,000

The above annual caps were determined by the Directors with reference to the monthly lease payment for the Land and the Fixed Assets.

## **THE SERVICE AGREEMENT**

### **Date**

15 May 2019

### **Parties**

- (i) The Japanese Subsidiary; and
- (ii) Tsugawa Metal.

### **Terms of service**

Services to be : The Technical Services  
provided by  
Tsugawa Metal

Term : 1 July 2019 to 30 June 2020 (both dates inclusive)

Monthly service fee : JPY2,700,000 (equivalent to approximately HK\$202,257) per month

The above fee was determined after arm's length negotiations between the Japanese Subsidiary and Tsugawa Metal with reference to the salary of nine waste copper wires processing workers under the Technical Services, which is lower than the average income of similar workers in manufacturing industry in Osaka, Japan based on government statistics.

Overtime charge : JPY1,875 (equivalent to approximately HK\$140) per hour and per worker in the event that the relevant workers are required by the Japanese Subsidiary to work overtime from 6 p.m. to 10 p.m.

JPY2,250 (equivalent to approximately HK\$169) per hour and per worker in the event that the relevant workers are required by the Japanese Subsidiary to work overtime from 10 p.m. to 5 a.m.

The above overtime charge was determined after arm's length negotiations between the Japanese Subsidiary and Tsugawa Metal with reference to the average hourly rate per worker calculated based on the monthly service fee above assuming each worker works 8 hours per day and 25 working days per month and the statutory requirements for overtime compensation according to 労働局 (translated as Labour Bureau) in Japan.

The monthly service fee, together with the overtime charge, are payable within five Business Days upon receipt of an invoice from Tsugawa Metal.

Early termination : Either party may terminate the Service Agreement by giving a 15-day prior written notice. However, the parties are still required to fulfill their obligations and responsibilities under the Service Agreement before termination.

Other terms : Tsugawa Metal agreed that the amount of waste copper wires processed under the Service Agreement shall be no less than 450 tonnes per month and the average daily amount of waste copper wires processed shall be no less than 18 tonnes calculated based on 25 working days per month. If the waste copper wires provided by Japanese Subsidiary is less than the agreed amount, leading to the waste copper wires processed being less than such agreed amount, the monthly service fee will remain as JPY2,700,000 (equivalent to approximately HK\$202,257).

Tsugawa Metal warrants that the copper content of each tonne of processed waste residue shall not exceed 1%.

In the event that the copper content in the processed waste copper wires deviates from the level specified in the processing plan as previously agreed by both parties by over 1%, Tsugawa Metal shall compensate such loss in value of copper content by the Japanese Subsidiary according to the prevailing copper price in the Japanese market as at the relevant completion date of processing.

## ANNUAL CAPS

The Company has set the annual caps in relation to the Technical Service as follows:

<b>Period</b>	<b>Annual Caps</b> <i>HK\$</i>
For the year ending 31 December 2019	2,314,000
For the year ending 31 December 2020	2,314,000

The above annual caps were determined by the Directors with reference to the monthly service fee for the Technical Service and the estimate of workers' overtime charge to be incurred in the event that higher average daily amount of waste copper wires at up to 30 tonnes than the agreed 18 tonnes per day abovementioned is processed as a result of possible increase in machines productivity.

## INFORMATION OF THE GROUP, THE JAPANESE SUBSIDIARY AND TSUGAWA METAL

The Group is principally engaged in (i) provision of financial printing, digital printing and other related services; (ii) sales of hangtags, labels, shirt paper boards and plastic bags principally to manufacturers of consumer products; (iii) distribution and sales of motor vehicle parts; (iv) provision of advisory, asset management, securities brokerage services and margin financing; (v) property investment; and (vi) dismantling and trading of scrap materials.

The Japanese Subsidiary is principally engaged in dismantling and trading of scrap materials in Japan.

Tsugawa Metal is principally engaged in trading and processing of scrap materials in Japan.

## REASONS FOR AND BENEFITS OF ENTERING INTO OF THE AGREEMENTS

Recycling, dismantling and trading of scrap materials is one of the principal businesses of the Group with its main processing plant located in Guangxi Province, the PRC. In light of the tightening of the import requirements of scrap materials in the PRC since 31 December 2018, the Group has been looking for a suitable location in East or Southeast Asia to develop another processing plant for this business.

In January 2019, the Company established the Japanese Subsidiary to carry on dismantling and trading of scrap materials in Osaka, Japan. To facilitate a smooth start of business, the Japanese Subsidiary appointed Mr. Liu Tao, a majority shareholder of Tsugawa Metal, as one of its directors. In April 2019, Mr. Liu Tao injected capital into the Japanese Subsidiary and has become a 10% shareholder of the Japanese Subsidiary. The Board believes that the business development of the Japanese Subsidiary would benefit from Mr. Liu Tao's directorship and investment with his extensive experience in the scrap materials trading and processing business in Japan.

To set up a processing plant in Japan, the Japanese Subsidiary would require land, fixed assets and workers to commence its operation. However, it would be difficult for the Japanese Subsidiary to successfully solicit an independent lessor for leasing the required land and fixed assets in view of its short history in Japan. Further, the process of applying visas for workers in Japan would take considerable time. The Japanese Subsidiary therefore entered into the Agreements with Tsugawa Metal to expedite the commencement of business of the processing plant.

Taking into account that the terms of the Agreements were determined after arm's length negotiations between the parties thereto, the Directors (including the independent non-executive Directors) consider that the Agreements were entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of the Agreements and the annual caps are fair and reasonable and in the interests of the Company and its shareholders as a whole. None of the Directors have a material interest in the Agreements and the transactions contemplated thereunder which required any of the Directors to abstain from voting on the resolutions in relation to the Agreements and the transactions contemplated thereunder.

## **LISTING RULES IMPLICATIONS**

The Japanese Subsidiary is effectively owned as to 54% by the Company through its indirect 60%-owned subsidiary, Realord Environmental Protection, and directly owned as to 10% by Mr. Liu Tao, who is also a director of the Japanese Subsidiary and a majority shareholder holding 60% interests in Tsugawa Metal. Tsugawa Metal is therefore a connected person of the Company at the subsidiary level under the Listing Rules. Save for aforementioned, to the best of the directors' knowledge, information and belief having made all reasonable enquiry, the ultimate beneficial owner holding the remaining 40% interests in Tsugawa Metal is a third party independent of the Company and its connected persons.

The transactions contemplated under the Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Agreements are subject to the announcement, annual review and reporting requirements but exempt from the circular and shareholders' approval requirements under Rule 14A.76(2)(a) of the Listing Rules as all applicable percentage ratios (other than the profits ratio) are less than 5%.

Prior to the appointment of Mr. Liu Tao as a director of the Japanese Subsidiary in January 2019, Tsugawa Metal has been one of the Group's suppliers in Japan for sourcing of scrap materials during the Group's ordinary and usual course of business. In March and April 2019, the Group entered into four agreements with Tsugawa Metal for the purchase of scrap materials (including waste copper wires and batteries) for an aggregate amount of JPY60,966,000 (equivalent to approximately HK\$4,566,964) (the "**Purchase Agreements**"). The Purchase Agreements were entered into between the parties after arm's length negotiation and on normal commercial terms, where all applicable percentage ratios (other than profits ratio) in respect of the purchases made thereto were less than 1%. All applicable percentage ratios (other than the profits ratio) in respect of the total amount payable under the Agreements, when aggregated with the purchases made under the Purchase Agreements, remain under 5%.

## DEFINITIONS

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

“Agreements”	the Lease Agreement and the Service Agreement
“Board”	the board of Directors
“Business Day(s)”	a day(s) other than Saturday, Sunday, a Japanese national holiday or other day on which banks in Tokyo, Japan are required or authorised to close
“Company”	Realord Group Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1196)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Fixed Assets”	certain fixed assets including forklifts, claw machines, trucks, motor vehicles and scrap materials processing machines
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Japanese Subsidiary”	偉祿環保株式會社 (translated as Realord Environmental Protection Japan Co., Ltd.), a company incorporated in Japan and a 90%-owned subsidiary of Realord Environmental Protection
“Land”	three pieces of land with gross floor area of approximately 10,000 square meters and buildings erected thereon in Osaka, Japan
“Lease Agreement”	the agreement dated 15 May 2019 entered into between the Japanese Subsidiary and Tsugawa Metal in respect of the lease of the Land and the Fixed Assets by the Japanese Subsidiary from Tsugawa Metal
“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
“Realord Environmental Protection”	Realord Environmental Protection Industrial Company Limited, a company incorporated in Hong Kong and an indirect 60%-owned subsidiary of the Company
“Service Agreement”	the agreement dated 15 May 2019 entered into between the Japanese Subsidiary and Tsugawa Metal in respect of the provision of the Technical Services by Tsugawa Metal to the Japanese Subsidiary
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Technical Services”	nine waste copper wires processing workers and ancillary technical support
“Tsugawa Metal”	津川金屬株式會社 (translated as Tsugawa Metal Co., Ltd.), a company incorporated in Japan and majority-owned by Mr. Liu Tao
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“JPY”	Japanese Yen, the lawful currency of Japan
“%”	per cent.

*For illustration purpose, amounts in JPY in this announcement are translated into HK\$ at the rate of JPY1 = HK\$0.07491 , which was made reference to the highest closing exchange rate of JPY to HK\$ in the last two years prior to the date of this announcement so as to cater for possible exchange rate fluctuations for annual caps calculation purposes. The aforesaid exchange rate should not be taken as a representation that JPY could actually be converted into HK\$ at such rate or at all.*

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

Hong Kong, 15 May 2019

*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.*