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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)

ANNOUNCEMENT UNDER RULE 17.21 OF THE GEM LISTING RULES AND CHANGE IN USE OF PROCEEDS

(I) ANNOUNCEMENT UNDER RULE 17.21 OF THE GEM LISTING RULES

This announcement is made by Link Holdings Limited (the “**Company**”) pursuant to Rule 17.21 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (“**GEM Listing Rules**”).

The board (“**Board**”) of directors (“**Directors**”) of the Company wishes to inform the shareholders of the Company (“**Shareholders**”) and potential investors that pursuant to the convertible bonds (the “**2020 Convertible Bonds**”) issued by the Company on 30 November 2015 in favour of CMI Financial Holding Company Limited (“**CMI Hong Kong**”), the Company was required to redeem the 2020 Convertible Bonds in the principal amount of approximately HK\$25.3 million on the maturity date, i.e. 30 November 2020. However, the Group has failed to redeem the 2020 Convertible Bonds and this constitutes an event of default under the terms of the 2020 Convertible Bonds (the “**Breach**”).

Since the occurrence of the Breach, CMI Hong Kong has issued two letters in December 2020 to the Company demanding for the immediate repayment of the principal sum and default penalty in the aggregate amount of approximately HK\$32.9 million under the 2020 Convertible Bonds together with all default interest (the “**Indebtedness**”).

In order to meet the repayment obligations, the Company has been in discussion with CMI Hong Kong as to the repayment schedule of the Indebtedness. The Company has yet obtained a waiver from CMI Hong Kong in respect of the Breach. The Company will continue to monitor its financial position and will inform and update its shareholders and other investors of any material development in relation to the above by way of announcement as and when appropriate.

The Company was advised by the executive Directors that, upon the default on redemption of the 2020 Convertible Bonds, they considered the default upon maturity would not have significant impact to the Group's operations given the standstill of the further demand action of CMI Hong Kong as requested by the Company, pending negotiation of an amicable repayment schedule. The independent non-executive Directors were informed by the Company about the Breach during the audit committee meeting held on 26 March 2021 to discuss the annual results of the Company for the year ended 31 December 2020 (the “**Annual Results**”); while the non-executive Directors were informed by the Company about the Breach during the board meeting held on 30 March 2021 (the “**Board Meeting**”) to discuss, among other matters, the Annual Results. At the Board Meeting, the non-executive Directors and independent non-executive Directors took different view as to the significance of the impact of the Breach on the Group's operations, and hence requested the Company to make the disclosure of the default in repayment under the 2020 Convertible Bonds in compliance with Rule 17.21 of the GEM Listing Rules accordingly.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares of the Company.

(II) CHANGE IN USE OF PROCEEDS

Reference is made to the announcement (the “**Subscription of CB Announcement**”) of the Company dated 21 June 2020 in relation to the subscription of convertible bonds in the principal amount of HK\$25,128,000. Unless otherwise stated, capitalised term used below shall have same meanings as those defined in the Subscription of CB Announcement.

Use of proceeds from the Subscription

As disclosed in the Subscription of CB Announcement, the Company intended to use the net proceeds of approximately HK\$24.9 million raised from the Subscription (i) mainly for the redemption of the 2020 Convertible Bonds and (ii) any remaining amount used for general working capital of the Group.

Change in use of proceeds

The Company has changed the use of the net proceeds (the “**Change in Use of Proceeds**”) of the Subscription, of which, (i) approximately HK\$20.0 million was used for partial repayment of advance from a director; and (ii) approximately HK\$4.9 million was used for the general working capital of the Group.

The changes in and the utilisation of the net proceeds from the Subscription are set out below:

	Intended use of net proceeds	Actual use of net proceeds	Amount unutilised
The redemption of the 2020 Convertible Bonds	HK\$24.9 million	nil	nil
Working capital	(remaining amount, if any)	HK\$4.9 million	nil
Partial repayment of advance from a director	nil	HK\$20.0 million	nil

Reasons for and benefits of the change in use of proceeds

In respect of the actual use of proceeds as working capital, including the payment of salaries for employees of the Company, given the financial difficulty of the Group's hotel business amid the COVID-19 pandemic and the low level of bank balances of the Company in Hong Kong (excluding the amount of net proceeds), the Company considers it important to avoid the Directors' potential liabilities due to salaries in arrears. Besides, the Company considers the settlement of other operational expenses, such as office rental expenses and professional fees, is crucial to ensure the uninterrupted operation of the Company as a listed company.

In respect of the partial repayment of advance from a director (i.e. Mr. Ngan Iek ("**Mr. Ngan**"), the chairman and executive Director of the Company), mainly in July or August 2020, Mr. Ngan urgently demanded the Company to repay the amount due to him in order to allow him to have available fund to unwind the legal proceedings against Vertic Holdings Limited ("**Vertic**"), the controlling shareholder of the Company, of which Mr. Ngan was a director and which was owned as to 50% by him. Vertic was wound up on 9 December 2019 pursuant to a Hong Kong court order. In particular, at the material time of demanding repayment, Mr. Ngan explained, in the event that Vertic, and in turn, himself, ceases to be a controlling shareholder of the Company, it will probably affect the periodic review and renewal of the banking facilities of the Group by its principal banker, which is of prime importance to the hotel business of the Group.

The Company did not convene a board meeting to discuss the Change in Use of Proceeds, and the Company first informed such change to the non-executive Directors and the independent non-executive Directors during the Board Meeting.

As advised by Mr. Ngan, the Company's negotiation with CMI Hong Kong for an amicable repayment schedule is in progress, the Change in Use of Proceeds will not have imminent material adverse impact on the operations of the Group and is in the best interests of the Company and its shareholders as a whole.

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

Hong Kong, 12 April 2021

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>.

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