

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



MACROLINK CAPITAL HOLDINGS LIMITED

新華聯資本有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 758)

SUPPLEMENTAL ANNOUNCEMENT DISCLOSEABLE TRANSACTION IN RELATION TO LEASE AGREEMENT

Reference is made to the announcement of Macrolink Capital Holdings Limited (the “**Company**”) published on 5 July 2021 regarding the discloseable transaction in relation to the Lease Agreement (the “**Announcement**”). Unless otherwise defined, capitalised terms used in this supplemental announcement shall have the same meanings as those defined in the Announcement.

The Board would like to supplement the following additional information to the Announcement.

ULTIMATE BENEFICIAL OWNER OF THE PROPERTY OWNER

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, as at the date of this announcement, the ultimate beneficial owner of the Property Owner is the State-owned Assets Supervision and Administration Commission of Fengtai District Beijing City* (北京市豐台區國有資產監督管理委員會), which is the authority for supervision and administration of state-owned assets in Fengtai District, Beijing in the PRC and a third party independent to the Company and its connected persons.

FURTHER REASONS FOR ENTERING INTO THE LEASE AGREEMENT

At the time when the Company entered into the Lease Agreement, the Properties have already been leased to Zhongchi Company by the Property Owner for a lease period of 20 years from 1 January 2013 to 31 December 2032, and was still within the lease period, therefore the Company is not in the position to lease the Properties directly from the Property Owner, and instead the Company can only sub-lease the Properties from Zhongchi Company for operation and management.

As at the date of this announcement and at the date of the Lease Agreement, the Company has obtained all necessary authorisation and consents from Zhongchi Company and the Property Owner in relation to the Property Sublease and Operation Services, including the consent of the Property Owner for the sub-lease of the Properties from Zhongchi Company to Shenzhen Macrolink Industrial & Trading Development.

The Directors are of the view that the lease term of the Properties of more than 11 years from 5 July 2021 to 31 December 2032 is on normal commercial terms, fair and reasonable, and in the interest of the Company and its shareholders due to the following reasons:

1. The Company leases the entire property for the operation of serviced apartments or apartment hotels and a longer lease term will ensure the long-term and stable operation and management of the Properties and secure the generation of a stable income. At the same time, a longer lease term will allow sufficient time for the Company to improve and elevate the service quality which is conducive for the Company to establish a brand and reputation in operation and management of properties; and
2. Since the area where the Properties situated is an emerging and developing area in Beijing, with the increasing number of enterprises and public institutions such as schools and hospitals relocated to the area, it is expected that the number of transient populations in the area will continue to increase every year and the demand for serviced apartments and short-term accommodations will also continue to increase. Hence, the Board is of the view that the rental price of the area will increase in the near future and therefore it is beneficial to the Company's operation to secure a fixed annual rental payment.

INFORMATION AND CURRENT STATUS OF THE PROPERTIES

The Properties were almost vacant due to the epidemic and were completely vacated at the time when Shenzhen Macrolink Industrial & Trading Development entered into the Lease Agreement with Zhongchi Company.

Prior to the epidemic, the major usage of the Properties has been hotel apartments and the end-users are individual tenants. The rate of rent and the lease term for each individual tenant are varied according to the different circumstances of the tenancy, and the tenants have different rental cycles. The occupancy rate of the Properties was approximately 50% for the year 2019.

FINANCIAL INFORMATION OF THE PROPERTIES

To the best of the knowledge and information of the Directors after making all reasonable enquiries, the book value of the Properties is not applicable as the land where the Properties are situated is allocated by the state and since no transaction in relation to the Properties has occurred before, the appraisal of the Properties was not necessary to the Property Owner and therefore there was no book value recognised for the Properties as at 31 December 2019 and 31 December 2020 according to the financial statements of the Property Owner. In addition, as the Properties were booked as operating lease by Zhongchi Company which did not adopt HKFRS, no book value attributable to the Properties has been recognised by Zhongchi Company as its right-of-use assets as at 31 December 2019 and 31 December 2020 according to the financial statements of Zhongchi Company.

To the best of the knowledge and information of the Directors having made all reasonable enquiries, the unaudited financial information of the Properties for the years ended 31 December 2019 and 31 December 2020 according to the management accounts of Zhongchi Company are set out below:

	For the year ended 31 December 2019 <i>(approximately in RMB'000)</i> <i>(unaudited)</i>	For the year ended 31 December 2020 <i>(approximately in RMB'000)</i> <i>(unaudited)</i>
Revenue	6,364	3,368
Net profit/(loss) before tax	1,936	(289)
Net profit/(loss) after tax	1,452	(289)

BASIS OF CONSIDERATION IN DETERMINING THE ANNUAL FIXED RENT PAYABLE UNDER THE LEASE AGREEMENT

The Company has considered the prevailing market rent of the below comparable properties in the vicinity of the Properties:

Comparable Projects	Name of Project/Property	Rent/Night per room (approximately)	Type of usage
Hotels	Pai Hotel (Tiantan Hospital Branch)* (派•酒店(天壇醫院店))	RMB307/night per room	Economical hotel
	Beijing Haiguiyuan Business Hotel* (北京海歸緣商務酒店)	RMB380/night per room	Business hotel
	Name of Project/Property	Rent/Month per room (approximately)	Type of usage
Apartments	Yihaihuayuan, Fengtai District, Beijing* (北京市豐台區怡海花園)	RMB2,500/month per room	Hotel apartment
	Hongshijiayuan, Fengtai District, Beijing* (北京市豐台區紅獅家園)	RMB2,499/month per room	Youth apartment
	No.58 Fangyue Road, Beijing* (北京市方于路58號院)	RMB2,499/month per room	Branding apartment

The Properties are located in Huaxiang Area within the South Fourth Ring in Fengtai District in Beijing (北京市豐台區南四環花鄉地區), which is undergoing rapid development of urban expansion recently. The number of transient population and the demand for serviced apartments and short-term accommodations in the area which are in vicinity of the Properties are expected to increase. However, after making reasonable enquiries of the Company, it is not possible and feasible for the Company to obtain any reliable information in relation to the cost and expenses of entirely leasing and operating the comparable properties in the vicinity of the Properties which are of similar nature and size in order to make a direct comparison with the rent of the Properties under the Lease Agreement as a cost to be incurred by the Company in the provision of Property Sublease and Operation Services. Therefore, when assessing the fairness and reasonableness of the rent of the Properties, the Board had made reference to the rental income derived by the comparable properties instead of the cost incurred by leasing and operating the comparable properties because the information in relation to the rental income derived by the comparable properties is a public information which is more reliable and transparent.

The Company selected the above comparable properties to assess the fairness and reasonableness of the rent of the Properties because the location of the comparable properties are in vicinity of the Properties, the nature of usage of the above comparable properties are hotels and short-term apartments which are similar to that of the nature of usage of the Properties and the Company will develop the Properties into hotels and apartments of similar type, that is economical hotel, business hotel and hotel apartments, and the size of each unit of the comparable properties are similar to that of each of the guest room of the Properties.

Assuming that the total annual fixed rent of RMB4 million payable under the Lease Agreement is divided by the current number of 395 guest rooms in the Properties, and disregarding other operating costs, the rental cost of each room per night of the Properties is approximately RMB27.74 and the rental cost of each room per month of the Properties is approximately RMB843.88. In light of the above, the Company believes that by taking into account the rental cost of leasing the Properties by Shenzhen Macrolink Industrial & Trading Development as a whole (i.e. annual fixed rent payable under the Lease Agreement is RMB4 million), the Company will have a considerable room of profit in the provision of Property Sublease and Operation Services in respect of the Properties with reference to the prevailing market rental price of the comparable properties, taking into account (amongst others) the property management and operation experience of the Group's senior management and brand advantages of the Group in the property-related businesses as disclosed in the Announcement. At the same time, having considered that the Property is leased as a whole, the lease term is longer and the rent is fixed, the Board is of the view that the annual fixed rent under the Lease Agreement is fair and reasonable and beneficial to the Company and the Shareholders.

The basis and process of commercial analysis of the above view of the Company is as follows:

- (i) For the reference made to the short-term apartment comparables, the average rental price of the selected short-term apartment comparables is approximately RMB2,500 per month for each room and the total average rental price per year for each room shall be approximately RMB30,000; while the total fixed annual rent of the Properties is RMB4 million under the Lease Agreement and therefore the annual rental cost for each of the 395 rooms of the Properties shall be approximately RMB10,100. Therefore, by making reference to and comparing the margin of the total average rental price per year for each room of the selected short-term apartment comparables (i.e. rental income derived by the short-term apartment comparables) and the annual rental cost for each of the 395 rooms of the Properties, and subject to the other operating costs in the provision of Property Sublease and Operation Services for the Properties, the Company is of the view that there will be room of profit to be made by Shenzhen Macrolink Industrial & Trading Development in the provision of Property Sublease and Operation Services in respect of the Properties.

- (ii) For the reference made to the hotel comparables, the average rental price of the selected hotel comparables are approximately RMB340 per night for each room, the total average rental price per year for each room shall be approximately RMB124,100; while the total fixed annual rent of the Properties is RMB4 million under the Lease Agreement and therefore the annual rental cost for each of the 395 rooms of the Properties shall be approximately RMB10,100. Therefore, by making reference to and comparing the margin of the total average rental price per year for each room of the selected hotel comparables (i.e. rental income derived by the hotels comparable) and the annual rental cost for each of the 395 rooms of the Properties, and subject to the other operating costs in the provision of Property Sublease and Operation Services for the Properties, the Company is of the view that there will be room of profit to be made by Shenzhen Macrolink Industrial & Trading Development in the provision of Property Sublease and Operation Services in respect of the Properties.
- (iii) Apart from the rental cost of the Properties, the Company considers that the other operating costs in the provision of Property Sublease and Operation Services to be incurred mainly include advertising and promotion fees, staff cost, administrative cost and housekeeping supplies costs which can be controlled and adjusted from time to time, and therefore, given the reference of the rental price of the selected hotel and short-term apartments comparables, the Company is of the view that the Properties still have a considerable room of profit taking into account of the fixed annual rent and the other operating costs. Therefore, the Board considers that the terms of the Lease Agreement (including not but limited to the annual fixed rent) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

If the Company adopted the average rental price of the selected short-term apartment comparables being approximately RMB2,500 per month for each room of the Properties, and assuming that all of the 395 rooms of the Properties are rented out for a year, the estimated annual rental income of the Properties will be approximately RMB11,850,000. While the unaudited revenue of the Properties for the year ended 31 December 2019 according to the management accounts of Zhongchi Company was approximately RMB6,364,000, the Board is of the view that such difference between the estimated annual rental income of the Properties and the unaudited revenue of the Properties for the year 2019 is reasonable because, to the best of the knowledge and information of the Directors having made all reasonable enquiries, the occupancy rate of the Properties for the year 2019 was approximately 50%, whereas the estimated annual rental income of the Properties are calculated based on the assumption that all of the 395 rooms of the Properties are rented out. Therefore, it is reasonable that the unaudited revenue of the Properties for the year 2019 was almost half of the estimated annual rental income of the Properties.

The Company believes that the relatively low occupancy rate of the Properties in the year 2019 was due to the conventional management and operation mode of Zhongchi Company which focused heavily on the operation of long-term rental apartments and the source of tenants was not stable. The Company is confident that with the property management and operation experience of the Group's senior management and the brand advantages of the Group, Shenzhen Macrolink Industrial & Trading Development will improve the operational efficiency of the Properties by developing the Properties into serviced apartments or apartment hotels mainly for short term lease and expand the target tenants base through marketing and adjusting its ancillary service to meet the demand of the population in the area.

This announcement is supplemental to and should be read in conjunction with the Announcement. Save as supplemented and disclosed above, the Company confirms that all other information in the Announcement remains unchanged.

By order of the Board
MACROLINK CAPITAL HOLDINGS LIMITED
Fu Kwan
Chairman

Hong Kong, 30 July 2021

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. Fung Chuen Kin and Mr. Cheung Ka Wai.

* *For identification purpose only*