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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)

SUPPLEMENTAL ANNOUNCEMENT ON CONTINUING CONNECTED TRANSACTION IN RELATION TO PROVISION OF MORTGAGES

Reference is made to the announcement (the “**Announcement**”) of Macrolink Capital Holdings Limited (the “**Company**”) dated 9 January 2020. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless the context requires otherwise.

In addition to the information provided in the Announcement, the Board would also like to mention the following.

As set out in the Announcement, the reasons for the provision of Mortgages to the Connected Borrower are to enable the Group to have a readily available facility for providing sufficient financial resources to the Company’s indirect 60%-owned subsidiary in the PRC (the “**Joint Venture Subsidiary**”) without involving the Group to have further negotiation and lengthy procedures with financial institutions. Indeed, the Group has been providing financial resources to the Joint Venture Subsidiary for its operations since its suspension of production in 2016. On 19 September 2019, the Joint Venture Subsidiary received a notice of filing the land and property tax from the local tax authority in Loudi City, Hunan Province, the PRC (“**Loudi Tax Department**”) and Loudi Tax Department informed the Joint Venture Subsidiary to settle the outstanding land and property tax of approximately RMB2,600,000 for the years of 2017 to 2019 shortly. In addition, Loudi Tax Department would consider granting a partial waiver to the Joint Venture Subsidiary on the condition that the Joint Venture Subsidiary must settle the outstanding land and property tax immediately when it is being informed of the final balance of tax payments.

As such, the Group started to seek possible immediate source of funds in the PRC for the settlement of the outstanding tax payments once it received the notice from Loudi Tax Department, including seeking bank borrowings in Beijing, the PRC and followed up the progress of the application lodged by the minority shareholder of the Joint Venture Subsidiary requesting withdrawal of a ruling made by the China International Economics and Trade Arbitration Commission in May 2019, pursuant to which, the Joint Venture Subsidiary is liable to pay compensation of approximately RMB30,000,000 (“**Second Arbitral Award**”) to the Group, but without success. Meanwhile, Mr. Zhou JR knew that the Connected Borrower was in the progress of negotiation with the Bank in obtaining a loan and was closed to finalising a deal with the Bank within a short period of time, so he sought assistance from the Connected Borrower to see if there was any chance of getting a bank loan by pledging the PRC Properties to the Bank. After further negotiations, the Connected Borrower could secured an additional loan from the Bank if additional collaterals could be provided as security. In order to capture this opportunity, the Group agreed to pledge the PRC Properties in favour of the Bank as additional security for granting the loan with a total sum of RMB35,000,000 to the Connected Borrower while the repayment obligations of such loan borne by the Group is only limited to RMB8,000,000 and the related interest thereon (and the repayment obligations of the balance of such loan shall be borne by the Connected Borrower and secured by the pledge of property in the PRC owned by the wife of Mr. Zhou) and at the same time the Group also entered into the Mortgage Agreements, the Supplemental Agreement and Indemnity Agreement with the Connected Borrower to facilitate the funding needs of the Joint Venture Subsidiary.

The basis of determination of the loan amount to be granted from the Connected Borrower to Junefield Property Agency under the Indemnity Agreement was based on: (1) the annual operating funds of approximately RMB6,000,000 for the Joint Venture Subsidiary; and (2) the overdue land and property tax for the years of 2017 to 2019 which amounted to approximately RMB2,600,000.

On 29 November 2019, the Group received the compensation from the Second Arbitral Awards. Subsequently, on 24 December 2019, the Joint Venture Subsidiary received the written notice from Loudi Tax Department for the final balance of the outstanding land and property tax. The Group has used part of the compensation received to settle the outstanding land and property tax liability.

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

Hong Kong, 10 February 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.