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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **Realord Group Holdings Limited**, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale and transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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)**

**MAJOR TRANSACTION IN RELATION TO  
PRE-CONDITIONAL VOLUNTARY CASH OFFER BY**



**偉祿亞太證券**  
REALORD ASIA PACIFIC SECURITIES

**ON BEHALF OF  
REALORD GROUP HOLDINGS LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES OF  
THE SINCERE COMPANY, LIMITED**

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Capitalised terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 5 to 20 of this circular.

23 July 2020

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“2020 Sincere Annual Report”	the annual report of Sincere for the year ended 29 February 2020
“2020 Final Dividend”	dividend for the year ended 29 February 2020 which may be recommended to be paid to the SinCo Shareholders by the board of directors of Sincere
“acting in concert”	the meaning ascribed thereto under the Takeovers Code
“Announcement”	the joint announcement dated 15 May 2020 published by Realord and Sincere relating to, among other things, the Offer
“associate”	the meaning ascribed thereto under the Takeovers Code
“business day”	the meaning ascribed thereto under the Takeovers Code
“Closing Date”	the date which is the 14th day after the date on which the Offer is declared unconditional as to acceptances provided that the Offer will be open for acceptance for at least 21 days following the despatch of the Composite Document
“Composite Document”	the composite offer and response document expected to be jointly issued by Realord and Sincere in connection with the Offer in accordance with the Takeovers Code
“connected persons”	the meaning ascribed thereto under the Listing Rules
“Dr. Lin Xiaohui”	Lin Xiaohui, the chairman and executive director of Realord and the owner of 70% of the issued share capital of MHL, which is the controlling shareholder of Realord
“Enlarged Group”	together, the Realord Group and the SinCo Group, immediately after closing of the Offer
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
“February 2020 NAV”	consolidated net assets of the SinCo Group as at 29 February 2020 attributable to the SinCo Shareholders (after deduction of the 2020 Final Dividend, if any)
“Final Offer Price”	HK\$0.3935 per SinCo Share
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Initial Offer Price”	HK\$0.3806 per SinCo Share, subject to upward adjustment

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## DEFINITIONS

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“Insurance Authority”	the Insurance Authority established under the Insurance Ordinance
“Insurance Ordinance”	the Insurance Ordinance (Chapter 41 of the Laws of Hong Kong)
“Irrevocable Undertakings”	the SC Irrevocable Undertakings and the WD Irrevocable Undertaking
“Last Trading Day”	4 May 2020, being the last trading day of the Shares on the Stock Exchange prior to the issuance of the Announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Latest Practicable Date”	20 July 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Madam Su Jiaohua”	Su Jiaohua, spouse of Dr. Lin Xiaohui and the owner of 30% of the issued share capital of MHL, which is the controlling shareholder of Realord
“Main Board”	the main board maintained and operated by the Stock Exchange
“MHL”	Manureen Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, and the controlling shareholder of the Offeror, which is owned as to 70% by Dr. Lin Xiaohui and as to 30% by Madam Su Jiaohua
“No-bid Confirmation”	confirmation from the Executive that the Offeror will not be required to make general offers for each of the Sincere Companies following the completion of the Offer
“Offer”	the pre-conditional voluntary cash general offer intended to be made by Realord Asia Pacific for and on behalf of the Offeror to acquire all of the issued SinCo Shares on the terms and conditions set out in the Composite Document and in compliance with the Takeovers Code
“Offer Price”	the offer price per SinCo Share under the Offer, subject to upward adjustment
“Offeror” or “Realord”	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)
“Perfumery”	The Sincere Company (Perfumery Manufacturers), Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of Sincere

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## DEFINITIONS

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“PRC”	the People’s Republic of China which, for the purpose of this circular, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“Pre-Conditions”	the pre-conditions of the Offer described in the section headed “The Pre-Conditions” in this circular
“Pre-Conditions Long Stop Date”	30 April 2021, being the long stop date for the satisfaction or waiver (as the case may be) of the Pre-Conditions in respect of the Offer or such other date as the Offeror and Sincere may agree with the consent of the Executive
“Realord Asia Pacific”	Realord Asia Pacific Securities Limited, a non-wholly-owned subsidiary of the Offeror and a corporation licensed to carry out type 1 (dealing in securities) regulated activity under the SFO, which is making the Offer on behalf of the Offeror
“Realord Board”	the board of the Realord Directors
“Realord Director(s)”	the director(s) of Realord
“Realord Finance”	Realord Finance Limited, a wholly-owned subsidiary of the Offeror principally engaged in the money lending business
“Realord Group”	the Offeror and its subsidiaries
“Realord Shareholders”	holders of Realord Shares
“Realord Shares”	ordinary shares in the issued share capital of Realord
“SC Irrevocable Undertakings”	collectively, the irrevocable undertakings to accept the Offer all dated 15 May 2020 given by each of the Sincere Companies to the Offeror as described in the section headed “The Irrevocable Undertakings” in this circular
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Sincere”	The Sincere Company, Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 0244)
“Sincere Board”	the board of the Sincere Directors
“Sincere Companies”	Sincere LA, Sincere II and Perfumery

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## DEFINITIONS

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“Sincere Director(s)”	the director(s) of Sincere
“Sincere II”	The Sincere Insurance & Investment Company, Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of Sincere
“Sincere LA”	The Sincere Life Assurance Company Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of Sincere
“SinCo Group”	Sincere and its subsidiaries
“SinCo Shareholders”	holders of the SinCo Shares
“SinCo Shares”	ordinary shares in the issued share capital of Sincere
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
“WD Irrevocable Undertaking”	the irrevocable undertaking to accept the Offer dated 15 May 2020 given by Win Dynamic to the Offeror as described in the section headed “The Irrevocable Undertakings” in this circular
“Win Dynamic”	Win Dynamic Limited, a company incorporated in Hong Kong with limited liability and the controlling shareholder of Sincere, which is owned as to 70% by Mr. Philip K H Ma and 30% by Mr. Charles M W Chan
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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## LETTER FROM THE REALORD BOARD

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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)**

*Executive Directors:*

Dr. Lin Xiaohui (*Chairman*)

Madam Su Jiaohua (*Chief Executive Officer*)

Mr. Lin Xiaodong

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Independent non-executive Directors:*

Mr. Yu Leung Fai

Mr. Fang Jixin

Dr. Li Jue

*Head office and principal place of  
business in Hong Kong:*

Suites 2403–2410

24/F, Jardine House

1 Connaught Place

Central, Hong Kong

23 July 2020

*To the Realord Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION IN RELATION TO  
PRE-CONDITIONAL VOLUNTARY CASH OFFER BY  
REALORD ASIA PACIFIC SECURITIES LIMITED  
ON BEHALF OF  
REALORD GROUP HOLDINGS LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES OF  
THE SINCERE COMPANY, LIMITED**

**INTRODUCTION**

Reference is made to the announcements dated 15 May 2020 and 17 June 2020, respectively, whereby the Offeror and Sincere jointly announced, among other things, that Realord Asia Pacific intends to make, on behalf of the Offeror and subject to the satisfaction or waiver (as the case may be) of the Pre-Conditions, a voluntary conditional cash offer to acquire all of the issued SinCo Shares and the finalisation of the Offer Price.

The purpose of this circular is to provide you with, amongst other things, further details of the Offer, which constitutes a major transaction for Realord under Chapter 14 of the Listing Rules.

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## LETTER FROM THE REALORD BOARD

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### THE OFFER

The Offer, if and when made, will be made on terms set out in the offer document (which is expected to be part of a Composite Document) to be issued in accordance with the Takeovers Code and on the following basis:

For each SinCo Share . . . . . Final Offer Price, being HK\$0.3935 in cash

As disclosed in the Announcement, in the event that the February 2020 NAV is higher than HK\$123 million, the Initial Offer Price will be adjusted upwards by the amount calculated by dividing the difference between the February 2020 NAV and HK\$123 million by the total number of 1,313,962,560 SinCo Shares, subject to a cap of the February 2020 NAV of HK\$140 million. On 16 June 2020, Sincere published the 2020 Sincere Annual Report which recorded a February 2020 NAV of approximately HK\$142.6 million and no 2020 Final Dividend was declared. Based on the February 2020 NAV, the Offer Price is adjusted upwards to the Final Offer Price of HK\$0.3935 per SinCo Share. The Offeror will not increase the Offer Price beyond the Final Offer Price and does not reserve the right to increase the Final Offer Price.

The Offer, if and when made, will be extended to all SinCo Shareholders in accordance with the Takeovers Code.

The Final Offer Price of HK\$0.3935 per SinCo Share represents:

- (i) an increase of approximately 3.39% as compared to the Initial Offer Price of HK\$0.3806 per SinCo Share;
- (ii) a premium of approximately 4.93% to the closing price of HK\$0.375 per SinCo Share as quoted on the Stock Exchange on 18 May 2020, being the first trading day after the publishing of the Announcement;
- (iii) a premium of approximately 12.43% over the closing price of HK\$0.35 per SinCo Share as quoted on the Stock Exchange on the Last Trading Day;
- (iv) a premium of approximately 24.53% over the average of the closing prices per SinCo Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.316;
- (v) a premium of approximately 28.18% over the average of the closing prices per SinCo Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.307;
- (vi) a premium of approximately 43.09% over the average of the closing prices per SinCo Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.275;



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## LETTER FROM THE REALORD BOARD

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- (vii) a premium of approximately 191.48% over the audited February 2020 NAV of approximately HK\$0.135 per SinCo Share calculated based on the audited February 2020 NAV of approximately HK\$142.6 million as extracted from the 2020 Sincere Annual Report and 1,053,519,360 SinCo Shares (being the number of SinCo Shares then in issue other than the SinCo Shares held by the Sincere Companies<sup>Note</sup>); and
- (viii) a premium of approximately 2.21% to the closing price of HK\$0.385 per SinCo Share as quoted on the Stock Exchange on the Latest Practicable Date.

*Note: The number of the SinCo Shares, being 260,443,200 SinCo Shares, held by the Sincere Companies, being accounted for as subsidiaries of Sincere, was excluded from the total number of issued SinCo Shares for calculating the net assets per SinCo Share as the value attributable to such number of SinCo Shares held by the Sincere Companies is eliminated upon consolidation of the SinCo Group in arriving at the audited consolidated net assets of the SinCo Group. This calculation is consistent with the calculation of the earnings per SinCo Share in the audited financial statements of Sincere.*

The Realord Board considers the premium of the Final Offer Price over the closing prices of the SinCo Shares as illustrated above was determined on a commercial basis and is justifiable taking into account, among others, the February 2020 NAV of approximately HK\$142.6 million as shown in the 2020 Sincere Annual Report, the historical market prices of the SinCo Shares traded on the Stock Exchange, as well as the possibility that the Offeror will acquire a controlling stake in Sincere. Further details of the basis of the Offer Price are set out under the paragraph headed “Basis of the Offer Price” in this circular below. Having considered, among other things, the aforesaid basis of the Final Offer Price, the long heritage of a well-established department store operation of Sincere and the potential synergy effects for developing the property development and commercial operation of the Realord Group as further discussed in the section headed “Reasons for and Benefits of the Offer” in this circular below, the Realord Directors consider that despite the Final Offer Price being at a premium to various pricing parameters, the Final Offer Price is fair and reasonable and in the interests of Realord and the Realord Shareholders as a whole.

### **The Pre-Conditions**

The making of the Offer is subject to the satisfaction or waiver (as the case may be) of the following Pre-Conditions:

- (i) the Offeror, MHL, Dr. Lin Xiaohui, Madam Su Jiaohua and any person who falls into the meaning of “controllers” under section 9(1)(a)(iii)(B) or section 13B(1) of the Insurance Ordinance having been approved by the Insurance Authority as “controllers” (within the meanings of the Insurance Ordinance) of Sincere IA and Sincere II;
- (ii) the Executive having issued the No-bid Confirmation and such confirmation not having been withdrawn;
- (iii) the SinCo Shares remaining listed on the Main Board of the Stock Exchange and trading not being suspended for a period of 30 consecutive days or more and no indication being received from the SFC and/or the Stock Exchange to the effect that the listing of the SinCo Shares on the Stock Exchange is or is likely to be withdrawn (save for any temporary suspension of trading of the SinCo Shares pending the release of any announcement in respect of the Offer)

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## LETTER FROM THE REALORD BOARD

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and Sincere not received any letter from the Stock Exchange expressing the view that Sincere is or may be in breach of Rule 13.24 of the Listing Rules as at the date of satisfaction of Pre-Condition (i) or (ii) above, whichever is the later;

- (iv) all consents (including the consents from any relevant lenders) to a change in the controlling shareholder of Sincere as a result of the Offer required under any existing contractual or other obligations of the SinCo Group having been obtained and remaining in effect;
- (v) the retail outlets of the SinCo Group having been opened for business every day, save for the Chinese New Year holiday or where failure to open is due to or in connection with circumstances or expected circumstances beyond the control of Sincere including, without limitation, acts of God, governmental actions, war or national emergency, acts of terrorism, protests, riot, civil commotion, fire, explosion, flood, epidemic, lock-outs, strikes or other labour disputes;
- (vi) none of the members of the SinCo Group is engaged in any litigation, arbitration or governmental proceeding which (individually or in aggregate) is likely to have a material adverse effect on the financial or trading position of the SinCo Group as a whole and no such litigation, arbitration or proceeding has been threatened in writing to Sincere and there are no circumstances likely to give rise to any such litigation, arbitration or proceeding as at the date of satisfaction of Pre-Condition (i) or (ii) above, whichever is the later;
- (vii) no order has been made and no resolution has been passed for the winding up of, or for a provisional liquidator to be appointed in respect of, any member of the SinCo Group, and no petition has been presented to any member of the SinCo Group and no meeting has been convened for the purpose of winding up any of the same, and no receiver has been appointed in respect of any member of the SinCo Group or all or any of its assets as at the date of satisfaction of Pre-Condition (i) or (ii) above, whichever is the later;
- (viii) none of Sincere or any of its subsidiaries is insolvent, or unable to pay its debts within the meaning of section 178 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), or has stopped paying its debts as they fall due, and no unsatisfied judgment which is materially adverse to the condition of Sincere is outstanding against Sincere or any of its subsidiaries as at the date of satisfaction of Pre-Condition (i) or (ii) above, whichever is the later; and
- (ix) Sincere has not been given notice of any ongoing governmental or other investigation, enquiry or disciplinary proceeding concerning Sincere or any member of the SinCo Group in any jurisdiction that is material to the SinCo Group as a whole or that any investigation, enquiry or disciplinary proceeding is pending or threatened as at the date of satisfaction of Pre-Condition (i) or (ii) above whichever is the later.

The Offeror reserves the right to waive all Pre-Conditions except that Pre-Conditions (i) and (ii) cannot be waived.

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## LETTER FROM THE REALORD BOARD

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In respect of the Pre-Condition (ii) above, in consideration of the various factors as set out in the paragraphs headed “Reasons for and the benefits of the Offer” and “No-bid Confirmation” in this circular below, the Offeror will seek confirmation from the SFC that it will not be required to make a general offer for each of the Sincere Companies in the event that it and parties acting in concert with it shall hold more than 50% of the SinCo Shares upon closing of the Offer. The Offeror will not proceed with the Offer if the No-bid Confirmation is not obtained from the Executive.

As at the Latest Practicable Date, none of the Pre-conditions was satisfied.

If the Pre-Conditions are not satisfied or waived (as the case may be) by the Pre-Conditions Long Stop Date, i.e. 30 April 2021 or such later date as the Offeror and Sincere may agree with the consent of the Executive, the Offer will not be made. The Offeror and Sincere will issue a further announcement as soon as practicable after the Pre-Conditions have been satisfied or waived or it has become apparent they are not capable of being satisfied (as the case may be).

**WARNING: The Pre-Conditions must be satisfied or, if permitted, waived (as the case may be) before the making of the Offer. The making of the Offer is therefore a possibility only. Accordingly, the Realord Shareholders and prospective investors are advised to exercise caution when dealing in the securities of the Offeror. Persons who are in doubt as to the action they should take should consult their professional advisers.**

### Condition of the Offer

The Offer, if and when made, will be conditional only on valid acceptances of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or any subsequent closing date as may be decided and announced by the Offeror and approved by the Executive) in respect of the SinCo Shares which, together with the SinCo Shares acquired or to be acquired before or during the Offer, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of Sincere, i.e. at least 656,981,281 SinCo Shares (based on the number of SinCo Shares in issue at the Latest Practicable Date).

As at the Latest Practicable Date, Win Dynamic held 662,525,276 SinCo Shares, representing approximately 50.42% of the SinCo Shares in issue, and the Sincere Companies held 260,443,200 SinCo Shares in aggregate, representing approximately 19.82% of the SinCo Shares in issue. Win Dynamic and each of the Sincere Companies have respectively given the Irrevocable Undertakings to the Offeror to accept the Offer upon the Offer being made (further details are set out in the section headed “The Irrevocable Undertakings” below in this circular). As such, the condition of the Offer will be satisfied upon each of Win Dynamic and the Sincere Companies tendering its valid acceptance to the Offer.

Pursuant to Rule 15.3 of the Takeovers Code, where a conditional offer becomes or is declared unconditional (whether as to acceptances or in all respects), it should remain open for acceptances for not less than 14 days thereafter, provided that the period for acceptance, is open for at least 21 days following the despatch of the Composite Document.

The Offeror will issue an announcement in relation to the revision, extension or lapse of the Offer or the fulfilment of the condition of the Offer (as the case may be) in accordance with the Takeovers Code.

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## LETTER FROM THE REALORD BOARD

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**WARNING: The Offer may or may not become unconditional and will lapse if it does not become unconditional. Accordingly, the Realord Shareholders and prospective investors are advised to exercise caution when dealing in the securities of the Offeror. Persons who are in doubt as to the action they should take should consult their professional advisers.**

### **Highest and lowest SinCo Share prices**

During the six-month period preceding the date of the Announcement and up to the Latest Practicable Date, the highest closing price of the SinCo Shares as quoted on the Stock Exchange was HK\$0.385 per SinCo Share on 23 June 2020, 30 June 2020, 2 July 2020, 7 July 2020, 8 July 2020, 17 July 2020 and the Latest Practicable Date, respectively and the lowest closing price of the SinCo Shares as quoted on the Stock Exchange was HK\$0.19 per SinCo Share on 12 December 2019.

### **Value of the Offer**

As at the Latest Practicable Date, there were 1,313,962,560 SinCo Shares in issue which will be subject to the Offer. Assuming that there is no change in the issued SinCo Shares from the Latest Practicable Date up to the Closing Date and assuming full acceptance of the Offer, based on the Final Offer Price of HK\$0.3935 per SinCo Share, the total cash consideration payable by the Offeror under the Offer would be approximately HK\$517,044,267.

### **Hong Kong stamp duty**

The seller's Hong Kong ad valorem stamp duty on acceptances of the Offer at a rate of 0.1% of the consideration payable in respect of the acceptance by the SinCo Shareholders or if higher, the market value of the SinCo Shares subject to such acceptance, will be deducted from the amount payable to those SinCo Shareholders who accept the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant SinCo Shareholders who accept the Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with acceptances of the Offer and the transfers of the SinCo Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

### **Financial resources available for the Offer**

The Offeror intends to finance the cash consideration required for the Offer by internal resources.

### **Payment**

Payment (after deducting the accepting SinCo Shareholder's share of stamp duty) in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven (7) business days (as defined under the Takeovers Code) of (i) the receipt of duly completed acceptances; or (ii) the Offer has become or is declared unconditional in all respects, whichever is later. Relevant documents of title must be received to render each acceptance of the Offer complete and valid.

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## LETTER FROM THE REALORD BOARD

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### Dealing and interests in Sincere's securities

None of the Offeror, MHL and its ultimate beneficial owners (namely Dr. Lin Xiaohui and Madam Su Jiaohua), and parties acting in concert with any of them has dealt in any SinCo Shares, options, derivatives, warrants or other relevant securities convertible (as defined in Note 4 to Rule 22 of the Takeovers Code) into SinCo Shares during the six-month period prior to the date of the Announcement.

### The Offeror's confirmations

The Offeror confirms that, as at the Latest Practicable Date:

- (i) neither the Offeror nor parties acting in concert with it owned or had control or direction over any voting rights in and rights over any SinCo Shares;
- (ii) save for the Irrevocable Undertakings, the Offeror and parties acting in concert with it had not received any irrevocable commitment to accept or reject the Offer;
- (iii) the Offeror and parties acting in concert with it did not hold any convertible securities, warrants or options or securities exchangeable into shares in Sincere;
- (iv) the Offeror and parties acting in concert with it had not entered into any outstanding derivatives in the securities of Sincere;
- (v) save for the Pre-Conditions and the condition as mentioned in the paragraph headed "Condition of the Offer" in this circular, the Offer will not be subject to any conditions;
- (vi) there were no arrangements (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror, the Realord Shares or the SinCo Shares and which might be material to the Offer (as referred to in Note 8 to Rule 22 of the Takeovers Code);
- (vii) there were no agreements or arrangements to which the Offeror or parties acting in concert with it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;
- (viii) the Offeror and parties acting in concert with it had not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in Sincere;
- (ix) save for the consideration in respect of acceptance of the Offer, there was no other consideration, compensation or benefits in whatever form paid or to be paid) by the Offeror, MHL and its ultimate beneficial owners or any parties acting in concert with any of them to Win Dynamic and the Sincere Companies or any parties acting in concert with any of them in respect of the SinCo Shares; and
- (x) there was no understanding, arrangement or agreement which constitutes a special deal (as defined in Rule 25 of the Takeovers Code) in respect of the Offer (i) between the Offeror, MHL and its ultimate beneficial owners and any party acting in concert with it on the one hand, and Win Dynamic and the Sincere Companies or any parties acting in concert with any

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## LETTER FROM THE REALORD BOARD

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of them and any parties acting in concert with any of them on the other hand; and (ii) between (1) any SinCo Shareholder; and (2)(a) the Offeror and any party acting in concert with it; or (b) Sincere, its subsidiaries or associated companies.

### THE IRREVOCABLE UNDERTAKINGS

Pursuant to the WD Irrevocable Undertaking, Win Dynamic has irrevocably undertaken to the Offeror (i) to tender, or procure the tender of, all of the 662,525,276 SinCo Shares (representing approximately 50.42% of the SinCo Shares in issue as at the Latest Practicable Date) beneficially owned by it for acceptance under the Offer no later than the fifth business day following the despatch of the Composite Document; and (ii) that it will be the beneficial owner of the 662,525,276 SinCo Shares until the tender of the SinCo Shares owned by it under the Offer.

Pursuant to the SC Irrevocable Undertakings, each of the Sincere Companies has irrevocably undertaken to the Offeror (i) to tender, or procure the tender of, all of the SinCo Shares beneficially owned by it, being 183,136,032 SinCo Shares in the case of Sincere LA, 75,608,064 SinCo Shares in the case of Sincere II and 1,699,104 SinCo Shares in the case of Perfumery (representing approximately 13.94%, 5.75% and 0.13% of the SinCo Shares in issue respectively as at the Latest Practicable Date), for acceptance under the Offer no later than the fifth business day following the despatch of the Composite Document; and (ii) that it will be the beneficial owner of the SinCo Shares it holds until the tender of the SinCo Shares owned by it under the Offer.

### INFORMATION OF SINCERE

Sincere is a company incorporated in Hong Kong with limited liability and the shares of which are listed and traded on the Main Board of the Stock Exchange. The SinCo Group is principally engaged in the operation of department stores, securities trading, securities investments and the provision of general and life insurances.

Based on the 2020 Sincere Annual Report, Sincere is the single largest shareholder of Sincere LA, Sincere II and Perfumery with 48.09%, 40.67% and 37.15% direct equity interests, respectively, and that based on the Sincere's absolute size of holding in Sincere LA, Sincere II and Perfumery, the relative size and dispersion of the shareholdings owned by the other shareholders who acted as principal of their investments in Sincere LA, Sincere II and Perfumery, and past history of voting patterns in the shareholders' meetings of Sincere LA, Sincere II and Perfumery, Sincere has had control over Sincere LA and its subsidiary, Sincere II and its subsidiary and Perfumery since the dates on which the SinCo Group obtained control. As such, the Sincere Companies are accounted for as subsidiaries of Sincere and the results of the Sincere Companies are consolidated into the consolidated financial statements of the SinCo Group.

To the best of the knowledge, information and belief of the Realord Directors having made all reasonable enquiries, Sincere, Win Dynamic and its ultimate beneficial owners are third parties independent of the Offeror and its connected persons save that (i) Realord Asia Pacific acted as placing agent for Sincere in connection with an open offer in July 2019, and subsequently made an offer on behalf of Win Dynamic to acquire all outstanding SinCo Shares and options to acquire SinCo Shares in August 2019; and (ii) Optima Capital Limited, a non-wholly owned subsidiary of Realord, acted as the financial adviser of Sincere for the open offer and the offer mentioned in (i) above, and the Offer.

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## LETTER FROM THE REALORD BOARD

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### Financial information of the SinCo Group

Set out below are extracts from the 2020 Sincere Annual Report prepared in accordance with Hong Kong Financial Reporting Standards:

	2019 HK\$'000	2020 HK\$'000
Revenue	311,865	263,312
Net loss before tax	(134,727)	(149,240)
Net loss after tax	(134,743)	(149,253)
Net loss after tax attributable to the SinCo Shareholders	(132,068)	(147,364)

As at 29 February 2020, the audited net assets of the SinCo Group attributable to the SinCo Shareholders were approximately HK\$142.6 million.

### The Department Store Operations

Sincere operates department stores selling a wide range of consumer products (the “**Department Store Operations**”) which has a long heritage in Hong Kong retail industry. Its history can be traced back to as early as 1900. Over the hundred years of operations, the brand of “Sincere” has become well known and symbolic to local community as one of the most renowned local department stores in Hong Kong. Throughout the years of development, the SinCo Group had expanded to other business sectors including properties investment, property development, securities trading and other businesses such as provision of advertising agency services and travel agency franchising services. While some of these businesses had been loss making and had not continued, the Department Store Operations continue to be the core business of the SinCo Group. The long history and experience lay a solid foundation for the continuing operation of the Department Store Operations. Over the years, the SinCo Group disposed its self-owned properties for operating the flagship shops for the Department Store Operations. Thereafter and particularly in the past decade, the Department Store Operations have been suffering from increasing rental and/or relocation expenses as a result of the boom of property markets in Hong Kong, resulting in staggering operation results of the Department Store Operations in recent years. Downsized and/or closed down of major stores as a result of landlords’ requests had adversely affected the Department Store Operations. While efforts had been put on improving store layouts and merchandising mix in order to boost sales, management of Sincere had also worked hard on cutting operating expenses. During the year ended 28 February 2017, Sincere succeeded in trimming down a number of expenses, in particular store rentals through landlord negotiations, which helped alleviate the loss in the Department Store Operations. Continuous cost control measures have been implemented in this regard. However, as disclosed in the annual report of Sincere for the year ended 28 February 2019, revenue generated from Department Store Operations were affected by the intensifying of the China-US trade war since the second quarter of 2018 as well as the unseasonably warm winter in 2018, which resulting in a decrease in gross profit of the Department Store Operations. As disclosed in the 2020 Sincere Annual Report, as a result of the continuous social and political incidents in Hong Kong since June 2019, the number of visitor arrivals from Mainland China to Hong Kong had reduced and Sincere’s department stores’ business hours had also been adversely affected. In addition, the threat of China-US trade war created uncertainty to both local and global market and further deteriorated the consumer sentiment. In January 2020, the outbreak and wide spreading of COVID-19 also resulted in significant drop in the number of visitor arrivals to



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Hong Kong. Despite the drop in revenues for department store operations, looking forward, with the decrease in the confirmed cases for COVID-19 and the ease of the social distancing policies implemented by the government, the foot traffic for its department stores had gradually recovered. The management of Sincere is of the view that the department store operations would be challenging, but is still cautiously optimistic about the core department stores performance in the coming year.

### **Perfumery, Sincere II and Sincere LA**

Perfumery was incorporated in Hong Kong on 13 May 1926 with limited liability and its principal activities consist of investments in securities and earning interest income. Other than investments in securities, Perfumery does not have any operation or any subsidiary.

Sincere II was incorporated in Hong Kong on 12 July 1915 with limited liability and its principal activities consist of general insurance and investment in securities. Sincere II has minimal operations which mainly involve the annual renewal of certain property damage insurance. It has no other active business operation and recorded revenue of HK\$38,203 and HK\$66,545 for the two years ended 28 February 2018 and 2019. Sincere II has one subsidiary which is incorporated in the British Virgin Islands and is dormant. As set out in the announcement of Sincere dated 22 May 2019, a non-compliance matter occurred in which certain Insurance Authority regulatory filings or prior written consents were not made or sought by Sincere II in connection with Win Dynamic acquiring 26.48% of the SinCo Shares in issue and becoming a substantial shareholder of Sincere (the “**Change**”) as a result of the completion (the “**Rights Issue Completion**”) of the rights issue of Sincere in December 2017. As a result of the Rights Issue Completion, Win Dynamic and Mr. Philip K H Ma each became a new “controller” within the meaning of section 9(1)(a)(iii)(B) of the Insurance Ordinance of Sincere II on 20 December 2017 and, pursuant to a directive which was imposed by the Insurance Authority on Sincere II in its letter in March 2016, Sincere II was required to obtain the written consent of the Insurance Authority for the Change before it took place. Sincere II was also required under the Insurance Ordinance to file for the Change to the Insurance Authority by January 2018. Sincere II is in the process of carrying out the requisite remediation actions. As a result of the non-compliance matter, Sincere II may be subject to the potential liability and supervisory actions under the Insurance Ordinance.

Sincere LA was incorporated in Hong Kong on 14 October 1922 with limited liability and its principal activities consist of life insurance and investments in securities. Sincere LA has minimal operations which mainly involve the maintenance of insurance contracts entered into more than 10 years ago. Sincere LA has ceased to carry on new business and did not record any revenue for the two years ended 28 February 2018 and 2019. Sincere LA has one subsidiary, which is incorporated in the British Virgin Islands and is dormant. As set out in the announcement of Sincere dated 22 May 2019, a non-compliance matter occurred in which certain Insurance Authority regulatory filings were not made by Sincere LA in connection with the Change as a result of the Rights Issue Completion. As a result of the Rights Issue Completion, Win Dynamic and Mr. Philip K H Ma each became a new “controller” within the meaning of section 9(1)(a)(iii)(B) of the Insurance Ordinance of Sincere LA on 20 December 2017 and filings in this respect were required to be made by Sincere LA to the Insurance Authority by January 2018. Sincere LA is in the process of carrying out the requisite remediation actions. As a result of the non-compliance matter, Sincere LA may be subject to the potential liability and supervisory actions under the Insurance Ordinance.



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The Offeror has assessed the financial risk exposure of the potential liability and supervisory actions triggered by the abovementioned non-compliance matters. As disclosed in the 2020 Sincere Annual Report, no provision has been made by Sincere as at 29 February 2020 in respect of the non-compliance matters. In view of the foregoing, the management of the Offeror is of the view that there is no evidence of material financial risk exposure for Realord in respect of the non-compliance matters upon completion of the Offer. The aforesaid non-compliance matters have been taken into account by the Offeror when considering the Offer.

### INFORMATION OF THE OFFEROR

The Offeror is a company incorporated in Bermuda with limited liability and the shares of which are listed and traded on the Main Board of the Stock Exchange. As at the Latest Practicable Date, MHL was the controlling shareholder of the Offeror beneficially interested in 1,073,160,000 Realord Shares, representing approximately 74.62% of the issued share capital of the Offeror. MHL is owned as to 70% by Dr. Lin Xiaohui and as to 30% by Madam Su Jiaohua.

The Realord 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 corporate finance advisory, asset management, securities brokerage services and margin financing; (v) property investment and development and commercial operation; and (vi) environmental protection industry.

### THE OFFEROR'S INTENTION ON SINCERE

It is the intention of the Offeror to continue with the SinCo Group's existing principal business. The Offeror will conduct a detailed review on the business and operations of the SinCo Group in order to formulate a long-term strategy for the SinCo Group. The Offeror reserves the right to make any changes it deems necessary or appropriate to Sincere's business and operations to enhance the value of Sincere and strengthen its revenue. As at the Latest Practicable Date, save for the intention to assess the feasibility of possible co-operation in the development and management of the retail properties of the Realord Group as discussed in the paragraph headed "Reasons for and the benefits of the Offer" below, the Offeror had no plan, and had not engaged in any discussion or negotiation, on any injection of any assets or businesses into the SinCo Group, and had no intention to discontinue the employment of the employees or to change the key management team members by reason of the Offer, or to dispose of or re-deploy the assets of the SinCo Group. Meanwhile, the Offeror had not decided on the future composition of the Sincere Board as mentioned below. As mentioned in the Announcement, subject to the result of the detailed review and the working capital requirements of the SinCo Group, it was the intention of the Offeror to consider providing additional loan financing to members of the SinCo Group to support its future working capital needs. Subsequently, a non-revolving loan facility of up to HK\$70 million was provided to Sincere from Realord Finance on 26 May 2020 to finance working capital needs of Sincere and such facility had not been utilised as at the Latest Practicable Date. As also mentioned in the 2020 Sincere Annual Report, the Sincere Directors, after making due enquiries and considering the basis of its management's projections and after taking into account the reasonably possible changes in the operational performance and the successful renewal and continuous availability of the bank and other borrowings facilities, believe that the SinCo Group will have sufficient financial resources to operate as a going concern.

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## LETTER FROM THE REALORD BOARD

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### PROPOSED CHANGE TO THE BOARD COMPOSITION OF SINCERE

As at the Latest Practicable Date, the Offeror had not decided on the future composition of the board of Sincere. The current directors of Sincere have not decided on whether to resign when permitted to do so under the Takeovers Code. Any changes to the Sincere Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement will be made by Sincere as and when appropriate.

### MAINTENANCE OF THE LISTING STATUS OF SINCERE

The Offeror intends to maintain the listing of the SinCo Shares on the Stock Exchange after the close of the Offer. The Realord Directors and the Sincere Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offer to ensure that sufficient public float exists for the SinCo Shares. The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to Sincere, being 25%, of the SinCo Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the SinCo Shares; or (ii) there are insufficient SinCo Shares held in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the SinCo Shares until the prescribed level of public float is restored.

### REASONS FOR AND BENEFITS OF THE OFFER

The Offeror is of the view that Sincere, a company incorporated in Hong Kong back in 1919, has a long history of development for more than 100 years and operates one of the most well-known and well-established department stores in Hong Kong which stays connected with its customers through generations. Currently, the SinCo Group operates five shops in prime shopping locations in Mongkok, Central, Sham Shui Po, Yau Tong and Tsuen Wan. The revenue generated by the SinCo Group for the two years ended 28 February 2019 and 29 February 2020 was over HK\$300 million and HK\$260 million, respectively. Although Sincere recorded an increase in loss for the year ended 29 February 2020, the Offeror remains confident in the performance of the SinCo Group in the long run given its solid foundation in the Department Store Operations and, in particular, in contemplation of the potential rebound of business upon the suppressed purchasing power to be released following the ease and containment of COVID-19.

In view of the pressure of meeting its financial needs for daily operation amid the outbreak of COVID-19, an unsecured loan in the principal amount of HK\$80 million, carrying an interest of 10% per annum, was sought by Sincere from and granted by Realord Finance, a subsidiary of the Offeror, on 3 April 2020 for a term of 18 months and such loan was fully drawn. During the discussion between the Offeror and Sincere for the loan, it occurred to the Offeror that there might be an opportunity to become a controlling shareholder of Sincere.

The Offeror considers that the acquisition as a result of making the Offer would provide an opportunity for the Realord Group to diversify its business and tap into the department stores business in Hong Kong. Further, having considered that one of the principal businesses of the Realord Group is property investment and development and commercial operation, there may be potential synergy effects for developing the property development and commercial operation of the Realord Group leveraging on the experience of SinCo Group in the department store operation by cooperating and/or utilising the

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## LETTER FROM THE REALORD BOARD

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properties held by the Realord Group. As at 31 December 2019, the Realord Group's investment properties include a commercial complex project, namely "Realord Villas" (偉祿雅苑), situated in Longhua District, Shenzhen, the PRC. The Realord Group holds the business apartment building, a shopping mall named "Realord VCity" (偉祿Vcity), retail shops and car parking spaces with a gross floor area of approximately 51,039 square metres in Realord Villas. Realord Vcity is expected to be the first community mall project of the Realord Group which is built as a business and shopping centre that integrates local amenities, entertainment and leisure, parent-child education and specialty food and beverage experience. It is the intention of the Offeror to assess the possibility to co-operate with SinCo Group in the development and management of Realord Vcity, including tenants management and marketing and promotion of the mall. Leveraging on the long history and experience of the department store operation of Sincere, the Realord Group will be in the position to consolidate and further develop its property development and commercial operation business in the PRC. The management team of the commercial operation of Realord with some members having the relevant experience in management of the business operation of shopping malls which is considered to be relevant to the businesses engaged by the SinCo Group will oversee the department store operations with the assistance of the existing key management team members of the SinCo Group. Accordingly, the directors of the Offeror are of the view that the terms of the Offer are fair and reasonable and the acquisition as a result of making the Offer is in the interests of the Offeror and the Realord Shareholders as a whole.

### **Basis of the Offer Price**

The Offer Price was determined on a commercial basis after taking into account, among other things, (i) the historical market prices of the SinCo Shares traded on the Stock Exchange; (ii) the unaudited net assets of the SinCo Group attributable to the SinCo Shareholders as at 31 August 2019; (iii) the audited February 2020 NAV; (iv) historical financial performance of the SinCo Group; and (v) given the Irrevocable Undertakings, upon the Offer is being made, the Offeror will acquire a controlling stake in Sincere to at least approximately 70%.

The property interests of the SinCo Group were not accounted for at its market value in preparing the unaudited consolidated net assets of the SinCo Group as at 31 August 2019 in its interim financial statements and accordingly, revaluation surplus representing the difference between the market value of the property interests of the SinCo Group as at 29 February 2020 and their respective book value may be resulted. The February 2020 NAV of HK\$123 million for the purpose of the adjustment of the Initial Offer Price as set out in the section headed "The Offer" above is determined with reference to (i) the unaudited net assets of the SinCo Group attributable to the SinCo Shareholders as at 31 August 2019; (ii) the revaluation surplus arising from the difference between the preliminary fair market value of the property interests held by the SinCo Group as at 29 February 2020 and the book value of such property interests as at 31 August 2019; (iii) the loss attributable to the SinCo Shareholders for the six months ended 31 August 2019; and (iv) the business environment of retail and department store business in Hong Kong for the six months ended 29 February 2020. Based on Sincere's audited February 2020 NAV of approximately HK\$142.6 million and no 2020 Final Dividend was declared, the Initial Offer Price was adjusted upwards in accordance with the adjustment mechanism and the Final Offer Price has been determined to be HK\$0.3935 per SinCo Share as mentioned in the section headed "The Offer" above.

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## LETTER FROM THE REALORD BOARD

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### LISTING RULES IMPLICATION

The making of the Offer will constitute a transaction for the Offeror under Chapter 14 of the Listing Rules. As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Offer is more than 25% but less than 100%, the making of the Offer will constitute a major acquisition for the Offeror under Chapter 14 of the Listing Rules and is therefore subject to the requirements of notification, announcement and approval from the Realord Shareholders.

As at the Latest Practicable Date, MHL was the controlling shareholder of the Offeror beneficially interested in 1,073,160,000 Realord Shares, representing approximately 74.62% of the issued share capital of the Offeror. The Offeror has obtained a written shareholders' approval from MHL in respect of the Offer. To the best of the knowledge, information and belief of the Offeror's directors having made all reasonable enquiries, no Realord Shareholder or its/his/her associate(s) has a material interest in the Offer and accordingly, no Realord Shareholder is required to abstain from voting if the Offeror were to convene a shareholders' meeting for approving the Offer. Pursuant to Rule 14.44(2) of the Listing Rules, the written shareholders' approval from MHL will be accepted in lieu of holding a general meeting of the Realord Shareholders. Accordingly, no physical shareholders' meeting will be held by the Offeror to approve the Offer.

Sincere is a company listed on the Main Board of the Stock Exchange and its audited annual reports for the three financial years ended 28 February 2018 and 2019 and 29 February 2020 have been published at the websites of the Stock Exchange and Sincere respectively. Pursuant to Rule 4.01(3) of the Listing Rules, the accountants' reports on the SinCo Group which set out its financial information for at least the last three financial years and any additional interim period ended within 6 months from the date of the circular is not required to be included in this circular.

Based on the principle of "all shareholders should be treated fairly and equally", the Sincere Board declined to provide Realord with the financial information of the SinCo Group given that the financial information is inside information of the SinCo Group and the Sincere Board are duty bound not to release the same to Realord. In such circumstances, Realord does not have access to non-public information and records of the SinCo Group that are necessary for the preparation of the working capital sufficiency statement, the indebtedness statement and the pro forma financial statement of the Enlarged Group to be included in this circular for the purpose of complying with the disclosure requirements under the Listing Rules.

Based on the fact that (i) the unavailability of non-public information of the SinCo Group is caused by regulatory restrictions imposed by the Sincere Board in providing non-public information to Realord; (ii) Sincere is a company listed on the Main Board of the Stock Exchange; and (iii) Sincere will become a subsidiary of Realord upon successful closing of the Offer, pursuant to Rule 14.67A(2) of the Listing Rules, Realord may defer complying with the disclosure requirements for certain non-public information, namely the working capital sufficiency statement, the indebtedness statement and the pro forma financial statement relating to the Enlarged Group. A supplemental circular will be despatched to Realord Shareholders within 45 days of the earlier of: (i) Realord being able to gain access to the SinCo Group's books and records for the purpose of complying with the disclosure requirements in respect of the Enlarged Group under Rules 14.66(10) and 14.67(6)(b)(ii) of the Listing Rules; and (ii) Realord being able to exercise control over Sincere upon the successful close of the Offer pursuant to Rule 14.67A(3) of the Listing Rules.

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## LETTER FROM THE REALORD BOARD

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Nevertheless, Realord has included in Appendix II of this circular some of the information required under Rule 14.66 of the Listing Rules.

Each of Realord and Sincere prepare their financial statements using Hong Kong Financial Reporting Standards, and the Realord Directors believe that, based on the internal assessment by the financial management team of Realord, there may not be material impact on the financial statements of the SinCo Group, if they were prepared under same policy as adopted by Realord.

### TAKEOVERS CODE IMPLICATIONS

#### **The Offer**

The making of the Offer is subject to the satisfaction or waiver (as the case may be) of the Pre-Conditions.

#### **No-bid Confirmation**

Each of the Sincere Companies is a public company for the purposes of the Takeovers Code. In the event that the Offeror and parties acting in concert with it acquire more than 50% of the voting rights, i.e. statutory control, in Sincere upon closing of the Offer, the Offeror may be required to make a general offer for all the shares in each of the Sincere Companies not then owned by it and parties acting in concert with it in respect of the relevant company under the “chain principle” under Note 8 to Rule 26.1 of the Takeovers Code. Considering (i) Sincere’s holdings in the Sincere Companies are not significant to its assets and profits based on its latest published audited consolidated accounts; and (ii) the main purpose for the Offeror to make the Offer is not to secure control of the Sincere Companies but for the reasons and for the benefits as mentioned in the paragraph headed “Reasons for and benefits of the Offer” above, and that any such securing of control on the Sincere Companies is only incidental to the Offer, the Offeror will seek a confirmation from the Executive that it will not be required to make a general offer for any of the Sincere Companies in the event that it and parties acting in concert with it shall hold more than 50% of the SinCo Shares upon closing of the Offer.

**WARNING: The obtaining of the No-bid Confirmation is one of the Pre-Conditions and is not waivable. If the No-bid Confirmation is not obtained from the Executive, the Offer will not proceed.**

### FINANCIAL EFFECTS OF THE OFFER OF THE ENLARGED GROUP

Upon the final closing of the Offer, in the event that the Offeror and parties acting in concert with it together having held not less than 50% of the voting rights of Sincere, Sincere will be a non wholly-owned subsidiary of the Offeror and the financial results of the SinCo Group will be consolidated into the financial statements of the Realord Group.

#### ***Loss***

The Offer would likely increase the loss of the Enlarged Group.

#### ***Assets***

The Offer would likely increase the total assets of the Enlarged Group.

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## LETTER FROM THE REALORD BOARD

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### *Liabilities*

The Offer would likely increase the total liabilities of the Enlarged Group.

### **FURTHER INFORMATION**

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
By order of the board of directors of  
**Realord Group Holdings Limited**  
**Lin Xiaohui**  
*Chairman*

**1. FINANCIAL INFORMATION OF THE OFFEROR**

Financial information of the Offeror for the three years ended 31 December 2017, 2018 and 2019, are disclosed on pages 55–163 of the 2017 annual report published on 27 April 2018, pages 62–204 of the 2018 annual report published on 26 April 2019, and pages 76–220 of the 2019 annual report published on 28 April 2020, respectively, which are published on both the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Offeror ([www.realord.com.hk](http://www.realord.com.hk)). Please refer to the hyperlinks as stated below:

**2017 annual report:**

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0427/ltn201804272075.pdf>

**2018 annual report:**

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0426/ltn201904262653.pdf>

**2019 annual report:**

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042803083.pdf>

**2. INDEBTEDNESS STATEMENT****Borrowings**

As at the close of business on 31 May 2020, being the latest practicable date for the purpose of this indebtedness statement, the Offeror had total borrowings of approximately HK\$10,209,121,000, details of which are as follows:

	<i>HK\$'000</i>
<b>Non-current</b>	
Bank borrowings	8,663,459
Lease liabilities	20,871
Loans from ultimate holding company	<u>693,436</u>
	<u>9,377,766</u>
<b>Current</b>	
Bank borrowings and overdrafts	718,773
Lease liabilities	34,030
Amounts due to related parties	<u>78,552</u>
	<u>831,355</u>
	<u><u>10,209,121</u></u>

**Pledged of assets**

As at 31 May 2020, the loans from the ultimate holding company, lease liabilities and amounts due to related parties were unsecured and unguaranteed.

As at 31 May 2020, certain bank borrowings and overdrafts were guaranteed and secured by the investment properties, leasehold land and buildings, the Offeror, Realord Directors and controlling shareholders of the Offeror and related parties of the Realord Group. The securities and guarantees of the bank borrowings and overdrafts of the Realord Group were summarised as follows:

	<i>HK\$'000</i>
Secured and guaranteed	6,161,062
Unsecured and guaranteed	<u>3,221,170</u>
	<u><u>9,382,232</u></u>

**Contingent liabilities**

Since 2016, 冠彰電器(深圳)有限公司 (Guan Zhang Electronic (Shenzhen) Co., Ltd. or “**Guan Zhang**”), a subsidiary of the Realord Group, has been a defendant in a lawsuit brought by a third party (the “**Plaintiff**”), alleging that Guan Zhang is liable to settle an outstanding payment of approximately RMB25,000,000 and interest accrued thereon under an alleged financing arrangement between the Plaintiff, Citibest Global Limited (“**Citibest**”) and Guan Zhang in the Shenzhen Baoan District People’s Court. The Realord Group won the lawsuit in 2017. Subsequently, the Plaintiff has brought up a lawsuit regarding the same claim against Guan Zhang and Citibest in Shenzhen Qianhai District People’s Court. On 4 December 2018, the court rejected all the claims from the Plaintiff. Thereafter, the Plaintiff further brought the appeal to Shenzhen Intermediate People’s Court. As at 31 May 2020, the Realord Group has placed a security deposit at the court which amounted to RMB36,739,000 (equivalent to approximately HK\$39,846,000) and was restricted as to use as a result of a freezing injunction by the court.

After consultation with the external legal counsel and in view of all the facts and circumstances of the above lawsuit, the management of Realord considers that the economic outflows caused by the above case are not probable.

Save as disclosed above and apart from intra-group liabilities, the Offeror did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, lease commitments, mortgages and charges, contingent liabilities and guarantees outstanding at the close of business on 31 May 2020.



**3. WORKING CAPITAL STATEMENT**

The Realord Directors are of the opinion that the Offeror will have sufficient working capital to meet its present operating requirements and for the next 12 months from the date of this circular.

**4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Realord Directors consider that there is no material adverse change in the financial position or trading position of the Realord Group since 31 December 2019, being the date to which the latest published audited financial statements of the Realord Group was made up.

**5. FINANCIAL AND TRADING PROSPECTS****Review and Outlook**

The Realord Group has the following major business activities during the year ended 31 December 2019:

**The Property Segment**

In March 2019, the Realord Group completed an acquisition of a company with principal assets being a residential property of Villa Bel-Air, Hong Kong. The Realord Group considers that this acquisition would further diversify the Realord Group's portfolio of investment properties and strengthen the Property Segment. The Realord Group takes an optimistic view on the outlook for the property market in long term notwithstanding that the management believes that 2020 is set to be challenging year as the outbreak of COVID-19 epidemic is expected to undermine business and property market sentiment for both Hong Kong and the PRC. The Realord Group holds investment properties including but not limited to that located in Realord Villas in Longhua District and that located in Realord Technology Park, Guangming District, Shenzhen. Both investment properties are located in administrative districts which had been designated for speedy economic development by the local PRC governments. The accessibility of Guangming District has been greatly enhanced by the connection of Shenzhen Metro Line 6 and its development is expected to be further bolstered by the PRC government development plan for the districts. It is expected that the growth engine for the development of these two districts will be the investors within Shenzhen City or from other regions of the PRC. The Realord Group is finalising its renovation for the investment properties at Realord Villas and is expected to commence the renovation work in June 2020, subject to any restrictions or government measures in place in response to the outbreak of COVID-19. The Realord Group aims to complete the renovation work around the fourth quarter of 2020. Meanwhile, pre-leasing activities are initiated for certain investment properties at Realord Villas. So far, a few units were leased, with tenants including renowned supermarket.

The Realord Group has initiated works to enable the redevelopment of the Qiankeng property and the Zhangkenjing property for years. The Zhangkenjing property was acquired by the Realord Group in September 2015. In February 2017, the Realord Group has made an application to the PRC government authority to change the land use of the Zhangkenjing property from industrial use to residential apartments and office use for redevelopment purpose. In accordance with the notice from the government authority, the application is being processed and reviewed by the relevant authorities and is still under review as at the reporting date. The Qiankeng property was acquired by the Realord Group in June 2016 and the application for urban redevelopment of the Qiankeng property from industrial use to public housing and residential use was also made to 深圳市龍華區城市更新局 (Shenzhen Longhua District Urban Renewal Bureau) in May 2017. It was subsequently

agreed in principle that would be changed from indemnificatory housing to affordable commodity housing in mid-2020. It was noted that the Qiankeng property has been included in the relevant urban renewal bureau's announcement regarding the proposed urban redevelopment plan for the Longhua District of 2019, and has also been included as a major renewal project of Longhua District in early 2020. Realord is uncertain about when the approvals will finally be granted but it expects that it should be granted in second half of 2020, subject to government schedules, and thereafter the redevelopment works will commence.

The Realord Group was also selected by relevant stakeholders as the market elected developer of a redevelopment project located in Nanshan District, Shenzhen and is in the process of seeking the approval from the relevant PRC authorities to confirm its role as the developer for the project. Subject to obtaining the necessary government approvals on the redevelopment and the local residents vacating from the aforesaid site, the demolition of the existing properties and the redevelopment works on the aforesaid site will commence.

### **The EP Segment**

The Realord Group's operation of the EP Segment has been shifted to Malaysia and Japan in FY2019. While the Realord Group strives to maintain its turnover with customers based in the PRC under the current operation model, the outbreak of COVID-19, which lingered the contraction of commodity price and caused a sluggish global demand weighed on the customer confidence, is expected to negatively affect the profitability of the EP Segment. The Realord Group will closely monitor the development of the situation and continue to explore the business opportunities in Japan and Malaysia markets following the good start in its Japan's operation. The Realord Group is expanding its processing plant in Osaka, Japan to strengthen its establishment and productivity for the local Japanese market. With the expanded capacity, the Realord Group targets to process and offer more diversities of products, which would better serve the local Japanese demand.

In relation to the Realord Group's acquisition of 60% equity interests in Realord Environmental Protection Industrial Company Limited ("**Realord EP**") completed in 2017, as the target profit (being the consolidated net profit after income tax of the group of Realord EP 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) of not less than HK\$50 million for the year ended 31 December 2018 as agreed under the terms of relevant agreement has been fulfilled, 2,500,000 new shares of Realord were allotted and issued as consideration shares to the vendor in June 2019. Details of the fulfillment of the target profit was set out in the announcement of Realord dated 31 May 2019.

### **The Financial Services Segment**

In April 2019, the Realord Group completed the acquisition of 60% equity interests of Optima Capital Limited, which is a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and is principally engaged in the provision of corporate finance advisory services in Hong Kong. The Realord Group believes the acquisition strengthens the Financial Services Segment of the Realord Group in Hong Kong and facilitates the Realord Group to build a one-stop financial services platform with good branding and market positioning.

Another Realord's subsidiary, Realord Asia Pacific Securities, is undergoing expansion. During FY2019, seasoned expertise were recruited to join the management team and new shares of Realord Asia Pacific were issued to an independent third party for subscription of such shares in cash. The aforesaid subscription resulted in a deemed disposal of 9.9% of the Realord Group's interests in Realord Asia Pacific. During the year under review, Realord Asia Pacific also participated in primary market as joint book runner and underwriter while reinforcing its current brokerage and margin financing business. Realord Asia Pacific Asset Management Limited, the assets management arm of the Financial Services Segment is also preparing for the launch of investment funds.

It is the Realord Group's target to build a one-stop financial services platform with good branding and market positioning and provide comprehensive financial service to our customers under the Financial Services Segment. However, in view of the uncertainties on business sentiment and economic activities globally, mergers and acquisitions activities and IPO projects in the market may be delayed or suspended which would have negative impact on the progress of the Realord Group's business plan for the Financial Services Segment.

The Realord Group, together with 5 other independent third parties, had also applied for the approval from the China Securities Regulatory Commission ("CSRC") of the establishment of a security company in Guangzhou Pilot Free Trade Zone, which is currently under review of CSRC. Realord will update the Realord Shareholders with the progress of application when and as appropriate.

### **The MVP Segment**

Although the outbreak of COVID-19 epidemic would have negatively impacted the business activities, the Realord Group expects the demand on motor vehicle parts will be stable as the subdued economy would induce the consumers to repair the existing vehicles in lieu of purchasing new ones. The Realord Group will continue to take a prudent approach (including to apply tight credit control measures) in developing the business of MVP Segment in 2020.

### **The Commercial Printing Segment**

The Realord Group contemplates the continuous competition and sluggish demand for the Commercial Printing Segment over the years and estimates the current situation will persist. The uncertainties of macroeconomic and business environment would undoubtedly affect the merger and acquisition and fundraising activities in the capital market, which affect the demand of the Realord Group's services under the Commercial Printing Segment. The Realord Group will implement possible measures to control its operating costs in coming year. The Realord Directors will keep reviewing and assessing the risks, benefits and prospects thereof along the operations.

### **The Hangtag Segment**

The Realord Group takes a pessimistic view on the outlook for the Hangtag Segment and considers that 2020 will be an extremely challenging year. The Realord Directors will review and assess the risks, benefits and prospects thereof along the operations.

**FINANCIAL INFORMATION OF THE SINCO GROUP**

Financial information of the SinCo Group for the three years ended 28 February 2018 and 2019 and 29 February 2020, are disclosed on pages 50–140 of the 2018 annual report published on 21 June 2018, pages 48–152 of the 2019 annual report published on 19 June 2019 and pages 50-150 of the 2020 Sincere Annual Report published on 16 June 2020, respectively, which are published on both the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of Sincere ([www.sincere.com.hk](http://www.sincere.com.hk)). Please refer to the hyperlinks as stated below:

**2018 annual report:**

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0621/ltn20180621235.pdf>

**2019 annual report:**

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0619/ltn20190619410.pdf>

**2020 annual report:**

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0616/2020061600471.pdf>

**1. RESPONSIBILITY STATEMENT**

This circular, for which the Realord Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to Realord. The Realord Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 circular misleading.

**2. DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVES IN REALORD**

As at the Latest Practicable Date, the interests and short positions of the Realord Directors and the chief executives of Realord in the Realord Shares, underlying shares or debentures of Realord and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to Realord and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to Realord and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

*Long positions in the Realord Shares and underlying shares of Realord*

<b>Name of Realord Director</b>	<b>Capacity</b>	<b>Number of Realord Shares held</b>	<b>Approximate percentage of the issued share capital of Realord</b>
Dr. Lin Xiaohui	Interest of controlled corporation	1,073,160,000 (Note 1)	74.62%
Madam Su Jiaohua	Interest of spouse	1,073,160,000 (Note 2)	74.62%
Mr. Lin Xiaodong	Beneficial owner	1,000,000 (Note 3)	0.07%
Mr. Yu Leung Fai	Beneficial owner	500,000 (Note 3)	0.03%
Mr. Fang Jixin	Beneficial owner	500,000 (Note 3)	0.03%
Dr. Li Jue	Beneficial owner	500,000 (Note 3)	0.03%

*Notes:*

- As at the Latest Practicable Date, MHL was the legal and beneficial owner of 1,073,160,000 Realord Shares. Since Dr. Lin Xiaohui owned 70% of the issued share capital of MHL, he was deemed to be interested in 1,073,160,000 Realord Shares.
- Madam Su Jiaohua, the spouse of Dr. Lin Xiaohui, was deemed to be interested in 1,073,160,000 Realord Shares which Dr. Lin Xiaohui was deemed to be interested under the SFO as at the Latest Practicable Date.
- Under the share option scheme of Realord adopted on 10 August 2012, certain share options, each entitling its holder to subscribe for one Realord Share, were granted on 20 May 2015 to the Realord Directors with an exercise price of HK\$4.11 per Realord Share and exercise period between 20 May 2017 and 19 May 2025. Accordingly, the Realord Directors were regarded as having an interest in the underlying Realord Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Realord Directors or chief executives of Realord had or was deemed to have any interests and short positions in the Realord Shares, underlying shares and debentures of Realord or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to Realord and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to Realord and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

### 3. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS OF REALORD

As at the Latest Practicable Date, so far as any Realord Directors are aware, the interest or short positions owned by the following parties (other than the Realord Directors or chief executives of Realord) in the Realord Shares, underlying shares or debentures of Realord which are required to be disclosed to Realord under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of Realord required to be kept under section 336 of the SFO were as follows:

#### *Long positions in the Realord Shares and underlying shares of Realord*

Name of shareholder	Capacity	Number of Realord Shares held	Approximate percentage of the issued share capital of Realord
MHL ( <i>Note</i> )	Beneficial owner	1,073,160,000	74.62%

#### *Note:*

As at the Latest Practicable Date, MHL was the legal and beneficial owner of 1,073,160,000 Realord Shares. MHL was owned as to 70% by Dr. Lin Xiaohui and as to 30% by Madam Su Jiaohua.

Save as disclosed above, as at the Latest Practicable Date, the Realord Directors are not aware of any interests or short positions owned by any persons (other than the Realord Directors or chief executives of Realord) in the Realord Shares or underlying shares of Realord which were required to be disclosed to Realord under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of Realord required to be kept under Section 336 of the SFO.

### 4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Realord Director has a service contract with Realord or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation other than statutory compensation.

Based on the publicly available information of the SinCo Group, as at the Latest Practicable Date, none of the Sincere Director has a contract of service with Sincere or any of its subsidiaries not determinable by the employing company within one year without payment of compensation (except for statutory compensation).

## 5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Realord Director nor their respective close associates (as defined in the Listing Rules) was interested in any business apart from the business of the Realord Group, which competes or is likely to compete, either directly or indirectly, with the business of the Realord Group.

## 6. DIRECTORS' INTEREST IN CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Realord Director was materially interested and which was significant in relation to any business of the Realord Group.

Based on the publicly available information of the SinCo Group, as at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Sincere Director was materially interested and which was significant in relation to any business of the Realord Group and Enlarged Group.

As at the Latest Practicable Date, none of the Realord Directors had any direct or indirect interest in any assets which had been since 31 December 2019 (being the date to which the latest published audited financial statements of Realord were made up) acquired from or disposed of by or leased to any member of the Realord Group, or were proposed to be acquired from or disposed of by or leased to any member of the Realord Group.

Based on the publicly available information of the SinCo Group, as at the Latest Practicable Date, none of the Sincere Directors had any direct or indirect interest in any assets which had been since 29 February 2020 (being the date to which the latest published audited financial statements of Sincere were made up) acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

## 7. LITIGATION

Since 2016, 冠彰電器 (深圳) 有限公司 (Guan Zhang Electronic (Shenzhen) Co., Ltd. or “Guan Zhang”), a subsidiary of the Realord Group, has been a defendant in a lawsuit brought by a third party (the “**Plaintiff**”), alleging that Guan Zhang is liable to settle an outstanding payment of approximately RMB25,000,000 and interest accrued thereon under an alleged financing arrangement between the Plaintiff, Citibest Global Limited (“**Citibest**”) and Guan Zhang in the Shenzhen Baoan District People’s Court. The Realord Group won the lawsuit in 2017. Subsequently, the Plaintiff has brought up a lawsuit regarding the same claim against Guan Zhang and Citibest in Shenzhen Qianhai District People’s Court. On 4 December 2018, the court rejected all the claims from the Plaintiff. Thereafter, the Plaintiff further brought the appeal to Shenzhen Intermediate People’s Court. As at 31 May 2020, the Realord Group has placed a security deposit at the court amounted to RMB36,739,000 (equivalent to approximately HK\$39,846,000) and was restricted as to use as a result of a freezing injunction by the court.



Save as disclosed above, as at the Latest Practicable Date, neither Realord nor any of its respective subsidiaries was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Realord Directors to be pending or threatened against any member of the Realord Group.

Based on the publicly available information of the SinCo Group, as at the Latest Practicable Date, neither Sincere nor any of its respective subsidiaries was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Sincere Directors to be pending or threatened against any member of the Enlarged Group.

## 8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Realord Group and the SinCo Group (based on the publicly available information of the SinCo Group) within two years immediately preceding the date of this circular which are or may be material:

### in respect of the Realord Group

- (1) an acquisition agreement dated 27 December 2018 between Realord and Ms. Leung Mei Han, Ms. Lung Chung Mei Beatrice and Mr. Ng Ka Po as vendors, pursuant to which Realord has agreed to acquire, and the vendors have conditionally agreed to sell 60% of the entire issued share capital of Optima Capital Limited for a consideration of HK\$96,000,000; and
- (2) an agreement dated 15 February 2019 between Realord and Mr. Tseung Pak Wing as vendor, pursuant to which Realord has agreed to purchase and the vendor has agreed to sell, the entire issued sale share and all shareholder's loan owing by Bright Success Inc. to the vendor at a maximum consideration of HK\$513,350,000. The principal asset of Bright Success Inc. is an investment property in Hong Kong.

### in respect of the SinCo Group

- (1) three agreements each dated 22 March 2019 between Sincere and one of the Sincere Companies in respect of the proposed acquisition by Sincere of shares in the Sincere Companies, which were all terminated by a termination agreement (the “**Termination Agreement**”) dated 28 May 2019;
- (2) an agreement dated 22 March 2019 between Sincere and the Sincere Companies in relation to the proposed buy-back from the Sincere Companies and cancellation of SinCo Shares by Sincere which was terminated by the Termination Agreement;
- (3) the underwriting agreement dated 22 March 2019 and entered into between Sincere and Win Dynamic Limited as underwriter in relation to the offer (the “**Sincere Open Offer**”) for subscription of the open offer shares at the open offer price HK\$0.26 per open offer share on the basis of three open offer shares for every five existing shares held by the shareholders of Sincere (except for the Sincere Companies) on the terms set out in the prospectus of Sincere dated 5 July 2019, as amended by an amended and restated underwriting agreement dated 28 May 2019; and



- (4) the agreement dated 22 March 2019 entered into between Sincere and the Realord Asia Pacific as placing agent in respect of the placing of certain new SinCo Shares allotted and issued under the Sincere Open Offer, as amended by a supplemental agreement dated 28 May 2019.

## 9. CORPORATE INFORMATION OF THE REALORD GROUP

<b>Registered office</b>	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
<b>Principal place of business in Hong Kong</b>	Suites 2403–2410 24/F, Jardine House 1 Connaught Place Central, Hong Kong
<b>Hong Kong branch share registrar and transfer office</b>	Tricor Tengis Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Company secretary</b>	Mr. Chan Chu Kin ( <i>member of the Certified Practising Accountants Australia and fellow member of the Hong Kong Institute of Certified Public Accountants</i> )

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text thereof.

## 10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at the head office and principal place of business in Hong Kong of Realord at Suites 2403–2410, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong for 14 days from the date of this circular:

- (a) the memorandum of association and the articles of association of Realord;
- (b) the annual reports of Realord for the three years ended 31 December 2017, 31 December 2018 and 31 December 2019;
- (c) the material contracts (in respect of the Realord Group) referred to in the paragraph headed “Material contracts” of this appendix; and
- (d) this circular.