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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)

**(1) TERMINATION OF THE MAY LEASE AGREEMENT;
AND
(2) CONNECTED TRANSACTION
IN RELATION TO THE LEASE AGREEMENT**

TERMINATION OF THE MAY LEASE AGREEMENT

Reference is made to the announcement of the Company dated 15 May 2020 in relation to, among other things, the lease of three pieces of land in Osaka, Japan and buildings and infrastructures erected thereon by Realord EP Japan (an indirect 55.1%-effectively owned subsidiary of the Company as at the date of this announcement) from Tsugawa Metal for a term up to 14 November 2021 under the May Lease Agreement. Due to the change in ownership of the assets subject to the May Lease Agreement, after the Stock Exchange trading hours on 2 November 2020, Realord EP Japan and Tsugawa Metal entered into the Termination Agreement to terminate the May Lease Agreement.

THE LEASE AGREEMENT

After the Stock Exchange trading hours on 2 November 2020, Realord EP Japan and Japan Ulan entered into the Lease Agreement in relation to the continual lease of the assets originally covered under the May Lease Agreement and lease of an additional piece of land and infrastructures thereon. Pursuant to the Lease Agreement, Realord EP Japan has agreed to lease the Properties from Japan Ulan for JPY7,870,000 (inclusive of 10% consumption tax and equivalent to approximately HK\$582,774) per month.

LISTING RULES IMPLICATIONS

By virtue of Mr. Lin Sen being a director of certain subsidiaries of the Company and the son of Dr. Lin and Madam Su (who are executive Directors), Japan Ulan (which is owned as to 60% by Mr. Lin Sen) is a connected person of the Company under Chapter 14A of the Listing Rules.

In accordance with Hong Kong Financial Reporting Standard 16 – Leases, the Group will (i) modify the carrying amount of the right-of-use assets in relation to the lease of the assets covered previously under the May Lease Agreement and currently under the Lease Agreement by recognising additional right-of-use assets in an amount of approximately JPY35,391,218 (equivalent to approximately HK\$2,620,720) as a result of the extension of the lease period of such assets to 30 April 2022 under the Lease Agreement (as compared to that of 14 November 2021 as previously covered under the May Lease Agreement); and (ii) recognise the lease of an additional piece of land and the infrastructures thereon under the Lease Agreement (which were not previously included under the May Lease Agreement) as a right-of-use asset in an amount of approximately JPY26,068,607 (equivalent to approximately HK\$1,930,380) respectively. As a result of the aforesaid recognition of right-of-use assets, the entering into of the Lease Agreement and the transactions contemplated thereunder are regarded as an acquisition of asset by the Group. As all the applicable percentage ratios in respect of the additional value of the right-of-use assets to be recognised under the Lease Agreement is less than 0.1%, the transactions contemplated under the Lease Agreement are fully exempt from the reporting, announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules. However, as one of the applicable percentage ratios in respect of the value of the additional right-of-use assets under the Lease Agreement, when aggregated with that of the value of right-of-use assets previously recognised under the May Lease Agreement, is more than 0.1% but less than 5%, the Lease Agreement is subject to the announcement and reporting requirements but exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

TERMINATION OF THE MAY LEASE AGREEMENT

Reference is made to the announcement of the Company dated 15 May 2020 in relation to, among other things, the May Lease Agreement, pursuant to which Realord EP Japan has agreed to sub-lease from Tsugawa Metal three pieces of land in Osaka, Japan with aggregate gross floor area of approximately 16,000 square meters and lease the buildings and infrastructures erected thereon for a term of 18 months from 15 May 2020 to 14 November 2021. The land parcels sub-leased by Tsugawa Metal to Realord EP Japan were leased from an Independent Third Party, while the buildings and infrastructures erected thereon were owned by Tsugawa Metal.

Realord EP Japan is an indirect 55.1%-effectively owned subsidiary of the Company as at the date of this announcement and is principally engaged in dismantling and trading of scrap materials in the environmental protection industry in Japan. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, (i) Tsugawa Metal is principally engaged in trading and processing of scrap materials in Japan; (ii) Tsugawa Metal is owned as to 60% by Mr. Liu Tao, who has 10% interest in and is a director of Realord EP Japan, and as to 40% by Ms. Li Chang, who is an Independent Third Party.

Due to the change in ownership of the assets subject to the May Lease Agreement to Japan Ulan, after Stock Exchange trading hours on 2 November 2020, Realord EP Japan and Tsugawa Metal entered into the Termination Agreement to early terminate the May Lease Agreement. The amount of JPY20,000,000 (equivalent to approximately HK\$1,481,000), which has been paid by Realord EP Japan to Tsugawa Metal as deposit for the May Lease Agreement, shall be refunded to Realord EP Japan within five Business Days after the date of the Termination Agreement. Upon termination, all rights and obligations of the parties shall cease and no party shall have any claim against each other in connection with the May Lease Agreement.

THE LEASE AGREEMENT

On 2 November 2020, Realord EP Japan and Japan Ulan entered into the Lease Agreement in relation to the continual lease of the assets originally covered under the May Lease Agreement and lease of an additional piece of land and infrastructures thereon. The principal terms of the Lease Agreement are set out below.

Date

2 November 2020 (after Stock Exchange trading hours)

Parties

- (i) Realord EP Japan, as the lessee; and
- (ii) Japan Ulan, as the lessor.

Japan Ulan is principally engaged in property investment and leasing and is owned as to 60% by Mr. Lin Sen and 40% by 鄭止健先生 (translated as Mr. Zheng Zhijian). Mr. Lin Sen is a director of certain subsidiaries of the Company, and the son of Dr. Lin and Madam Su who are executive Directors. Mr. Zheng Zhijian is the son of 鄭為民先生 (translated as Mr. Zheng Weimin), who is a director of certain subsidiaries of the Company and a substantial shareholder (as defined in the Listing Rules) of a non-wholly owned subsidiary of the Company.

Terms of the lease

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| Subject assets | : | The Properties comprising four pieces of land in Osaka, Japan with an aggregate gross floor area of approximately 19,609 square meters and the buildings and infrastructures erected thereon |
| Term | : | Approximately 18 months from 2 November 2020 to 30 April 2022 |

Monthly rent : JPY7,870,000 (inclusive of 10% consumption tax and equivalent to approximately HK\$582,774) per month

The rent payable for any fraction of a month shall be calculated on a pro-rata basis with reference to the actual number of days of lease in such month. In the event that there is a change of consumption tax rate in accordance with local laws and regulations, the lease payment shall be adjusted on a dollar-for-dollar basis.

The monthly rent was determined after arm's length negotiations between Realord EP Japan and Japan Ulan after taking into account (i) the rental expenses paid by Realord EP Japan to Tsugawa Metal for the lease of the assets for JPY6,400,000 (inclusive of 10% consumption tax and equivalent to approximately HK\$473,920) per month under the May Lease Agreement; and (ii) the rental expenses for the additional piece of land and the infrastructures thereon included in the Lease Agreement, which were in turn referenced to the rental expenses per square meter paid by Tsugawa Metal to the previous owner for the lease of land portion subject to the May Lease Agreement and the depreciation charge of the construction costs of the infrastructures erected thereon over their estimated useful lives. The monthly rent was no less favourable to the Group than the prevailing market rent of similar sites in the surrounding area of the Properties.

Lease payment shall be payable in cash monthly in advance. The lease payment will be satisfied by internal resources of the Group.

Early termination : Japan Ulan has the right to terminate the Lease Agreement without giving notice to Realord EP Japan on the occurrence of any of the following events:

- (i) three months of rental payments are delinquent;
- (ii) Realord EP Japan has delayed the rental payment for more than three times in a year; or
- (iii) Realord EP Japan has breached any of the terms of the Lease Agreement and failed to correct or remedy within 14 days upon Japan Ulan's written request.

Other terms : Realord EP Japan is required to obtain a prior written consent from Japan Ulan in the following circumstances:

- (i) construct a new building on the land;
- (ii) sub-lease the Properties;
- (iii) change the usage of the Properties; or
- (iv) change the existing state of the Properties.

A deposit of JPY31,480,000(equivalent to approximately HK\$2,331,094) will be paid to Japan Ulan within five Business Days after the date of the Lease Agreement. After expiry of the lease term and return of the subject assets by Realord EP Japan to Japan Ulan, Japan Ulan shall, after deduction of any unpaid rent or damage fee, refund the deposit to Realord EP Japan within five Business Days thereafter.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE LEASE AGREEMENT

The Group is principally engaged in (i) the provision of financial printing, digital printing and other related services; (ii) sales of hangtags, labels, shirt paper boards and plastic bags; (iii) distribution and sales of motor vehicle parts; (iv) provision of corporate finance advisory, asset management, securities brokerage services, margin financing and money lending; (v) property investment, development and commercial operation; and (vi) the environmental protection industry.

The operations of dismantling and trading of scrap materials in Osaka, Japan of Realord EP Japan were set up and commenced in 2019. At the start-up of the operation, in view of the difficulty for Realord EP Japan to solicit an independent lessor due to its short history in Japan, Realord EP Japan has leased the required pieces of land, together with the buildings and infrastructures thereon, for its operation from Tsugawa Metal to expedite the commencement of business. Due to the change of the ownership of the assets subject to the May Lease Agreement to Japan Ulan, Realord EP Japan entered into (i) the Termination Agreement with Tsugawa Metal to terminate the lease under the May Lease Agreement; and (ii) the Lease Agreement with Japan Ulan so as to continue its lease of the land, buildings and infrastructures required for its operation as originally stipulated under the May Lease Agreement.

The Lease Agreement covers the lease of the existing production site at which Realord EP Japan operates and includes an additional site area on the same land parcels in connection with the existing production site. As disclosed in the interim report of the Company for the six months ended 30 June 2020, it is the Group's target to expand its operation in Japan by, among other things, enhancing its processing capacity. The lease

of additional site area and infrastructure under the Lease Agreement facilitates such expansion of production scale, which would be beneficial to Realord EP Japan for its business growth in Japan.

In view of the above, the Directors (including the independent non-executive Directors) consider that the Lease Agreement is entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group, and the terms of the Lease Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

By virtue of Mr. Lin Sen being a director of certain subsidiaries of the Company and the son of Dr. Lin and Madam Su (who are executive Directors), Japan Ulan (which is owned as to 60% by Mr. Lin Sen) is a connected person of the Company under Chapter 14A of the Listing Rules.

In accordance with Hong Kong Financial Reporting Standard 16 – Leases, the Group will (i) modify the carrying amount of the right-of-use assets in relation to the lease of the assets covered previously under the May Lease Agreement and currently under the Lease Agreement by recognising additional right-of-use assets in an amount of approximately JPY35,391,218 (equivalent to approximately HK\$2,620,720) as a result of the extension of the lease period of such assets to 30 April 2022 under the Lease Agreement (as compared to that of 14 November 2021 as previously covered under the May Lease Agreement); and (ii) recognise the lease of an additional piece of land and the infrastructures thereon under the Lease Agreement (which were not previously included under the May Lease Agreement) as a right-of-use asset in an amount of approximately JPY26,068,607 (equivalent to approximately HK\$1,930,380) respectively. As a result of the aforesaid recognition of right-of-use assets, the entering into of the Lease Agreement and the transactions contemplated thereunder are regarded as an acquisition of asset by the Group. As all the applicable percentage ratios in respect of the additional value of the right-of-use assets to be recognised under the Lease Agreement is less than 0.1%, the transactions contemplated under the Lease Agreement are fully exempt from the reporting, announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules. However, as one of the applicable percentage ratios in respect of the value of the additional right-of-use assets under the Lease Agreement, when aggregated with that of the value of right-of-use assets previously recognised under the May Lease Agreement, is more than 0.1% but less than 5%, the Lease Agreement is subject to the announcement and reporting requirements but exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Japan Ulan is an associate of Dr. Lin and Madam Su, Dr. Lin and Madam Su are considered to have a material interest in the Lease Agreement and the transactions contemplated thereunder and have abstained from voting on the Board resolution to approve the Lease Agreement and the transactions contemplated thereunder. Save for the aforementioned, no other Director has a material interest in each of the Termination Agreement and the Lease Agreement who are otherwise required to abstain from voting on the Board resolutions to approve each of the Termination Agreement and the Lease Agreement and the respective transactions contemplated thereunder.

DEFINITIONS

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

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| “associate” | has the meaning ascribed to it under the Listing Rules |
| “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 authorise 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” | has the meaning ascribed to it under the Listing Rules |
| “Director(s)” | director(s) of the Company |
| “Dr. Lin” | Dr. Lin Xiaohui, the chairman and an executive Director |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Third Party” | third party independent of the Company and its connected persons |
| “Japan Ulan” | 粵麟投資株式会社 (translated as Japan Ulan Holdings Limited), a company incorporated in Japan and owned as to 60% by Mr. Lin Sen and 40% by 鄭止健先生(translated as Mr. Zheng Zhijian) |

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| “Lease Agreement” | the agreement dated 2 November 2020 entered into between Realord EP Japan and Japan Ulan in respect of the lease of the Properties by Realord EP Japan from Japan Ulan |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Madam Su” | Madam Su Jiaohua, an executive Director |
| “May Lease Agreement” | the agreement dated 15 May 2020 entered into between Realord EP Japan and Tsugawa Metal in respect of the lease of certain land, buildings and infrastructures by Realord EP Japan from Tsugawa Metal |
| “Properties” | four pieces of land in Osaka, Japan with aggregate gross floor area of approximately 19,609 square meters and the buildings and infrastructures erected thereon |
| “Realord EP Japan” | 偉祿環保株式会社 (translated as Realord Environmental Protection Japan Co., Ltd.), a company incorporated in Japan and an indirect 55.1%-effectively owned subsidiary of the Company as at the date of this announcement |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Termination Agreement” | the agreement dated 2 November 2020 entered into between Realord EP Japan and Tsugawa Metal in relation to the termination of the May Lease Agreement |
| “Tsugawa Metal” | 津川金屬株式会社 (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\$0.07405. 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, 2 November 2020

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.