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CHINLINK INTERNATIONAL HOLDINGS LIMITED

普匯中金國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0997)

**DISCLOSEABLE TRANSACTION
IN RELATION TO FINANCE LEASE AND GUARANTEE ARRANGEMENTS**

THE AGREEMENTS

After trading hours of the Stock Exchange on 16 October 2017, Chinlink Finance Lease (currently an indirect wholly-owned subsidiary of the Company) and the Lessees entered into the Lease Agreements, pursuant to which Chinlink Finance Lease agreed to purchase the Assets from the Lessees for a consideration of RMB20 million (equivalent to approximately HK\$23.8 million) in total and lease back the Assets to the Lessees for a term of 36 months for total lease payments of RMB23.9 million (equivalent to approximately HK\$28.4 million). On the same date, Chinlink Guarantee (currently an indirect wholly-owned subsidiary of the Company) also entered into the Guarantee and Consultancy Services Agreements with Lessee A, pursuant to which Chinlink Guarantee agreed to guarantee the settlement by Lessee A of the total lease payments under the Lease Agreements.

LISTING RULES IMPLICATIONS

The transactions contemplated under the Agreements constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

* For identification purpose only

The Board is pleased to announce that after trading hours of the Stock Exchange on 16 October 2017, Chinlink Finance Lease (currently an indirect wholly-owned subsidiary of the Company) and the Lessees entered into the Lease Agreements, pursuant to which Chinlink Finance Lease agreed to purchase the Assets from the Lessees for a consideration of RMB20 million (equivalent to approximately HK\$23.8 million) and lease back the Assets to the Lessees for a term of 36 months for total lease payments of RMB23.9 million (equivalent to approximately HK\$28.4 million). On the same date, Chinlink Guarantee (currently an indirect wholly-owned subsidiary of the Company) also entered into the Guarantee and Consultancy Services Agreements with Lessee A, pursuant to which Chinlink Guarantee agreed to guarantee the settlement of the total lease payments under the Lease Agreements. Details of the Agreements are set out below.

THE LEASE AGREEMENTS

Date

16 October 2017

Parties

- (i) Chinlink Finance Lease;
- (ii) the Lessee A; and
- (iii) the Lessee B.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) Lessee A, Lessee B and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons; (ii) Lessee A is principally engaged in the design and manufacturing of high voltage electrical equipment and machinery in Hanzhong City, Shaanxi Province, the PRC; and (iii) Lessee B is principally engaged in the manufacturing and sale of electrical and mechanical equipment, high low voltage electrical products and accessories for spinning equipment in Hanzhong City, Shaanxi Province, the PRC; and (iv) Lessee A is beneficially owned as to approximately 99.9% by the Owners and Lessee B is beneficially owned as to approximately 54.2% by the Owners.

Chinlink Finance Lease and the Lessees agreed that all payments and receipts under the Lease Agreements shall be made by/to Lessee A.

Subject matter

Pursuant to the Lease Agreements, Chinlink Finance Lease agreed to purchase the Assets from the Lessees for a total consideration of RMB20 million (equivalent to approximately HK\$23.8 million) and thereafter lease back the Assets to the Lessees.

The consideration for the sale and purchase of the Assets, less a security deposit in the amount of RMB5 million (equivalent to approximately HK\$6 million and representing approximately 25% of the consideration for the sale and purchase of the Assets) shall be payable by Chinlink Finance Lease to Lessee A by 23 October 2017. The consideration was determined taking into account the original acquisition costs of the Assets of approximately RMB38.4 million (equivalent to approximately HK\$45.7 million) by the Lessees.

Chinlink Finance Lease shall charge the Lessees a handling fee of RMB600,000 (equivalent to approximately HK\$714,000 and representing 3% of the principal amount of the lease) for the sale and leaseback arrangement under the Lease Agreements.

Conditions

The sale and leaseback arrangement under the Lease Agreements shall be conditional on Lessee A repaying in full the bank loan in the amount of RMB10 million borrowed from Changan Bank and guaranteed by Chinlink Guarantee.

Terms of the lease

Pursuant to the Lease Agreements, following the sale and purchase of the Assets as described above, Chinlink Finance Lease shall lease the Assets to the Lessees for a period of 36 months from the date on which the consideration of the Assets is paid by Chinlink Finance Lease (the **"Lease Effective Date"**). During the lease period, Lessee A shall make total lease payments to Chinlink Finance Lease in the aggregate amount of RMB23.9 million (equivalent to approximately HK\$28.4 million), which comprise (i) principal lease amount which is equivalent to the consideration for the sale and purchase of the Assets as described above; and (ii) interests calculated based on a flat interest rate of 6.49% per annum on the aforesaid principal lease amount over the lease term. The aggregate lease payments shall be payable by Lessee A by 36 monthly installments ranging from approximately RMB458,583 to RMB737,833 (equivalent to approximately HK\$545,714 to HK\$878,021) each during the lease term.

Buyback arrangement and release of security deposit

The title of the Assets shall vest in Chinlink Finance Lease during the lease term. Upon expiry of the lease term and subject to the full settlement of all lease payments and interests due to Chinlink Finance Lease, Chinlink Finance Lease shall sell and the Lessees shall purchase the Assets at an agreed nominal consideration of RMB100 (equivalent to approximately HK\$119), which shall be payable by the Lessees together with the final lease payment to Chinlink Finance Lease.

The security deposit shall be released to the Lessees in two tranches. The first tranche of the security deposit of RMB3 million (equivalent to approximately HK\$3.6 million) is expected to be released by 30 June 2018 and the second tranche of the security deposit of RMB2 million (equivalent to approximately HK\$2.4 million) shall be released to the Lessees on the maturity date of the lease.

Securities

The obligations of the Lessees under the Lease Agreements shall be guaranteed by Chinlink Guarantee.

THE GUARANTEE AND CONSULTANCY SERVICES AGREEMENTS

Date

16 October 2017

Parties

- (i) Chinlink Guarantee; and
- (ii) Lessee A.

Subject matter

Pursuant to the Guarantee and Consultancy Services Agreements, Chinlink Guarantee agreed to guarantee the settlement by Lessee A of the total lease payments under the Lease Agreements and provide management consulting services to Lessee A in respect of tax and financing guarantee appraisal. In consideration of Chinlink Guarantee agreeing to act as guarantor, the Owners shall:

- (i) create a charge over an aggregate of approximately 95.0% equity interests in Lessee A held by the Owners in favour of Chinlink Guarantee;
- (ii) create a charge over the receivables of Lessee A from three of its major customers;
- (iii) create a charge over certain properties held by two of the Owners located at 漢中市南鄭縣大河坎鎮天漢大道華燕生活區 (Huayan Living Area, Tianhan Road, Dahekan Town, Nanzheng District, Hanzhong City, the PRC*) after registration of the properties in 南鄭縣房管局 (Nanzheng Bureau of Land and Resources*); and
- (iv) apply for the document of title to a production plant held by Lessee A located at 漢中市漢台區鋪鎮工業園區 (Pu Zhen Industrial Park, Hantei District, Hanzhoug City, the PRC*) and subsequently create a charge over the production plant in favour of Chinlink Guarantee.

Terms of the guarantee

The guarantee amount under the Guarantee and Consultancy Services Agreements is RMB20 million. The guarantee and consultancy services shall commence from the Lease Effective Date and end on the maturity date of the lease.

In respect of the above arrangements, Chinlink Guarantee shall charge Lessee A guarantee and consultancy fees in the following manner:

- (a) within 3 Business Days from the date of the Guarantee and Consultancy Services Agreements, Lessee A shall pay a guarantee and consultancy fee in the amount of RMB500,000;
- (b) within 5 Business Days before the first anniversary of the Lease Effective Date, Lessee A shall pay a further guarantee and consultancy fee calculated at 2.5% of the then outstanding lease principal amount; and
- (c) within 5 Business Days before the second anniversary of the Lease Effective Date, Lessee A shall pay a further guarantee and consultancy fee calculated at 2.5% of the then outstanding lease principal amount.

The total guarantee and consultancy fees are expected to be approximately RMB1.1 million (equivalent to approximately HK\$1.3 million).

Counter-guarantee

The obligation of Lessee A under the Guarantee and Consultancy Services Agreement is secured by (i) a personal guarantee provided by the Owners; and (ii) a corporate guarantee provided by Lessee B in favour of Chinlink Guarantee.

REASONS FOR THE AGREEMENTS

The Company is an investment holding company. The Group is principally engaged in property investment, interior decoration works in Hong Kong and Macau, trading (including mainly electronic components and appliance, furniture and fixtures, etc.), provision of financing guarantee services, finance leasing services and logistics services in the PRC.

Chinlink Finance Lease is currently an indirect wholly-owned subsidiary of the Company principally engaged in the provision of finance leasing services in the PRC, targeting the healthcare, infrastructure, public transport and environment facilities sectors. Chinlink Guarantee is principally engaged in the provision of financing guarantee services in the PRC. On 19 July 2017, Chinlink Guarantee has already provided a guarantee in favour of Changan Bank in respect of a bank loan in the principal amount of RMB10 million (equivalent to HK\$11.9 million) borrowed by Lessee A. As mentioned above, the Lease Agreements are conditional on the full repayment by Lessee A of the aforesaid bank loan and the release of Chinlink Guarantee from the guarantee. The Agreements are entered into in the ordinary and usual course of business of Chinlink Finance Lease and Chinlink Guarantee to replace the aforesaid loan guarantee and provide additional service to Lessee A. The Assets which comprise machineries and production facilities are being used in the respective principal business of the Lessees. The terms of the Agreements were negotiated among Chinlink Finance Lease, Chinlink Guarantee and the Lessees on an arm's length basis with reference to prevailing market rates and terms for similar finance lease and financial guarantee arrangements. The consideration for the acquisition of the Assets shall be paid out of the paid up capital of Chinlink Finance Lease; and the lease payments receivable from the Lessees shall be retained as the working capital of Chinlink Finance Lease for its finance leasing business.

Taking the above into account, the Board is of the view that the terms of the Agreements are fair and reasonable and on normal commercial terms, and the transactions contemplated thereunder are in the interest of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The transactions contemplated under the Agreements constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as set forth below:–

“Agreements”	together, the Lease Agreements and the Guarantee and Consultancy Services Agreements
“Assets”	certain production facilities of the Lessees
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks in the PRC are open for general business during their normal business hours
“Chinlink Finance Lease”	普匯中金融租賃有限公司 (Chinlink Finance Lease Company Limited*), a company established as a wholly foreign-owned company in the PRC and currently an indirect wholly-owned subsidiary of the Company
“Chinlink Guarantee”	陝西普匯中金融擔保有限公司 (Shaanxi Chinlink Financial Guarantee Limited*), a company established as a wholly foreign-owned company in the PRC and currently an indirect wholly-owned subsidiary of the Company
“Company”	Chinlink International Holdings Limited, a company incorporated in Bermuda whose issued Shares are listed on the main board of the Stock Exchange (Stock Code: 0997)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company from time to time

“Group”	the Company and its subsidiaries
“Guarantee and Consultancy Services Agreements”	the guarantee agreement and consultancy services agreement both dated 16 October 2017 entered into contemporaneously between Chinlink Guarantee and Lessee A in relation to the guarantee of the settlement of the total lease payments under the Lease Agreements and provision of consultancy services in respect of tax and financing guarantee appraisal
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lease Agreements”	the asset acquisition agreement and finance lease agreement both dated 16 October 2017 entered into contemporaneously between Chinlink Finance Lease and the Lessees in relation to the sale and leaseback arrangement for the Assets
“Lessee A”	漢中燕航精工機械有限公司 (Hanzhong Yanhang Precision Machinery Company Limited*)
“Lessee B”	漢中華燕科技開發有限公司 (Hanzhong Huayan Aviation Technology Development Company Limited*)
“Lessees”	together, Lessee A and Lessee B
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Owners”	being three shareholders of Lessee A and Lessee B who together hold a majority interest in each of Lessee A and Lessee B
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Shareholder(s)”	holder(s) of the ordinary share(s) of HK\$0.3125 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

The English translation of Chinese names or words marked with “” in this announcement, where indicated, is included for identification purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

In this announcement, amounts in RMB are translated into HK\$ on the basis of RMB1 = HK\$1.19. The conversion rate is for illustration purpose only and should not be taken as a representation that RMB could actually be converted into HK\$ at such rate or at other rates or at all.

By order of the Board
Chinlink International Holdings Limited
Mr. Li Weibin
Chairman

Hong Kong, 16 October 2017

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Li Weibin, Mr. Siu Wai Yip, Ms. Lam Suk Ling, Shirley and Mr. Lau Chi Kit; a non-executive Director, namely Ms. Fung Sau Mui; and three independent non-executive Directors, namely Dr. Ho Chung Tai, Raymond, Ms. Lai Ka Fung, May and Ms. Chan Sim Ling, Irene.