

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)

DISCLOSEABLE TRANSACTION IN RELATION TO LEASE AGREEMENT

LEASE AGREEMENT

The Board hereby announces that on 5 July 2021, Zhongchi Company (as lessor) and Shenzhen Macrolink Industrial & Trading Development (as lessee), an indirect wholly-owned subsidiary of the Company, entered into the Lease Agreement, pursuant to which Zhongchi Company agreed to lease the Properties to Shenzhen Macrolink Industrial & Trading Development for a term commencing from 5 July 2021 and ending on 31 December 2032.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to HKFRS 16, the entering into of the Lease Agreement by Shenzhen Macrolink Industrial & Trading Development as a lessee will require the Group to recognise the right-of-use asset in its consolidated statements of financial position. Therefore, the entering into of the Lease Agreement will be regarded as an acquisition of asset by the Group under the definition of transaction set out in Rule 14.04(1)(a) of the Listing Rules. The unaudited value of the right-of-use asset recognised by the Group under the Lease Agreement amounted to approximately RMB32,249,609 (equivalent to approximately HK\$38,699,531).

As the applicable percentage ratio(s) in respect of the acquisition of right-of-use assets to be recognised by the Group pursuant to HKFRS 16 under the Lease Agreement is more than 5% but less than 25%, the transactions contemplated under the Lease Agreement constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and accordingly the Company is only subject to the reporting and announcement requirements but is exempt from the Shareholders' approval requirements.

INTRODUCTION

The Board hereby announces that on 5 July 2021, Zhongchi Company (as lessor) and Shenzhen Macrolink Industrial & Trading Development (as lessee), an indirect wholly-owned subsidiary of the Company, entered into the Lease Agreement, pursuant to which Zhongchi Company agreed to lease the Properties to Shenzhen Macrolink Industrial & Trading Development for a term commencing from 5 July 2021 and ending on 31 December 2032.

THE LEASE AGREEMENT

The principal terms of the Lease Agreement are summarized as follows:

Date: 5 July 2021

Parties: (1) Zhongchi Company (as lessor); and
(2) Shenzhen Macrolink Industrial & Trading Development, an indirect wholly-owned subsidiary of the Company (as lessee)

(together the “**Parties**”).

Zhongchi Company had the full operation and management rights of the Properties at the time of entering into the Lease Agreement.

As at the date of this announcement, Zhongchi Company has obtained all authorizations, approvals, consents and permits in relation to its leasing of the Properties to Shenzhen Macrolink Industrial & Trading Development, including but not limited to the consent of the Property Owner for the sub-lease of the Properties from Zhongchi Company to Shenzhen Macrolink Industrial & Trading Development.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Zhongchi Company, the Property Owner and their respective ultimate beneficial owners are Independent Third Parties.

The Properties:

Located at 139 Bazhuangzi, Fengtai District, Beijing* (北京市豐台區巴莊子139號), with the usable property area of 26,058.9 square meters, comprises 395 guest rooms and ancillary portions as follows: 4 public kitchens in the Building No.3, the warehouse on the second and third floor in the east side of Building No. 4 and the two-storey restaurant (the “**Properties**”).

Usage of the Properties:

The leasing of the Properties is intended for use by the Group as short-term or long-term rental serviced apartments and ancillary business premises such as catering and convenience stores. During the Term, Shenzhen Macrolink Industrial & Trading Development shall be responsible for the operation and management of the Properties and shall have the full operation and management rights of the Properties.

Term:

The Properties are leased for a term commencing from 5 July 2021 to 31 December 2032 (the “**Term**”).

Upon the expiry of the Term, the Lease Agreement shall automatically terminate and Zhongchi Company shall be entitled to repossess the Properties and Shenzhen Macrolink Industrial & Trading Development shall return the same as stipulated. During the Term, the Parties may revise or terminate the Term by mutual agreement through entering into a supplemental agreement.

Rent and payment terms:

The annual fixed rent payable under the Lease Agreement is RMB4,000,000 (equivalent to approximately HK\$4,800,000) and the Lessee is entitled to a rent-free period from 5 July 2021 to 31 December 2021. Accordingly, the aggregate rent payable under the Lease Agreement during the Term is RMB44,000,000 (equivalent to approximately HK\$52,800,000).

The rent is payable annually. The first installment of rent payable from 5 July 2021 to 31 December 2022 shall be calculated on the basis of RMB4,000,000 and shall be paid by 31 December 2021; thereafter, the annual rent for the following year shall be paid by Shenzhen Macrolink Industrial & Trading Development in advance by 31 December each year. The rent will be financed by the Group's internal resources.

During the Term, Shenzhen Macrolink Industrial & Trading Development shall bear its own operating expenses (including but not limited to charges regarding the usage of, among others, property, water, electricity, gas, telephone) for the use of the Properties.

The rent was determined by the Parties after arm's length negotiations and with reference to the prevailing market rent and rental market condition for comparable properties in the vicinity of the Properties.

RIGHT-OF-USE ASSETS AND FINANCIAL IMPACT

The unaudited value of the right-of-use asset recognised by the Group under the Lease Agreement amounted to approximately RMB32,249,609, which is calculated by reference to the aggregate lease payment and discounted by a discount rate. The incremental borrowing rate of 6% is applied to compute the above right-of-use asset amount recognised by the Group, which is estimated and calculated by the independent professional surveyor engaged by the Company based on the summation of (i) the market yield of relevant properties nature by adopting the average market yield of 3 comparable properties in the vicinity of the Properties, being 4.24%; (ii) the rate adjusted for the remaining lease term (over 10 years) being 0.75%; (iii) the rate adjusted for the remaining lease payment (RMB25,000,000 – RMB50,000,000) being 0.75%; and (iv) the rate adjusted for the nature and quality of the underlying asset by comparing the Properties with their comparables being 0.25%.

The Group's consolidated total assets will be increased by approximately RMB32,249,609 (equivalent to approximately HK\$38,699,531) upon the commencement of the Term under the Lease Agreement, and a corresponding amount of approximately RMB32,249,609 (equivalent to approximately HK\$38,699,531) will be recognised for the lease liabilities concurrently. Right-of-use assets are depreciated on a straight-line basis over their lease terms. Interest expense will be recognised on lease liabilities at the rate of 6% per annum. After the commencement date of the Lease, the lease liability is adjusted for accrued interest and lease payments.

INFORMATION ON THE PARTIES

Shenzhen Macrolink Industrial & Trading Development is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, the principal activities of which are the trading of mineral concentrates and property sales agency. The ultimate beneficial controller of Shenzhen Macrolink Industrial & Trading Development is Mr. Fu Kwan, an executive Director, the Chairman and the controlling shareholder of the Company.

Zhongchi Company is a company incorporated in the PRC with limited liability and its scope of business includes but not limited to property management, professional contracting, interior decoration project and design, corporate management services, etc. As at the date of this announcement and according to publicly available records, the Lessor is held as to 50% by Hu Bo* (胡波) and 50% by Li Mei Wing* (李美榮), both being Independent Third Parties.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE AGREEMENT

The Group is principally engaged in property investment and development, trading of mineral concentrates, manufacture and sale of construction materials, coal mining and securities investment.

1. In line with the Group's business strategy of developing and focusing on asset-light and service-based property operations

The business plan and purpose of the Lease Agreement entered into by Shenzhen Macrolink Industrial & Trading Development is to operate and manage the Properties during the Term and it is intended that (i) the Group, on its own or in collaboration with property service providers that are Independent Third Parties, would provide short-term and long-term accommodation services to end users and tenants; (ii) certain rooms in the Properties would be subleased to individuals or group users and tenants; and (iii) certain ancillary facilities and ancillary usage of the Properties, such as shops, ancillary restaurants and convenience stores, would be subleased to professional commercial tenants (the “**Property Sublease and Operation Services**”).

The Properties are located in the Huaxiang Area within the South Fourth Ring Road in Fengtai District, Beijing* (北京市豐台區南四環內花鄉地區). In recent years, there has been an increase in the number of enterprises relocated to the area and the industrial clustering effect is obvious. According to the market research and judgement of the management of the Group based on their experience, the area is an emerging and developing area and it is expected that the number of transient population in the area will continue to increase incrementally every year. It is also expected that the majority of people will stay in the area for less than a week, which are mainly people for business and travel purposes and also relatives of patients and students. There is an imminent demand for serviced apartments or apartment hotels, on a short-term basis, that can provide clean, tidy and comfortable accommodation with catering and room preparation services. As at the date of this announcement, the Properties are generally equipped with basic facilities, and ancillary facilities such as restaurants and warehouses will be available for use, therefore Shenzhen Macrolink Industrial & Trading Development will be able to commence operation on the Properties as intended after leasing the Properties as a whole with only minor modifications.

After leasing the Properties as a whole, Shenzhen Macrolink Industrial & Trading Development will commence operation and intends to develop the Properties into serviced apartments or apartment hotels mainly for short term lease to meet the needs of the population in the area, with Shenzhen Macrolink Industrial & Trading Development being fully responsible for the promotion activities, leasing, handling leasing and attracting customers. In order to improve operational efficiency, Shenzhen Macrolink Industrial & Trading Development will consider outsourcing the front desk reception, guest room, security, cleaning and catering services to Independent Third Parties and allocating the revenue based on the performance of those Independent Third Parties. This arrangement is expected to greatly enhance the operational efficiency of the project, reduce the Company's management costs and eliminate the need to hire a large number of additional service staff, thus providing more flexibility and ease in financial and human resources management. Throughout the operation of the project, Shenzhen Macrolink Industrial & Trading Development will play a leading role in operating and monitoring the quality of services provided by Independent Third Parties to meet the daily operations of the Properties, as well as adjusting its marketing strategies from time to time so as to enhance the reputation and attract more customers.

In contemplation of the successful completion of the Company's acquisition of Macrolink Development and Investment Limited* (新華聯發展投資有限公司), details of which are set out in the Company's announcement dated 5 March 2021 (the "**Acquisition Announcement**"), together with the Group's existing property investment business, the Group's number of projects and the gross floor area under management for property management and operation services will be significantly increased and the Group is expected to benefit from economies of scale as the share of marginal costs borne by the Company will be reduced and the Group will not have to bear additional management costs for a significant number of property management and operation services projects. Therefore, the Board is of the view that the proposed use of the Properties for the provision of the Property Sublease and Operation Services upon the entering into of the Lease Agreement will expand the Group's revenue stream, thereby generating stable income and realising more benefits for the Group, which is in line with the Company's asset-light business model and philosophy of providing property operation and management instead of direct acquisition of properties.

As at the date of this announcement, the Company's existing property investment business includes the investment properties of office units 708, 728, 731, 732, 734, 735, 1132, 1510 and 1516 of Tower 1, Junefield Plaza, No. 6 Xuan Wu Men Wai Dajie, Xi Cheng District, Beijing, the PRC (中國北京市西城區宣武門外大街六號莊勝廣場第一座 708、728、731、732、734、735、1132、1510及1516室辦公單位) and office units 725-729 on Level 7 and 917 on Level 9 of Tower 2, Junefield Plaza, No. 10 Xuan Wu Men Wai Dajie, Xi Cheng District, Beijing, the PRC (中國北京市西城區宣武門外大街十號莊勝廣場第二座七樓725至729室及九樓917室辦公單位) (the “**Office Units**”). The Company earns rental income by leasing the Office Units to tenants and providing day-to-day property management and maintenance services. The Board is therefore of the view that the Company's existing property investment business and the Company's proposed Property Sublease and Operation Services are highly similar in terms of business model, operation model and revenue model, and that the above businesses require similar property management and operation experience and expertise from the management of the Group.

In view of the relatively low gross rental yield of commercial properties in the PRC, and taking into account the Group's capital position, financing costs and the potential for future appreciation of the Properties, the Board considers that it is not cost-effective and in the best commercial interest of the Company to provide leasing and property management and operation services through direct acquisition of commercial properties. Accordingly, the Group intends to adjust its business strategy and expansion plan by focusing more resources on leasing commercial properties as a whole from the upstream suppliers and lessors in order to obtain more property management and operation rights, and in turn sub-lease and/or provide accommodation services to downstream lessees, occupants and/or professional commercial tenants. The Board is of the view that the business model of Property Sublease and Operation Services and entrusted property operation and management business will be a major business expansion direction for the Group in the future and is an organic business extension of the Group's existing property investment and development business, which is in line with the Group's business strategy of focusing on asset-light and service-oriented property operations.

2. **An existing team of high-caliber and experienced management in the Property Sublease and Operation Services**

The Group has the advantage of having an existing team of high-caliber and experienced management in the Property Sublease and Operation Services. The senior management team primarily responsible for property-related businesses, including but not limited to the Property Sublease and Operation Services, will be comprised of Mr. Fu Kwan, the chairman of the Board, Mr. Zhang Jian, the executive Director, Ms. Liu Jing, the executive Director and Ms. Cheng Chen* (成晨), the deputy general manager of operations of Shenzhen Macrolink Industrial & Trading Development.

The following is a summary of the qualifications and experience of the members of the senior management team in property-related businesses:

Mr. Fu Kwan (“**Mr. Fu**”), has been an executive Director and the Chairman of the Company since August 2018. Mr. Fu joined the real estate industry in 1992 and has nearly 30 years of experience in corporate management, property development and operations management.

Mr. Zhang Jian (“**Mr. Zhang**”), has been an executive Director and the general manager of the Company since August 2018. He is familiar with the industry trend in the domestic and international real estate industry, policies directions and financial expertise, and is fully involved in various real estate projects and businesses and has nearly 10 years of experience in relevant property management and operation.

Ms. Liu Jing (“**Ms. Liu**”), has been an executive Director of the Company since August 2018. Ms. Liu serves as a director and senior vice president of Macrolink Holdings. Ms. Liu is familiar with the real estate industry, having held various management roles in real estate companies, particularly in spearheading financial management and has many years of extensive experience in real estate development and operational management and financial management.

For further biographical details of Mr. Fu, Mr. Zhang and Ms. Liu, please refer to the section headed “Biographical Details of Directors and Senior Management” in the Annual Report 2020 of the Company as disclosed on 28 April 2021.

Ms. Cheng Chen (“**Ms. Cheng**”), who is currently the deputy general manager of operations of Shenzhen Macrolink Industrial & Trading Development, has over 20 years of experience in property development and property management, ranging from large scale commercial complexes, office buildings, residential buildings, high-end luxury apartments, hotel-style apartments and high-end headquarter bases. Ms. Cheng also has extensive experience in asset management and operation. Ms. Cheng joined Macrolink Holdings in 1997. From 1997 to 2002, she assisted in the successful sales of three major flagship projects, namely, Macrolink Wah Hing Yuen* (新華聯華興園), Macrolink Ka Yuen* (新華聯家園) and Macrolink Kam Yuen* (新華聯錦園). From 2002 to 2005, the Beijing Youth City project* (北京青年城項目) of Macrolink Holdings won the Planning Environment Double Gold Award* (規劃環境雙金獎) in the National Residential Classic Architecture Scheme Competition (Residential Category)* (全國人居經典建築方案大賽 (住宅組)). From 2006 to 2007, the Macrolink Laguna* (新華聯麗港) project won the Best Investment Property Award in China. In 2008, the Macrolink Technology Park (Yizhuang Silicon Valley)* (新華聯科技園(亦莊矽谷)) project was awarded the Top 10 Office Buildings of the Year 2008-2009. From 2009 to 2012, Ms. Cheng assisted Macrolink Holdings in the operation of Macrolink International Plaza, a large-scale commercial complex with an area of approximately 100,000 square meters. From 2013 to 2018, Ms. Cheng was responsible for the operation and management of 39 individual business buildings in the headquarter base of a private enterprise in Beijing. From 2019 to present, Ms. Cheng is responsible for the operation and management of the properties entrusted for management of Macrolink Development and Investment Limited* (新華聯發展投資有限公司) (details of the properties entrusted for management are set out in the Acquisition Announcement).

In view of (i) the strength of the Group’s existing team of high-caliber and experienced management in property-related businesses, including the Property Sublease and Operation Services; and (ii) the Group is determined to focus on its business strategy of developing asset-light and service-oriented property operations, the entering into of the Lease Agreement ensures that the Group will continue to leverage on the property management and operation experience of the Group’s senior management and brand advantages of the Group in the provision of the Property Sublease and Operation Services. The Board considers that the entering into of the Lease Agreement and the transactions contemplated thereunder are beneficial to the Company and the Shareholders as a whole.

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	The Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected person(s)
“Lease Agreement”	the lease agreement dated 5 July 2021 entered into between Zhongchi Company (as lessor) and Shenzhen Macrolink Industrial & Trading Development (as lessee) in respect of the lease of the Properties
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macrolink Holdings”	Macrolink Holdings Limited* (新華聯控股有限公司), a company incorporated in the PRC with limited liability and a connected person of the Company, the ultimate beneficial owner of which is Mr. Fu Kwan, an executive Director and the Chairman of the Company
“Property Owner”	Beijing Huafeng Yangjichang* (北京市華豐養雞廠), a collectively-owned enterprise incorporated in the PRC, being an Independent Third Party
“percentage ratio(s)”	has the meaning as ascribed thereto under the Listing Rules, as applicable to a transaction
“PRC” or “China”	the People’s Republic of China and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company

“Shareholder(s)”	the holder(s) of the Shares
“Shenzhen Macrolink Industrial & Trading Development” or “Lessee”	深圳新華聯工貿發展有限公司 (Shenzhen Macrolink Industrial & Trading Development Limited*), a company incorporated in the PRC with limited liability, being an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning as ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Zhongchi Company” or “Lessor”	中馳酒店物業管理(北京)有限公司 (Zhongchi Hotel Property Management (Beijing) Limited*), a company incorporated in the PRC with limited liability, being an Independent Third Party
“%”	per cent

For the purpose of illustration only and unless otherwise stated, conversions of RMB into HK\$ in this announcement are based on the exchange rate of RMB1 to HK\$1.20. Such conversions should not be construed as a representation that any amount has been, could have been, or may be, exchanged at such or any other rate.

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

Hong Kong, 5 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*