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## **Link Holdings Limited**

**華星控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8237)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF 42.3% EQUITY INTERESTS IN ZHUHAI KANG MING DE ENTERPRISE MANAGEMENT SERVICE LIMITED#**

#### **THE DISPOSAL**

On 12 November 2020 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Interests, representing 42.3% of the equity interests in the Disposed Associate, at the consideration of RMB25,000,000 (equivalent to approximately HK\$29,267,000) payable by the Purchaser in accordance with the terms and conditions of the Equity Transfer Agreement.

Upon Completion, the Group will no longer have any interest in the Disposed Associate, and the Disposed Associate will cease to be an associate of the Group.

#### **GEM LISTING RULES IMPLICATION**

As the highest applicable percentage ratio in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules, and is subject to the reporting and announcement requirements but exempt from Shareholders' approval requirement under Chapter 19 of the GEM Listing Rules.

**As Completion is subject to and conditional upon fulfilment of the conditions set out in the Equity Transfer Agreement, the Disposal and the transactions contemplated thereunder may or may not materialise. Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company.**

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## **THE EQUITY TRANSFER AGREEMENT**

The principal terms of the Equity Transfer Agreement are as follows:

Date: 12 November 2020 (after trading hours)

Parties: (1) the Vendor (as vendor)

(2) the Purchaser (as purchaser)

### **Assets to be disposed of**

The assets to be disposed of are the Sale Interests, being 42.3% of the equity interests in the Disposed Associate.

### **Consideration**

The Consideration for the Disposal is RMB25,000,000 (equivalent to approximately HK\$29,267,000), which shall be payable by the Purchaser to the Vendor in the following manner:

- (1) the first instalment of RMB5,000,000 (equivalent to approximately HK\$5,853,000) shall be payable by the Purchaser in cash within 7 days upon the receipt by the Purchaser of the notarized documents in relation to the Disposal as requested by the Purchaser;
- (2) the second instalment of RMB10,000,000 (equivalent to approximately HK\$11,707,000) shall be payable by the Purchaser in cash within 3 days upon the fulfilment of conditions (b) to (e) below; and
- (3) the balance of RMB10,000,000 (equivalent to approximately HK\$11,707,000) shall be payable by the Purchaser in cash on the Completion Date.

The first instalment of RMB5,000,000 and the second instalment of RMB10,000,000 shall be fully refunded to the Purchaser if (i) the Vendor refuses to transfer the Sale Interests to the Purchaser; (ii) there is failure of registration of the transfer of the Sale Interests at the relevant Administration for Industry and Commerce in the PRC due to the default of the Vendor; or (iii) the Equity Transfer Agreement cannot complete due to reasons caused by the Vendor.

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser, having regard to (i) the Group's carrying amount (unaudited) of the Sale Interests of approximately HK\$27.9 million based on the unaudited management accounts of the Disposed Associate and its subsidiaries as at 30 September 2020; (ii) the deteriorating financial performance of the Disposed Associate and its subsidiaries, in particular, the record of net loss of approximately HK\$1.4 million, HK\$11.4 million and HK\$31.5 million for the years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020 respectively, and the Group's corresponding share of loss of the associate of approximately HK\$0.5 million, HK\$4.6 million and HK\$12.5 million respectively; and (iii) the prevailing unfavourable economic conditions in the PRC and the uncertainty of the development of the COVID-19 pandemic worldwide which adversely affect the tourist scenic spots, travel-related services and hotel operations of the Disposed Associate and its subsidiaries.

## **Conditions**

Completion of the Equity Transfer Agreement shall be conditional upon and subject to the fulfilment of the following conditions:

- (a) receipt by the Purchaser of the notarized documents in relation to the Disposal as requested by the Purchaser;
- (b) the completion of registration of the transfer of the Sale Interests at the relevant Administration for Industry and Commerce in the PRC;
- (c) all necessary consents and approvals required to be obtained on the part of the Vendor in respect of the Equity Transfer Agreement and the transactions contemplated thereby having been obtained;
- (d) all necessary consents and approvals required to be obtained on the part of the Purchaser in respect of the Equity Transfer Agreement and the transactions contemplated thereby having been obtained; and
- (e) the handover of necessary documents and information from the Vendor to the Purchaser.

All the above conditions shall be fulfilled on or before the Long Stop Date. If condition (b) above cannot be fulfilled within three months from the date of the Equity Transfer Agreement, the Vendor shall pay damages to the Purchaser which is equivalent to 0.5% of the first installment paid by the Purchaser per each day elapsed. If condition (b) cannot be fulfilled within 20 days after the expiry of the aforesaid three-month period, the Purchaser shall be entitled to unilaterally terminate the Equity Transfer Agreement and the Vendor shall compensate the Purchaser an extra lump sum of RMB250,000.

## **Completion**

Completion shall take place within 10 days after the fulfilment of the conditions to the Equity Transfer Agreement.

Upon Completion, the Group will no longer have any interest in the Disposed Associate, and the Disposed Associate will cease to be an associate of the Group and the financial results of the Disposed Associate will no longer be accounted for in accordance with the equity method in the Group's accounts.

## **INFORMATION OF THE DISPOSED ASSOCIATE AND THE PURCHASER**

The Disposed Associate is an investment holding company and is principally engaged in the provision of hotel management services in the PRC. The Disposed Associate's subsidiaries are principally engaged in the management of tourist scenic spots, hotel operation and provision of travel and travel-related services.

The Purchaser is a company established in the PRC. It is principally engaged in the provision of enterprise management, hotel management and tourism management services. The Purchaser's ultimate beneficial owners are Ms. Tan Juan and Mr. Fan Zhijiang.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owners is an Independent Third Party.

Set out below is the summarized financial information of the Disposed Associate and its subsidiaries for the two years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020:

	<b>For the year ended 31 December</b>		<b>For the nine months ended 30 September</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
		<i>(Note)</i>	
Revenue	61,225	58,401	8,444
Loss for the year/period	<u>(1,371)</u>	<u>(11,423)</u>	<u>(31,480)</u>
The Group's share of loss of the associate	<u>(510)</u>	<u>(4,570)</u>	<u>(12,530)</u>

*Note:* The figures for the year ended 31 December 2019 were restated (as compared to the relevant figures as stated in the note 20 to the Company's audited consolidated financial statements for the year ended 31 December 2019) after prior year adjustments which were unaudited and were subject to possible changes upon the audit of the Company's consolidated financial statements for the year ending 31 December 2020. Please refer to the Company interim report for the six months ended 30 June 2020 for further details.

As at 30 September 2020, the unaudited net assets of the Disposed Associate and its subsidiaries amounted to approximately HK\$58.2 million, and the carrying amount of the Group's interest in an associate was approximately HK\$27.9 million.

## **FINANCIAL EFFECT OF THE DISPOSAL AND THE USE OF PROCEEDS**

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in hotel ownership, operation of hotel services, distressed debt assets management business and property investment.

As of the date of this announcement, the Group owned 42.3% of the equity interests in the Disposed Associate. Upon Completion, the Group will no longer have any interest in the Disposed Associate, and the Disposed Associate will cease to be an associate of the Group and the financial results of the Disposed Associate will no longer be accounted for in accordance with the equity method in the Group's accounts.

It is expected that the Group will record a gain of approximately HK\$1.4 million as a result of the Disposal which is calculated by comparing the Consideration of approximately HK\$29.3 million and the carrying amount of the Group's interest in an associate as at 30 September 2020 of approximately HK\$27.9 million. The actual gain/loss resulting from the Disposal to be recorded by the Group is subject to audit, and will be calculated based on the carrying amount of the Group's interest in an associate, i.e. the Disposed Associate as at the Completion Date, and the related expenses incurred by the Company in relation to the Disposal, and therefore may vary from the figure set out above.

The net proceeds from the Disposal will be used for the general working capital of the Group.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT**

Given the unsatisfactory and deteriorating operating results of the Disposed Associate, the Group has continued to record its share of losses for the two years ended 31 December 2019 and the nine months ended 30 September 2020 respectively. The outbreak of the COVID-19 pandemic since end of 2019 has caused the introduction of travel restrictions to and within the PRC, leading to a significant decrease of tourists to the scenic spots and hotels operated by the Disposed Associate and its subsidiaries and the demand for their travel-related services. Even though the number of confirmed cases of COVID-19 has substantially decreased from mid-2020, social distancing measures are still in place which severely affected the scale of operations of the Disposed Associate and its subsidiaries. Hence, it is expected that the tourism industry in the PRC would take a period of time to recover. In light of the tight working capital condition of the Group, the Board is of the opinion that the Disposal would allow the Group to avoid further loss arising from further sharing of results of the Disposed Associate, and the net proceeds would improve the Group's working capital condition and financial position.

Having considered the benefits of the Disposal and the terms of the Disposal, the Board is of the view that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder have been negotiated on an arm's length basis and on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **GEM LISTING RULES IMPLICATION**

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## **DEFINITIONS**

“Board”	the board of Directors
“Company”	Link Holdings Limited (stock code: 8237), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM of the Stock Exchange
“Completion”	completion of the Disposal pursuant to the terms and conditions of the Equity Transfer Agreement

“Completion Date”	the date of the Completion, which shall be within 10 days after the fulfillment of the conditions to the Equity Transfer Agreement
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the consideration of RMB25,000,000 (equivalent to approximately HK\$29,267,000) for the Sale Interests payable by the Purchaser to the Vendor under the Equity Transfer Agreement
“Directors”	the directors of the Company
“Disposal”	the proposed disposal of the Sale Interests by the Vendor to the Purchaser pursuant to the Equity Transfer Agreement
“Disposed Associate”	Zhuhai Kang Ming De Enterprise Management Service Limited# (珠海市康明德企業管理服務有限公司), a company established in the PRC on 28 December 2000 and owned as to 42.3% by the Vendor as at the date of this announcement
“Equity Transfer Agreement”	the equity transfer agreement dated 12 November 2020 entered into between the Vendor and the Purchaser in relation to the Disposal
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“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 PRC
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the GEM Listing Rules
“Long Stop Date”	11 February 2021 or such later date as the Vendor and the Purchaser may agree
“PRC”	the People’s Republic of China which, for the purposes of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Purchaser”	Zhuhai Yi Gui Enterprise Management Service Limited# (珠海市怡桂企業管理服務有限公司), a company established in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interests”	42.3% of the equity interests in the Disposed Associate
“Share(s)”	the existing ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Star Adventure Investment Limited (星動控股有限公司), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company

By order of the Board  
**Link Holdings Limited**  
**Ngan Iek**  
*Chairman*

Hong Kong, 12 November 2020

*In this announcement, for reference only, the translation of Renminbi into Hong Kong dollars is based on the exchange rate of RMB85.42 = HK\$100.*

*As at the date of this announcement, the executive Directors are Mr. Ngan Iek and Datuk Siew Pek Tho; the non-executive Directors are Mr. Lin Jianguo, Mr. Zhao Guoming and Ms. Zhang Shuo; and the independent non-executive Directors are Mr. Thng Bock Cheng John, Mr. Chan So Kuen and Mr. Lai Yang Chau, Eugene.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at [www.linkholdingslimited.com](http://www.linkholdingslimited.com).*

\* *for identification purpose only*

# *In this announcement, translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purposes only, and in the event of any inconsistency between the Chinese names and their English translation, the Chinese names shall prevail.*