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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 ACQUISITION OF THE ENTIRE EQUITY INTEREST IN AND ALL THE SHAREHOLDER'S LOANS DUE BY AK ENTERPRISE INCORPORATION LIMITED

THE ACQUISITION

The Board is pleased to announce that, on 22 December 2016 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the Sale Share and the Sale Loans.

The total Consideration for the Acquisition is HK\$39,000,000. The consideration for the acquisition of the Sale Share and the Sale Loan I shall be HK\$25,000,000, which shall be satisfied by the Purchaser in the following manner:

- (1) HK\$11,700,000 shall be paid in cash by the Purchaser to the Vendor (or his nominee) within 3 Business Days upon signing of the Sale and Purchase Agreement as the Deposit; and
- (2) balance of HK\$13,300,000 shall be payable in cash by the Purchaser to the Vendor (or his nominee) upon Completion.

The consideration for the acquisition of the Sale Loan II shall be HK\$14,000,000 or JPY205,478,100 and shall be payable in cash by the Purchaser to Madam Chan (or her nominee) upon Completion.

IMPLICATION UNDER THE GEM LISTING RULES

As one of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company, and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

As Completion is subject to and conditional upon fulfilment or waiver (where applicable) of the conditions set out in the Sale and Purchase Agreement, the Acquisition 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.

THE ACQUISITION

The Board is pleased to announce that, on 22 December 2016 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the Sale Share and the Sale Loans.

THE SALE AND PURCHASE AGREEMENT

The terms of the Sale and Purchase Agreement are as follows:

Date: 22 December 2016

Parties:

- (i) Purchaser: Silver Stone Investments Limited, a wholly-owned subsidiary of the Company;
and
- (ii) Vendor: Mr. Kwok Wai Leung

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendor and Madam Chan is not a connected person of the Company and is an Independent Third Party.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell,

- (i) the Sale Share, being the one (1) share in the Target Company, representing the entire issued share capital in the Target Company;
- (ii) the Sale Loan I, being all obligations, liabilities and debts owing or incurred by the Target Company to the Vendor, on or at any time prior to the Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion which as at 31 October 2016, amounted to HK\$630,552; and
- (iii) the Sale Loan II^(Note), all obligations, liabilities and debts owing or incurred by LINK KAGA to Madam Chan, on or at any time prior to the Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion which as at 31 October 2016, amounted to JPY205,478,100 (equivalent to approximately HK\$14,000,000).

Note: The Vendor has agreed to procure Madam Chan to sell and the Purchaser has agreed to purchase the Sale Loan II subject to and upon the terms and conditions of the Sale and Purchase Agreement.

Consideration

The total Consideration for the Acquisition is HK\$39,000,000. The consideration for the acquisition of the Sale Share and the Sale Loan I shall be HK\$25,000,000, which shall be satisfied by the Purchaser in the following manner:

- (1) HK\$11,700,000 shall be paid in cash by the Purchaser to the Vendor (or his nominee) within 3 Business Days upon signing of the Sale and Purchase Agreement as refundable deposit (the “**Deposit**”); and
- (2) balance of HK\$13,300,000 shall be payable in cash by the Purchaser to the Vendor (or his nominee) upon Completion.

The consideration for the acquisition of the Sale Loan II shall be HK\$14,000,000 or JPY205,478,100 and shall be payable in cash by the Purchaser to Madam Chan (or her nominee) upon Completion.

The Consideration was arrived at after arm’s length negotiations between the Purchaser and the Vendor taking into account, (i) future business prospects of the Target Group; (ii) the benefits to be derived by the Group from the Acquisition as described under the paragraph headed “Reasons for and benefits of the Acquisition” below; and (iii) save for the Hotel development, the Estates still have substantial part of undeveloped area, which would allow the Group to further develop the Estates after completion to increase and maximize the return to the Group.

The Company will finance the Consideration by internal resources of the Group.

Conditions

Completion of the Sale and Purchase Agreement shall be conditional upon and subject to, the fulfilment or waiver of, the following conditions:

- (a) the Purchaser being satisfied with the results of the due diligence review to be conducted on the Target Group;
- (b) all necessary consents and approvals required to be obtained on the part of the Vendor in respect of the Sale and Purchase Agreement and the transactions contemplated thereby having been obtained;
- (c) all necessary consents and approvals required to be obtained on the part of the Purchaser in respect of the Sale and Purchase Agreement and the transactions contemplated thereby having been obtained;
- (d) the full and complete surrender of the Hotel (including all the Estates) by the Occupier to LINK KAGA pursuant to the Settlement Agreement; and
- (e) the warranties remaining true and accurate in all respects.

The Vendor may at any time waive in writing condition (c); the Purchaser may at any time waive in writing any of the conditions (a), (b) and (e), and all other condition(s) above cannot be waived. If any of the above conditions is not fulfilled or waived (as the case may be) on or before the Long Stop Date, the Sale and Purchase Agreement shall cease and determine, the Vendor shall forthwith refund the Deposit (without interest) to the Purchaser, and in full and final settlement of any liabilities of the Vendor towards the Purchaser, and thereafter neither party thereto shall have any claim against the other for costs, damages, compensation or otherwise save for any antecedent breach thereof.

Completion

Completion shall take place on the date falling on the third Business Day after the fulfillment (or waiver) of the conditions to the Sale and Purchase Agreement.

Upon Completion, the Purchaser will own the entire issued share capital of the Target Company, and the Target Company will be accounted as an indirect wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the Group's accounts.

Upon completion, the Company intends to commence renovation works in the Hotel and the Estates so as to update the Hotel and the Estates. The renovation works is expected to take 3 to 6 months to completion. The Directors will continue to operate the hospitality business in the Hotel and the Estates.

Undertaking

Pursuant to the Sale and Purchase Agreement, the Vendor has made an unconditional and irrevocable undertaking to the Purchaser that within 3 months after Completion (or such later date as the parties thereto may agree in writing), the Vendor shall use his best endeavours to assist the Purchaser and/or LINK KAGA to obtain and renew all hotel permissions in the name of LINK KAGA.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in the BVI with limited liability on 7 August 2014 and is principally engaged in investment holding.

LINK KAGA is a company incorporated in Japan with limited liability on 30 March 2016 and is the wholly-owned subsidiary of the Target Company. LINK KAGA is the legal owner of the Hotel and the Estates. LINK KAGA has not commenced any business operation as at the date of this announcement. The Hotel is currently licensed to the Occupier which operates the Hotel and is engaged in ryokan (Japanese hotel) business, real estate leasing business and other businesses in connection with these businesses. Pursuant to the Settlement Agreement, the Occupier is required to surrender and return the Hotel and the Estates to LINK KAGA by 31 December 2016.

Financial information of the Target Group

Set out below is a summary of the financial information of the Target Company for the period from 7 August 2014 (being the date of incorporation) to 31 December 2014 and the year ended 31 December 2015:

	For the period from 7 August 2014 to 31 December 2014	For the year ended 31 December 2015
	<i>approximate HK\$'</i> (unaudited)	<i>approximate HK\$'</i> (unaudited)
Turnover	–	–
Loss before tax	11,200	1,320
Loss after tax	11,200	1,320

The unaudited net liabilities of the Target Company as at 31 October 2016 was approximately HK\$494,992.

Set out below is a summary of the financial information of LINK KAGA for the period from 30 March 2016 (being the date of incorporation) to 31 July 2016:

	For the period from 30 March 2016 to 31 July 2016
	<i>approximate JPY'</i> (unaudited)
Turnover	16,900,000
Loss before tax	14,449,950
Loss after tax	14,449,950

The unaudited net liabilities of LINK KAGA as at 31 October 2016 was approximately JPY7,302,768.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in operation of hotel services and properties rental in the Southeast Asia region.

The Board considers that the Acquisition will diversify the business of the Group into hotel business and real estate leasing business in Japan, and will broaden the Group's profit streams.

Japan's hotel industry has benefitted substantially from the devaluation of the Japanese yen, after experiencing four consecutive years of double-digit percentage growth in gross operating profit per available room (GOPPAR). In 2014, the Japanese government also expanded the scope of duty-free items to all general goods including consumables. Japan had welcomed approximately 11.7 million visitors for the first half of 2016, showing a 28.2% increase over the first half of 2015. Earlier in 2016, the Japanese government announced its new aim to increase the number of inbound tourists to 40 million people per year by 2020. Although the Japanese yen has regained some value in 2016, in terms of hotel performance, Japan posted a 4.6% increase in revenue per available room (RevPAR) through the first nine months of 2016, driven by a 6.5% rise in average daily rate (ADR) to JPY15,226.89. Further, there has been a slight shift in tourist destinations toward Japan's outlying regions.

The Hotel is situated in Kaga, a city located in southwestern Ishikawa Prefecture, Japan, at Yamanaka Onsen along Shinsen Gorge. Ishikawa Prefecture accounts for a mere 1% of Japan's population and land area, but it has leveraged these geographical and historical features to become one of the most active regional governments in soliciting visitors from abroad. Kaga is an important tourist city with a number of hot-springs. The Hokuriku Shinkansen (bullet train) went into service in March 2015, substantially improving access to the region by shortening the travel time between Tokyo and the prefectural capital Kanazawa from four hours to two hours. The vast majority of tourists who visit Ishikawa Prefecture are domestic visitors from Tokyo, Osaka and other metropolitan areas, the peak seasons for these visitors being spring and autumn. To further increase the number of visitors, the prefecture has decided to utilise various forms of media to explain the appeal of Kaga to visitors from Taiwan, Hong Kong and elsewhere, many of whom are repeat visitors to Japan interested in exploring all corners of the country. In appealing to overseas visitors even as domestic demand continues to rise, Ishikawa Prefecture is striving to achieve a target of one million overseas visitors by stepping up its efforts to draw visitors throughout the year for a more even distribution both seasonally and geographically.

In light of the above, the Board is of the view that the terms of the Acquisition are fair and reasonable, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

IMPLICATION UNDER THE GEM LISTING RULES

As one of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company, and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

As Completion is subject to and conditional upon fulfilment or waiver (where applicable) of the conditions set out in the Sale and Purchase Agreement, the Acquisition 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.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Acquisition”	the proposed acquisition of the Sale Share and the Sale Loans by the Purchaser, in accordance with the terms and conditions of the Sale and Purchase Agreement
“Board”	the board of Directors
“Business Day(s)”	any day(s) (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“BVI”	the British Virgin Islands
“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
“Completion”	completion of the Acquisition pursuant to the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the date of the Completion, which shall be the date falling on the third Business Day after the fulfillment (or waiver) of the conditions to the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Consideration”	the total consideration to be satisfied by the Purchaser for the sale and purchase of the Sale Share and the Sale Loans
“Director(s)”	the director(s) of the Company
“Estates”	all the 46 estates in Japan currently used by LINK KAGA for the Hotel
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hotel”	花つばき (Hana Tsubaki), the Japanese-style hotel with hot spring, currently owned by LINK KAGA

“Independent Third Party”	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
“LINK KAGA”	リンク加賀株式会社(LINK KAGA Co., LTD.), a company incorporated in Japan with limited liability, which is a wholly-owned subsidiary of the Target Company
“Long Stop Date”	31 January 2017 or such later date as the Vendor and the Purchaser may agree
“Madam Chan”	Ms. Chan Lai Mui, the spouse of the Vendor
“Occupier”	株式会社月うさぎの里(Tsuki Usagi no Sato Co., Ltd.), the company which is currently occupying and managing the Hotel
“Purchaser”	Silver Stone Investments Limited, a company incorporated in the BVI with limited liability, which is a wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the sale and purchase agreement dated 22 December 2016 and entered into between the Purchaser and the Vendor in respect of the Acquisition
“Sale Loan I”	all obligations, liabilities and debts owing or incurred by the Target Company to the Vendor, on or at any time prior to the Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion which as at 31 October 2016, amounted to HK\$630,552
“Sale Loan II”	all obligations, liabilities and debts owing or incurred by LINK KAGA to Madam Chan, on or at any time prior to the Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion which as at 31 October 2016, amounted to JPY205,478,100 (equivalent to approximately HK\$14,000,000)
“Sale Loans”	collectively, the Sale Loan I and the Sale Loan II
“Sale Share”	one (1) share in the Target Company, representing the entire issued share capital the Target Company as at the date of the Sale and Purchase Agreement
“Settlement Agreement”	the settlement agreement dated on 17 June 2016 entered into between Occupier and LINK KAGA, pursuant to which LINK KAGA allows the Occupier to continue to use the Estates temporarily until 31 December 2016 subject to (i) the payment of a fee by the Occupier to the Target Company for its occupation of the Hotel and the Estates and (ii) the surrender and return of the Hotel and the Estates to LINK KAGA by 31 December 2016

“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	AK Enterprise Incorporation Limited, a company incorporated in the BVI with limited liability, and wholly-owned by the Vendor
“Target Group”	the Target Company and LINK KAGA
“Vendor”	Mr. Kwok Wai Leung
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“JPY”	Japanese Yen, the lawful currency of Japan
“%”	per cent.

By order of the Board
LINK HOLDINGS LIMITED
Ngan Iek
Chairman and executive Director

Hong Kong, 22 December 2016

In this announcement, for reference only, the translation of Japanese yen into Hong Kong dollars is based on the exchange rate of JPY100 = HK\$6.81.

As at the date of this announcement, the executive Directors are Mr. Ngan Iek, Datuk Siew Pek Tho and Mr. Chen Changzheng; the non-executive Directors are Ms. Ngan Iek Peng, Mr. Liu Tianlin and Ms. Feng Xiaoying; and the independent non-executive Directors are Mr. Thng Bock Cheng John, Mr. Chan So Kuen, Mr. Lai Yang Chau, Eugene and Mr. Lu Nim Joel.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules of The Stock Exchange 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 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.