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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)

ANNOUNCEMENT IN RELATION TO LITIGATION OF TWO SUBSIDIARIES

The board (the “**Board**”) of directors of Realord Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to announce that the Group has received in December 2020 (i) a civil judgement dated 13 November 2020 (the “**Judgement**”) issued by 廣東省高級人民法院 (the “**Court**”, The High People’s Court of Guangdong Province*) in relation to a retrial application brought by 深圳市新有序規劃設計有限公司 (the “**Plaintiff**”, Shenzhen Xin You Xu Planning and Design Company Limited*) against Citibest Global Limited (“**Citibest**”, an indirect wholly-owned subsidiary of the Company) and 冠彰電器(深圳)有限公司 (“**Guan Zhang**”, Guan Zhang Electrical Electronic (Shenzhen) Co., Ltd.*, a wholly-owned subsidiary of Citibest and an indirect wholly-owned subsidiary of the Company) (the “**Litigation**”); and (ii) an execution notice dated 25 December 2020 (the “**Execution Notice**”) issued by 深圳市前海合作區人民法院 (the “**Qianhai Court**”, The People’s Court of Shenzhen Qianhai Cooperation Zone*) in relation to the execution of the Judgement.

The Company, through Virtue Summit Ventures Limited (“**Virtue Summit**”, an indirect wholly-owned subsidiary of the Company), acquired the entire issued share capital of Citibest from Ms. Hung Hsin Hui (the “**Vendor**”) pursuant to a sale and purchase agreement in March 2016 (the “**Acquisition Agreement**”).

Background of the Litigation

The case was firstly initiated by the Plaintiff in 2016, whereby, among other things, (i) it claimed that pursuant to an agency agreement entered among the Plaintiff, Citibest and Guan Zhang in January 2015 (the “**Agency Agreement**”), Citibest agreed to appoint the Plaintiff as its agent to liaise with potential purchaser(s) for the disposal by Citibest of its equity interest in Guan Zhang, which in turn held a parcel of land in Shenzhen and buildings erected thereon; and (ii) it alleged for an outstanding payable due to it by Guan Zhang and Citibest in the amount of RMB32,000,000 pursuant to the Agency Agreement together with the interests accrued thereon. The Agency Agreement was entered into prior to the entering of the Acquisition Agreement.

深圳市中級人民法院 (the Shenzhen Intermediate People's Court*) has made the judgement in July 2017 in favour of the Group against all claims by the Plaintiff in the case and the Plaintiff has subsequently applied for a retrial of the case at the Court. As at the date of this announcement, a security deposit of RMB36,739,068 has been placed by the Group at the Court as a result of the Court's order for enforcement of assets preservation.

The Judgement

Pursuant to the Judgement, among other things,

- (i) Guan Zhang and Citibest shall compensate the Plaintiff for RMB29,620,000 and the interest loss within 10 days from the effective date of the Judgement. The interest loss is calculated from 1 July 2016 and up to the actual date of payment based on the principal amount of RMB29,620,000 and the interest rate using the loan benchmark interest rate as announced by the People's Bank of China (as to the period before 19 August 2019) and the loan prime rate as announced by the National Interbank Funding Centre (as to the period after 20 August 2019);
- (ii) if the payment obligation is not fulfilled by Guan Zhang and Citibest within the period specified in the Judgement, the interest on the debt for the period of delay in performance shall be doubled in accordance with the requirement of Article 253 of <<中華人民共和國民事訴訟法>> (the Civil Procedure Law of the People's Republic of China*); and
- (iii) Guan Zhang and Citibest shall bear the legal fee of RMB373,554.

The Judgement is a final judgement.

The Execution Notice

Pursuant to the Execution Notice, among other things,

- (i) the Judgement has become effective;
- (ii) the Plaintiff has applied to the Qianhai Court on 24 December 2020 requesting a mandatory execution by the Qianhai Court on Guan Zhang and Citibest for the payment of an amount of RMB29,993,554, the bearing of interests of the compensation during the period of delay in performance and the relevant expenses of such application for execution (collectively, the "**Relevant Litigation Amount**"), and the Qianhai Court has accepted the aforesaid application on the same day; and
- (iii) it is ordered that Guan Zhang and Citibest shall perform the obligations in the Judgement within five days from the delivery of the Execution Notice; passing due of which, the Qianhai Court shall impose mandatory execution in accordance with the relevant laws.

Impact of the Litigation

The Group is seeking legal advice on the appropriate action it will take regarding the Litigation and the Judgement (including whether to make an application to relevant procuratorate for procuratorate suggestion and protest). However, in the meantime, the Group is required under the Execution Notice to pay the Relevant Litigation Amount within five days from the delivery of the Execution Notice. Based on the estimation by the Group, it is expected that the Relevant Litigation Amount will be approximately RMB36 million and the Group is seeking confirmation from the Qianhai Court on the aforesaid amount as at the date of this announcement.

On the other hand, pursuant to a side letter to the Acquisition Agreement dated 24 June 2016, among other things, the Vendor and Virtue Summit agreed to place a cashier's order in the amount of RMB23,800,000 (the "**Escrow Monies**", being the last payment for the consideration paid by the Group under the Acquisition Agreement) in escrow, which would be otherwise released to the Vendor subject to, among other things, the results of the Litigation. Virtue Summit shall be entitled to the Escrow Monies in respect of its losses, fees and expenses arising therefrom subject to the terms and conditions of the escrow arrangement. In the event that such monies are not sufficient to cover the relevant losses, fees and expenses of the Group relating to the Litigation, the Group has also reserved the right to claim from the Vendor for compensation in full. As at the date of this announcement, the cashier's order has been returned to Virtue Summit in accordance with the escrow arrangement. In light of the Judgement and Execution Notice, the Company will negotiate with the Vendor regarding the compensation mentioned above.

Nonetheless, subject to final audit, it is expected that the Group will recognise a loss for the Relevant Litigation Amount (net of the Escrow Monies) in the amount of approximately RMB12 million in its consolidated profit or loss account for the financial year ended 31 December 2020. The overall net loss to the Group in respect of the Litigation will be reduced in the event that there is any further compensation receivable from the Vendor subsequently.

The directors of the Company consider that the litigation above will not have any material adverse impact on the operation and financial position of the Group. The Company will publish further announcement(s) in respect of the litigation in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as and when appropriate.

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

Hong Kong, 31 December 2020

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

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