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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)

SUBSCRIPTION OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

SUBSCRIPTION OF CONVERTIBLE BONDS

The Board is pleased to announce that on 21 June 2020, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which, the Subscriber has agreed to subscribe for and the Company has agreed to issue the Convertible Bonds in the principal amount of HK\$25,128,000 at the initial Conversion Price of HK\$0.036 per Conversion Share.

Based on the initial Conversion Price of HK\$0.036 per Conversion Share, a total of 698,000,000 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full, which represent 20% of the existing issued share capital of the Company and approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

The gross proceeds and net proceeds from the issue of the Convertible Bonds will be HK\$25,128,000 and estimated to be approximately HK\$24,870,000 respectively. It is intended that the Company shall mainly utilise the net proceeds from the issue of the Convertible Bonds for the redemption of the 2020 Convertible Bonds (assuming no conversion before its maturity), with any remaining amount as general working capital of the Group.

The Conversion Shares upon exercise of the conversion rights attached to the Convertible Bonds are to be issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 24 May 2019.

Completion of the Subscription is conditional upon, among other things, the listing of and permission to deal in the Conversion Shares being granted by the Listing Committee of the Stock Exchange. As such, the Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealings in the Shares and other securities of the Company.

The Board is pleased to announce that on 21 June 2020, the Company and the Subscriber entered into the Subscription Agreement in relation to the Subscription.

PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT

Date: 21 June 2020

Parties: the Company, as issuer; and
the Subscriber, namely Mr. Ng Meng Chit, as subscriber

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber is an Independent Third Party.

The Subscription

Pursuant to the Subscription Agreement, the Subscriber has agreed to subscribe for and the Company has agreed to issue the Convertible Bonds in the principal amount of HK\$25,128,000.

Principal terms of the Convertible Bonds

Issuer: the Company

Principal amount: HK\$25,128,000

Interest: the Convertible Bonds shall bear no interest

Maturity date: the date falling on the 5th anniversary of the date of issue of the Convertible Bonds, provided that if such date is not a Business Day, the Business Day immediately after such date

Conversion Shares: based on the initial Conversion Price of HK\$0.036, up to 698,000,000 Conversion Shares will be allotted and issued upon exercise in full of the conversion rights attaching to the Convertible Bonds, representing:

- (i) 20% of the existing issued share capital of the Company; and
- (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds at the initial Conversion Price, assuming that there would be no other Shares to be allotted and issued

Conversion period: the period commencing from the date of issue of the Convertible Bonds and up to the date falling seven Business Days prior to the Maturity Date (the "**Conversion Period**"), subject to the terms and conditions of the Convertible Bonds

Conversion Price: HK\$0.036 per Conversion Share, subject to the adjustments set out and in accordance with the terms and conditions of the Convertible Bonds

Adjustment provisions: the Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events in relation to the Company including but not limited to the following:

- (i) an alteration of the nominal value of the Shares by reason of any consolidation, subdivision or reclassification;
- (ii) an issue of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account) including Shares paid up out of distributable profits or reserves and/or share premium account issued (except any scrip dividend);
- (iii) an issue of Shares by way of a scrip dividend where the market price of such Shares exceeds the amount of the relevant cash dividend;
- (iv) a capital distribution being made by the Company to Shareholders;
- (v) an offer or grant being made by the Company to Shareholders by way of rights, options, warrants or other rights to subscribe for new Shares at a price which is less than 90% of the market price;
- (vi) an issue being made by the Company wholly for cash or for reduction of liabilities any securities which by their terms are convertible into or exchangeable for or carrying rights of subscription for new Shares, and the total effective consideration per Share initially receivable for such securities is less than 90% of the market price, or the terms of any such rights of conversion or exchange or subscription attached to any such securities being modified so that the said total effective consideration per Share initially receivable for such securities is less than 90% of the market price;
- (vii) an issue being made by the Company wholly for cash or for reduction of liabilities any Shares at a price per Share which is less than 90% of the market price;
- (viii) an issue being made by the Company of Shares for acquisition of asset, at the total effective consideration per Share which is less than 90% of the market price; and
- (ix) an issue being made by the Company of any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares for acquisition of asset, at the total effective consideration per Share which is less than 90% of the market price

Notwithstanding the adjustment event provisions, the maximum number of Conversion Shares issuable upon conversion of the Convertible Bonds shall be subject to the General Mandate Threshold. The holder(s) of the Convertible Bonds shall be entitled to convert the Convertible Bonds into such number of Conversion Shares up to and equal to the General Mandate Threshold on a first-come-first converted basis. If there is any event occurred (including but not limited to any adjustment events) which leads to the number of Conversion Shares issuable under the Convertible Bonds exceeding the General Mandate Threshold (the “**Exceeded Conversion Shares**”), the conversion rights attaching to the Convertible Bonds attributable to the Exceeded Conversion Shares should be lapsed. The Company shall redeem any outstanding principal amount of Convertible Bonds attributable to the Exceeded Conversion Shares at 100% of the product of the Exceeded Conversion Shares and the Conversion Price (or the adjusted Conversion Price, as the case may be) on the Maturity Date in accordance with the terms of the Convertible Bonds.

Conversion rights:

the holder(s) of the Convertible Bonds shall have the right at any time during the Conversion Period to convert the whole or part (in multiples of HK\$1,000,000) of the outstanding principal amount of the Convertible Bonds registered in its name into Shares at the Conversion Price, unless the principal amount of the outstanding Convertible Bonds is less than HK\$1,000,000 in which case the whole (but not part only) of such outstanding principal amount of the Convertible Bonds shall be converted, provided that:

- (i) the public float of the Shares shall not be less than 25% (or any given percentage as required by the GEM Listing Rules for the minimum percentage of shares being held by the public as per Rule 11.23(7) of the GEM Listing Rules) of the issued Shares at the time in compliance with the GEM Listing Rules; and
- (ii) the aggregate number of Conversion Shares issued and to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds based on the adjusted Conversion Price shall not exceed the General Mandate Threshold

Transferability:

the Convertible Bonds and the Conversion Shares are freely transferable at any time after Completion without being subject to any lock-up period

Redemption:

- (i) on the Maturity Date, the Company shall fully redeem at 100% of any outstanding principal amount of the Convertible Bonds not yet converted (including the outstanding amount of the Convertible Bonds attributable to the Exceeded Conversion Shares)
- (ii) the Company may at any time before 31 December 2020 by serving at least five (5) Business Days’ prior written notice on the holder(s) of the Convertible Bonds redeem the Convertible Bonds (in whole or in part)

Voting rights: the holder(s) of the Convertible Bonds shall not be entitled to attend or vote at any meetings of the Company by reason only of it being the holder(s) of the Convertible Bonds

Listing:

- (i) no application will be made by the Company for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange
- (ii) application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares

Ranking of the Convertible Bonds and the Conversion Shares: the payment obligations of the Company under the Convertible Bonds shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations

the Conversion Shares shall rank *pari passu* with the Shares in issue on the date of such allotment and issue, including the rights to all dividends or other distributions declared, paid or made or to be declared, paid or made for which the record date falls on or after the date of such allotment and issue

Conversion Price

The initial Conversion Price of HK\$0.036 per Conversion Share represents:

- (i) a premium of approximately 2.86% over the closing price of HK\$0.035 per Share as quoted on the Stock Exchange on 19 June 2020, being the last trading day immediately prior to the date of the Subscription Agreement; and
- (ii) a premium of approximately 1.69% over the average of the closing price of approximately HK\$0.0354 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement.

The initial Conversion Price have been determined after arm's length negotiations between the Company and the Subscriber with reference to the then prevailing market price of the Shares. The Directors consider that the Conversion Price and the terms and conditions of the Subscription Agreement and the Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Condition precedent

Completion of the Subscription is conditional upon the Listing Committee of the Stock Exchange having granted the approval for the listing of and permission to deal in, the Conversion Shares.

In the event the condition of the Subscription not being fulfilled by 6:00 p.m. on 18 July 2020 (or such other time and date as may be agreed by the Company and the Subscriber), all rights, obligations and liabilities of the parties thereunder shall cease and determine and neither party shall have any claim against the other, save for any antecedent breaches of the terms thereof.

Completion

Completion of the Subscription will take place at 4:00 p.m. within three Business Days (or such other date and time as may be agreed by the Company) after the condition of the Subscription is fulfilled.

General mandate

The Conversion Shares will be issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 24 May 2019, subject to the limit up to 698,000,000 Shares (representing 20% of the share capital of the Company in issue on the date of the annual general meeting). Accordingly, the allotment and issue of the Conversion Shares is not subject to Shareholders' approval.

As at the date of this announcement, none of the Shares have been issued by the Company under the General Mandate. As such, the 698,000,000 Convertible Shares to be allotted and issued upon exercise of the Convertible Bonds at the initial Conversion Price in full pursuant to the Subscription Agreement will fully utilise the General Mandate.

Application for listing

The Company shall make an application to the Stock Exchange for the listing of, and the permission to deal in, the Conversion Shares. No application will be made by the Company for the listing of the Convertible Bonds on the Stock Exchange.

USE OF PROCEEDS

The aggregate gross proceeds from the Subscription are approximately HK\$25,128,000 and the aggregate net proceeds from the Subscription, after the deduction of the professional and other related expenses, are estimated to be approximately HK\$24,870,000, representing a net issue price of approximately HK\$0.0356 per Conversion Share. The Company intends to use the net proceeds mainly for the redemption of the 2020 Convertible Bonds (assuming no conversion before its maturity in November 2020), with any remaining amount as general working capital of the Group.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

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

The Group has suffered a net loss of approximately HK\$55.7 million for the year ended 31 December 2019, and the Group's current liabilities, totalling approximately HK\$352.9 million (including the 2020 Convertible Bonds), exceeded its current assets by approximately HK\$227.1 million as at 31 December 2019. In addition, the Group's hotel business has been adversely affected by the COVID-19 pandemic. Accordingly, the Group has been undertaking a number of measures, including seeking fund raising opportunities, to improve its liquidity and financial position. Hence, taking into account that the Proceeds will mainly be applied for the redemption of the 2020 Convertible Bonds, with any remaining amount being used as general working capital of the Group, the Directors considered that the Subscription will help reduce the Group's liabilities and improve its liquidity position. Further, the issue of the Convertible Bonds will not have an immediate dilution effect on the shareholding of the existing Shareholders. As a result of the foregoing, the Directors consider that the Subscription Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscriber and that the terms and conditions of the Subscription Agreement and the Convertible Bonds are fair and reasonable so far as the interests of the Company and the Shareholders as a whole are concerned.

EFFECTS OF THE FULL CONVERSION OF THE CONVERTIBLE BONDS

The shareholdings in the Company as at the date of this announcement and immediately after conversion in full of the Convertible Bonds (assuming that there is no other change in the issued share capital of the Company) at the initial Conversion Price are summarised as follows:

	As at the date of this announcement		Immediately upon full conversion of the Convertible Bonds at the initial Conversion Price (for illustration purpose only)	
	No. of Shares	Approx. %	No. of Shares	Approx. %
Vertic Holdings Limited (note 1)	1,900,000,000	54.44	1,900,000,000	45.37
CMI Financial Holding Company Limited ("CMI Hong Kong") (note 2)	690,000,000	19.77	690,000,000	16.47
The Subscriber	–	–	698,000,000	16.67
Public Shareholders	900,000,000	25.79	900,000,000	21.49
Total	3,490,000,000	100.00	4,188,000,000	100.00

Notes:

- Vertic Holdings Limited is owned as to 50% by Mr. Ngan Iek, being an executive Director, 25% by Ms. Ngan Iek Chan and 25% by Ms. Ngan Iek Peng. Mr. Ngan Iek is the elder brother of Ms. Ngan Iek Chan and Ms. Ngan Iek Peng. Pursuant to a Hong Kong court order dated 9 December 2019, Vertic was ordered to be wound-up.
- Such Shares are held by CMI Hong Kong, which is wholly-owned by China Minsheng Asia Asset Management Company Limited# (中民投亞洲資產管理有限公司) ("CMI Asia"), which is in turn wholly-owned by China Minsheng Investment Group Corporation Limited# (中國民生投資股份有限公司) ("China Minsheng Investment"). Both CMI Asia and China Minsheng Investment are deemed to be interested in all the Shares held by CMI Hong Kong under Part XV of the Securities and Futures Ordinance. CMI Hong Kong is also the holder of the 2020 Convertible Bonds which entitle it to convert into 76,600,000 Shares upon full exercise of the conversion right attached thereto.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activities in the past 12 months immediately preceding the date of this announcement.

Completion of the Subscription is conditional upon, among other things, the listing of and permission to deal in the Conversion Shares being granted by the Listing Committee of the Stock Exchange. As such, the Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealings in the Shares and other securities of the Company.

DEFINITIONS

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

“2020 Convertible Bonds”	the convertible bonds in the principal amount of HK\$25,278,000 issued by the Company and due in November 2020
“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
“Company”	Link Holdings Limited (stock code: 8237), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM
“Completion”	completion of the Subscription
“Conversion Price”	HK\$0.036 per Conversion Share, subject to adjustments in accordance with the terms and conditions of the Convertible Bonds
“Conversion Share(s)”	the Share(s) which may be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds
“Convertible Bonds”	the zero coupon convertible bonds to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Director(s)”	director(s) of the Company
“GEM”	GEM operated by the Stock Exchange

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“General Mandate”	the general mandate granted to the Directors pursuant to the ordinary resolution passed by the Shareholders at the annual general meeting of the Company held on 24 May 2019 to allot, issue and deal with up to 20% of the then issued share capital of the Company
“General Mandate Threshold”	the threshold of 698,000,000 Shares (subject to share subdivision and consolidation) or such number of Shares which may be permissible to be issued under the General Mandate
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the GEM Listing Rules) any of the directors, chief executives or substantial shareholders of the Company or subsidiaries of the Company or any of their respective associates
“Maturity Date”	the date falling on the 5th anniversary of the date of issue of the Convertible Bonds
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proceeds”	the proceeds from the Subscription
“Share(s)”	existing 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
“Subscriber”	Mr. Ng Meng Chit, an Independent Third Party, being the subscriber of the Convertible Bonds
“Subscription”	the subscription of the Convertible Bonds by the Subscriber pursuant to the terms of the Subscription Agreement

“Subscription Agreement”	the subscription agreement dated 21 June 2020 entered into between the Company and the Subscriber in relation to the Subscription
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

The English transliteration of the Chinese names in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English names of such Chinese names.

By order of the Board
Link Holdings Limited
Ngan Iek
Chairman and executive Director

Hong Kong, 21 June 2020

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 GEM Listing Rules 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 “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting and on the website of the Company at <http://www.linkholdingslimited.com>.

* *For identification purpose only*