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MACROLINK CAPITAL HOLDINGS LIMITED

新華聯資本有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 758)

CONTINUING CONNECTED TRANSACTION IN RELATION TO PROVISION OF MORTGAGES

PROVISION OF MORTGAGES

The Board announces that on 8 November 2019, Junefield Property Agency, an indirect wholly-owned subsidiary of the Company entered into the Mortgage Agreements (as supplemented and amended by the Supplemental Agreement) with the Bank, pursuant to which Junefield Property Agency agreed to pledge the PRC Properties in favour of the Bank as security for the repayment obligations of the Connected Borrower in the partial loan principal amount of RMB8,000,000 (equivalent to approximately HK\$8,907,000) under the Loan Agreement and the related interests thereon. On the same day, Junefield Property Agency and the Connected Borrower also entered into the Indemnity Agreement, pursuant to which the Connected Borrower agreed, among other things, to pay Junefield Property Agency a one-time handling charge of RMB120,000 (equivalent to approximately HK\$133,000), being 1.5% of the partial loan principal amount of RMB8,000,000; and to fully indemnify Junefield Property Agency's obligations under the Mortgage Agreements (as supplemented and amended by the Supplemental Agreement).

IMPLICATIONS UNDER THE LISTING RULES

As the registered capital of the Connected Borrower is ultimately and solely owned by Mr. Zhou, who is the younger brother of Mr. Zhou JR (an executive Director), the Connected Borrower is a connected person of the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the provision of Mortgages and the transactions contemplated thereunder, on an annual basis, is less than 25%, and the annual caps are less than HK\$10,000,000, the transactions contemplated under the Mortgage Agreements (as supplemented and amended by the Supplemental Agreement) constitute an exempt continuing connected transaction and is only subject to reporting, announcement and annual review requirements and is exempt from circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board announces that on 8 November 2019, Junefield Property Agency entered into the Mortgage Agreements (as supplemented and amended by the Supplemental Agreement) with the Bank, pursuant to which Junefield Property Agency agreed to pledge the PRC Properties in favour of the Bank as security for the repayment obligations of the Connected Borrower in the partial loan principal amount of RMB8,000,000 (equivalent to approximately HK\$8,907,000) under the Loan Agreement and the related interests thereon.

THE MORTGAGE AGREEMENTS (AS SUPPLEMENTED AND AMENDED BY THE SUPPLEMENTAL AGREEMENT)

The principal terms of the Mortgage Agreements (as supplemented and amended by the Supplemental Agreement) are set out below.

Date

8 November 2019

Parties

- (1) Junefield Property Agency, as mortgagor; and
- (2) the Bank as lender.

Term

2 years from the date of the Mortgage Agreements.

Subject matter

The mortgages over the PRC Properties shall become effective from the date of the registration of the Mortgage Agreements with the relevant PRC authorities (which took place on 13 November 2019) and expire on the date of full repayment of the sums payable within the scope of mortgage security under the Mortgage Agreements.

Collaterals

The PRC Properties, namely Units 725-729 on Level 7 of Junefield Plaza, No. 10 Xuan Wu Men Wai Dajie, Xi Cheng District, Beijing, the PRC.

Scope of mortgage security

It covers RMB8,000,000 (equivalent to approximately HK\$8,907,000) of the loan principal under the Loan Agreement and the related interests thereon.

LOAN AGREEMENT

On 8 November 2019, the Connected Borrower (as borrower) and the Bank (as lender) entered into the Loan Agreement for a term of 2 years in securing a loan in the principal amount of RMB35,000,000 (equivalent to approximately HK\$38,969,000). The loan bears interest at a rate of 8.075% per annum. The loan was secured by (i) the pledge of the PRC Properties held by Junefield Property Agency and (ii) the pledge of a property in the PRC owned by the wife of Mr. Zhou, in favour of the Bank.

The Bank is a licensed commercial bank in the PRC. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Bank and its ultimate beneficial owner(s) is/are an Independent Third Party(ies).

INDEMNITY AGREEMENT

In consideration of the provision of Mortgages, on 8 November 2019, Junefield Property Agency and the Connected Borrower also entered into the Indemnity Agreement, pursuant to which the Connected Borrower agreed, among other things, (i) to pay Junefield Property Agency a one-time handling charge of RMB120,000 (equivalent to approximately HK\$133,000), being 1.5% of the partial loan principal amount of RMB8,000,000; (ii) upon the written request from Junefield Property Agency, to grant Junefield Property Agency a loan of a maximum amount of RMB8,000,000 (equivalent to approximately HK\$8,907,000) at the same interest rate or not higher and the term will not exceed the expiry date under the Loan Agreement; (iii) to compensate Junefield Property Agency at a daily rate of RMB7 per square metre if the Bank refuses to give consents to allow Junefield Property Agency to rent out the PRC Properties; and (iv) to fully indemnify Junefield Property Agency's obligations under the Mortgage Agreements (as supplemented and amended by the Supplemental Agreement).

ANNUAL CAPS

The annual caps for the provision of Mortgages are as follows:

Period	Amount RMB	Amount equivalent to approximately HK\$
For the year ended 31 December 2019	8,217,000	9,149,000
For the year ending 31 December 2020	8,646,000	9,626,000
For the year ending 31 December 2021	8,558,000	9,529,000

The annual caps for the provision for Mortgages were determined with reference to (i) aggregate of Junefield Property Agency's obligations under the Mortgage Agreements (as supplemented and amended by the Supplemental Agreement) including the repayment obligations of the Connected Borrower in the partial loan principal amount of RMB8,000,000 (equivalent to approximately HK\$8,907,000) and the related interests thereon for the respective financial years under the Loan Agreement; (ii) the terms and conditions as set out under the Loan Agreement; and (iii) the one-time handling charge received by the Group.

INFORMATION ON THE PARTIES

The Group is principally engaged in property investment and development, securities investment, manufacture and sale of construction materials, coal mining and trading of mineral concentrates.

Junefield Property Agency is a wholly-foreign-owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company, which is principally engaged in the business of property agency in the PRC.

The Connected Borrower is a limited liability company incorporated in the PRC. Mr. Zhou is the ultimate beneficial owner of the Connected Borrower. Mr. Zhou JR is the elder brother of Mr. Zhou. The Connected Borrower is principally engaged in the trading of iron ores in the PRC.

REASONS FOR AND BENEFITS OF PROVISION OF MORTGAGES

As mentioned in the interim report of the Company for the six months ended 30 June 2019, the Company's indirect 60%-owned subsidiary, which engages in manufacture and sale of slag powder business in the PRC, has suspended its production since August 2016 after its sole supplier served a written notice to suspend the supply of raw materials for production. The Group keeps filing arbitration applications with the China International Economics and Trade Arbitration Commission to claim against the minority shareholder of this subsidiary for compensation for failing to procure the raw materials for production. Hence, the Group needs to give continuing financial supports to maintain the operation of this subsidiary until it resumes production. The provision of Mortgages and the entering into of the Indemnity Agreement will enable the Group to have a readily available facility for providing sufficient financial resources to it in the PRC without involving further negotiation and lengthy procedures with financial institutions. The terms of the Mortgage Agreements (as supplemented and amended by the Supplemental Agreement) were negotiated between the parties on arm's length basis and were no less favourable to the Group than terms available or offered by Independent Third Parties.

The Directors (except for Mr. Zhou JR who abstained from approving the Mortgage Agreements, the Supplemental Agreement and the Indemnity Agreement due to his material interests thereunder), including the independent non-executive Directors, consider that (i) the Connected Borrower agreed to fully indemnify Junefield Property Agency's obligations under the Mortgage Agreements (as supplemented and amended by the Supplemental Agreement); (ii) the Group received a one-time handling charge of RMB120,000 (equivalent to approximately HK\$133,000) from the Connected Borrower; and (iii) the terms of the Mortgage Agreements and the Supplemental Agreement are on normal commercial terms and are fair and reasonable, and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

Save for Mr. Zhou JR, no Director has any material interest in the provision of Mortgages and the transactions contemplated thereunder and the annual caps of the provision of Mortgages or is required to abstain from voting on the relevant resolutions of the Board.

IMPLICATIONS UNDER THE LISTING RULES

As Mr. Zhou is the ultimate beneficial owner of the Connected Borrower and is the younger brother of Mr. Zhou JR, hence, the Connected Borrower is a connected person of the Company under Chapter 14A of the Listing Rules and the provision of Mortgages and the transactions contemplated thereunder constituted a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the provision of Mortgages and the transactions contemplated thereunder, on an annual basis, is less than 25% and the annual caps are less than HK\$10,000,000, the transactions contemplated under the Mortgage Agreements (as supplemented and amended by the Supplemental Agreement) constitute an exempt continuing connected transaction and is only subject to reporting, announcement and annual review requirements but exempt from circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.35 of the Listing Rules, a listed issuer shall, as soon as practicable after becoming aware of the fact that the terms of a continuing connected transaction have been agreed, publish an announcement and comply with all other applicable provisions of the Listing Rules. The Board apologizes for failing to make this announcement in a timely manner due to the inadvertent omission of the management and the Board will strengthen the Group's internal control procedures to avoid occurrence of similar incidents in the future.

DEFINITIONS

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

“Bank”	Jinzhou Rural Commercial Bank Co., Ltd., Dongling sub-branch, the lender under the Loan Agreement
“Board”	the board of the Directors
“Company”	Macrolink Capital Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares are listed and traded on the main board of the Stock Exchange (Stock Code: 758)
“Connected Borrower”	錦州榮信商貿有限公司(Jinzhou Rongxin Trading Company Limited*), a limited liability company incorporated in the PRC and its registered capital is ultimately and solely owned by Mr. Zhou
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Indemnity Agreement”	an agreement dated 8 November 2019 entered into between the Connected Borrower and Junefield Property Agency in relation to the provision of Mortgages
“Independent Third Party(ies)”	a party(ies), who is/are third party(ies) independent of and not connected with the Company and its connected persons
“Junefield Property Agency”	莊勝(北京)房地產經紀有限公司 (Junefield (Beijing) Property Agency Co., Ltd.*), a wholly-foreign-owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company, which is principally engaged in the business of property agency in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the loan agreement dated 8 November 2019 entered into between the Connected Borrower (as borrower) and the Bank (as lender), pursuant to which the Bank agreed to grant a secured loan in the principal amount of RMB35,000,000 (equivalent to approximately HK\$38,969,000) to the Connected Borrower for a term of 2 years at the interest rate of 8.075% per annum with the pledge of the PRC Properties and the pledge of a property in the PRC owned by the wife of Mr. Zhou
“Mortgages”	the mortgages over the PRC Properties provided by the Junefield Property Agency in favour of the Bank under the Mortgage Agreements
“Mortgage Agreements”	5 mortgage agreements all dated 8 November 2019 entered into between the Bank and Junefield Property Agency in relation to the Mortgages in favour of the Bank to secure the repayment obligations under the Loan Agreement
“Mr. Zhou”	Mr. Zhou Chu Jian He, a former executive Director and substantial shareholder of the Company up to 22 August 2018 and is the younger brother of Mr. Zhou JR

“Mr. Zhou JR”	Mr. Zhou Jianren, an executive Director and the elder brother of Mr. Zhou
“PRC”	the People’s Republic of China, which excludes Hong Kong for the purpose of this announcement
“PRC Properties”	Units 725-729 on Level 7 of Junefield Plaza, No. 10 Xuan Wu Men Wai Dajie, Xi Cheng District, Beijing, the PRC owned by Junefield Property Agency
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of HK\$0.10(each) in the share capital of the Company
“Shareholders	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning as ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Supplemental Agreement”	the agreement dated 8 November 2019 entered into among the Connected Borrower, the Bank and Junefield Property Agency pursuant to which the parties agreed, among other things, that the secured obligations of Junefield Property Agency under the Mortgage Agreements shall limit to RMB8,000,000 (equivalent to approximately HK\$8,907,000) of the principal amount of the loan under the Loan Agreement and the related interests thereon
“%”	per cent.

For the purpose of illustration only and unless otherwise stated, conversions of RMB into HK\$ in this announcement are based on the exchange rate of RMB1 to HK\$1.1134. Such conversions should not be construed as a representation that any amount has been, could have been, or may be, exchanged at such or any other rate.

By Order of the Board
MACROLINK CAPITAL HOLDINGS LIMITED
新華聯資本有限公司
Fu Kwan
Chairman

Hong Kong, 9 January 2020

As at the date of this announcement, the executive Directors are Mr. Fu Kwan (Chairman), Mr. Zhang Jian, Mr. Zhang Bishu, Ms. Liu Jing, Mr. Chan Yeuk and Mr. Zhou Jianren; and the independent non-executive Directors are Mr. Lam Man Sum, Albert, Mr. Cao Kuangyu and Mr. Cheung Ka Wai.

* *For identification purposes only*