Link Holdings Limited
華星控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8237

2019
ANNUAL REPORT

* For identification purposes only

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This report, for which the directors (the "Directors") of Link Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (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 report 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 in this report misleading.

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Corporate Information

DIRECTORS

Executive Directors

Mr. Ngan Iek *(Chairman)*
Datuk Siew Pek Tho
Mr. Chen Changzheng (resigned on 30 July 2019)

Non-executive Directors

Ms. Ngan Iek Peng (resigned on 3 April 2020)
Mr. Lin Jianguo (appointed on 3 April 2020)
Mr. Luo Guorong (appointed on 8 January 2019 and resigned on 15 November 2019)
Ms. Zhang Shuo (appointed on 8 January 2019)
Mr. Zhao Guoming (appointed on 15 November 2019)

Independent non-executive Directors

Mr. Thng Bock Cheng John
Mr. Chan So Kuen
Mr. Lai Yang Chau, Eugene

COMPANY SECRETARY

Mr. Lau Tak Shing, HKICPA (resigned on 17 July 2019)
Mr. Tong Hing Wah, HKICPA, ACCA (appointed on 30 July 2019)

COMPLIANCE OFFICER

Datuk Siew Pek Tho

AUDIT COMMITTEE

Mr. Chan So Kuen *(Chairman)*
Mr. Thng Bock Cheng John
Mr. Lai Yang Chau, Eugene

REMUNERATION COMMITTEE

Mr. Lai Yang Chau, Eugene *(Chairman)*
Mr. Ngan Iek
Datuk Siew Pek Tho
Mr. Chan So Kuen
Mr. Thng Bock Cheng John

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Mr. Ngan Iek *(Chairman)*
Datuk Siew Pek Tho
Mr. Chan So Kuen
Mr. Lai Yang Chau, Eugene
Mr. Thng Bock Cheng John

REGISTERED OFFICE

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PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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West Tower of
Shun Tak Centre
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Sheung Wan, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER

DBS Bank Limited
12 Marina Boulevard
43-03 DBS Asia Central
Marina Bay Financial Centre Tower 3
Singapore
018982

AUDITOR

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

STOCK CODE

8237

COMPANY'S WEBSITE

www.linkholdingslimited.com

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Link Holdings Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to present the results of the Company for the year ended 31 December 2019 (the "Year").

BUSINESS AND FINANCIAL REVIEW

The Group is principally engaged in operation of hotel services and properties investment. During the Year, the Group opened a new spa hotel, namely Hanatsubaki Spa Hotel in Japan in September 2019.

For the Year, the Group recorded a total revenue of approximately HK$37.7 million, accounting for a decrease of approximately 37.8% as compared with the last financial year, which was mainly due to the record of negative income (being income less modification loss) from the Group's distressed debt assets. The revenue from the Group's hotel business recorded an increase of approximately 9.0% which was mainly due to the contribution from the new spa hotel in Japan. For the Year, loss attributable to owners of the Company was approximately HK$55.6 million, representing a substantial increase in loss by approximately 16.1 times as compared with the last financial year, which was mainly due to the unsatisfactory performance of the distressed debt assets management business amid the economic downtrend of the People's Republic of China (the "PRC") during the Year, resulting in the aforesaid record of negative revenue as well as a loss allowance for expected credit losses on such distressed debt assets.

As regard the development of the resort project in Bintan, Indonesia, in light of certain design changes to accommodate for a reduced budget of overall construction cost given the Group's financial resources currently available, and that the recent coronavirus pandemic affected the supply chains of various sectors worldwide, it is currently expected that the construction of the resort project will be completed in the first half of 2021.

PROSPECTS

Although the Group is facing challenges arising from the recent coronavirus pandemic since January 2020 which has led to the travel restrictions of tourists in many countries and regions, and affected the Group's hotel business in Asia, we consider such unfavorable environment is short-term and will not affect the Group's hotel business in the medium to long run. Looking forward, the Company will endeavour to maximise the Group's overall return on assets and its corporate value. The Group adopts an optimistic attitude to cope with any challenges and capture opportunities in a positive way, and is confident in its future growth.

APPRECIATIONS

Finally, on behalf of the Board, I would like to take this opportunity to express my sincere appreciation to the management and staff of the Group for their dedication, commitment and professionalism in striving to achieve our goals. Our sincere gratitude also goes to all of our shareholders, investors, business partners and stakeholders of the Group for their continued and strong support to the Group. I deeply thank them for their recognition of our vision and strategies towards future development.

Ngan Iek
Chairman and Executive Director

6 May 2020

Management Discussion and Analysis

BUSINESS REVIEW

The Group commenced its hotel business in Singapore with the opening of Link Hotel in 2007, and commenced its distressed debt assets management business in 2017. The Group also opened a new spa hotel, namely Hanatsubaki Spa Hotel in Japan in September 2019.

For the Year, the Group continued to stay focused on the operation of its hotel business, and the construction of the resort hotel situated in Bintan, Indonesia pursuant to the master plan of the development of the Bintan Assets (as defined in the prospectus of the Company dated 30 June 2014 (the "Prospectus")). Save as disclosed in this annual report, there is no material change in the Group's businesses during the Year. The operation of Link Hotel in Singapore continued to generate the main source of income for the Group during the Year.

FINANCIAL REVIEW

For the Year, the Group recorded a total revenue of approximately HK$37.7 million (2018: HK$60.6 million), accounting for a decrease of approximately HK$22.9 million or 37.8% as compared to FY2018, which was mainly due to the record of negative income from distressed debt assets.

For the Year, loss attributable to owners of the Company was approximately HK$55.6 million (2018: loss of approximately HK$3.3 million), representing a substantial increase in loss by approximately HK$52.4 million or 16.1 times. Such deterioration of the Group's financial performance was mainly due to (i) the recognition of negative income from the Group's distressed debt assets (i.e. income from distressed debt assets classified as receivables less modification loss) of approximately HK$17.5 million for the Year as compared to the positive income of approximately HK$10.0 million recorded for the last year; (ii) the record of loss allowance for expected credit losses on the Group's distressed debt assets (which were located in the PRC) of approximately HK$11.0 million (2018: nil) in view of the slow recoverability during the Year and the anticipated decrease in value realisable underlying the current downtrend of the PRC economy; (iii) write off of construction in progress of approximately HK$5.3 million (2018: nil) due to the slowdown of the construction of the resort hotel in Bintan, Indonesia in light of the Group's tight financial resources during the Year; and (iv) the increase in pre-operating loss by approximately HK$6.0 million in respect of the Group's newly opened spa hotel in Japan and the incurring of operating loss of approximately HK$5.1 million since its commencement of operation in September 2019.

Basic losses per share for the Year was approximately HK cents 1.594 (2018: basic losses per share of approximately HK cents 0.093).

Hotel operation

For the Year, room revenue amounted to approximately HK$41.4 million (2018: approximately HK$39.8 million), accounting for approximately 75.0% (2018: approximately 78.6%) of the Group's total revenue from hotel operation. Room revenue mainly represents revenue generated from hotel accommodation in Link Hotel, which accounted for approximately 96.3% of total room revenue for the Year (2018: 100%), and depends in part on the achieved average room rate and occupancy rate. Room revenue for the Year also included a small contribution from the Group's spa hotel in Japan since its commencement of operation in September 2019.

The following table sets out the total available room nights, occupancy rate, average room rate and Revenue per Available Room ("RevPAR") of Link Hotel for the years indicated:

	Year ended 31 December	
	2019	2018
Total available room nights	**100,010**	100,010
Occupancy rate	**65.0%**	62.61%
Average room rate *(HK$)*	**555.5**	577.7
RevPAR *(HK$)*	**362.5**	361.5

For the Year, food and beverage ("F&B") revenue was approximately HK$6.8 million (2018: approximately HK$3.3 million), representing approximately 12.3% (2018: approximately 6.6%) of the total revenue from hotel operation. F&B revenue represents the sale of F&B in the restaurants, bars, room services and meeting spaces of the Group's hotels.

The Group leased shop units in its hotels and received rental income from hotel tenants. For the Year, rental income from hotel tenants was approximately HK$5.8 million (2018: approximately HK$6.1 million) representing approximately 10.5% (2018: approximately 12.0%) of the total revenue from hotel business.

Bintan Assets

The construction contract for the first stage of the first phase of the Bintan Development Plan (as defined in the Prospectus) was signed in September 2016 (details were disclosed in the Company's announcement dated 29 September 2016). During 2017, the construction plan has been amended to be more fitting to the latest theme of the resort. During the Year, due to the tight financial resources, the construction progress was slowed down. Based on the assessment of the Group's financial resources available, the Group made certain design changes in order to accommodate for a reduced budget of the overall construction cost. The Group also continued working on the improvements of various construction works during the Year. In view of the above and that the recent outbreak of the coronavirus pandemic has affected the supply chains of various sectors worldwide, it is currently expected that the construction of the resort hotel will be completed in the first half of 2021.

Distressed debt assets management business

During the Year, the the Group recorded negative income from distressed debts assets (net of modification loss) of approximately HK$17.5 million (2018: positive income of approximately HK$10.0 million). Besides, due to the slow recoverability of the distressed debts during the Year and the anticipated decrease in value realisable underlying the current downtrend of the PRC economy, the Group recorded a loss allowance for expected credit losses on distressed debt assets of approximately HK$11.0 million for the Year (2018: nil).

Liquidity, financial resources and capital structure

During the Year, the Group mainly financed its operations with its own working capital and bank loans. As at 31 December 2019, the Group had net current liabilities of approximately HK$227.1 million (2018: net current liabilities of approximately HK$159.4 million), including cash and cash equivalents of approximately HK$36.7 million (2018: approximately HK$165.3 million) and short-term interest-bearing bank borrowings of approximately HK$189.5 million (2018: approximately HK$188.1 million). As at 31 December 2019, the Group also had non-current interest-bearing bank borrowings of approximately HK$111.6 million (2018: approximately HK$120.8 million).

The Directors have been closely monitoring its working capital and considered appropriate funding such as internal operating fund, unutilised banking facilities and seeking new external funding. The Directors will manage the capital of the Group and ensure that the Group will have sufficient financial resources to finance its working capital requirements.

The gearing ratio calculated based on the Group's total debts (being interest-bearing bank borrowings and convertible bonds) divided by the Group's total equity and multiplied by 100% as at 31 December 2019 was approximately 80.3% (2018: approximately 73.1%).

There is no cancellation, conversion or redemption of the convertible bonds during the Year. As such, the outstanding principal amount of the convertible bonds remained approximately HK$25.3 million as at 31 December 2019 (2018: approximately HK$25.3 million) with a maturity date on 30 November 2020.

Significant investments

The Group did not acquire or hold any significant investment during the Year (2018: nil).

Material acquisitions and disposals

During the Year, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

Contingent liabilities

As at 31 December 2019, the Group did not have any contingent liabilities (2018: nil).

Employees and remuneration policies

As at 31 December 2019, the Group engaged a total of approximately 90 employees (2018: approximately 60). Total staff costs excluding Directors' remuneration for the Year amounted to approximately HK$21.6 million (2018: approximately HK$21.0 million). The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of individual employees.

The Group provides retirement benefits in accordance with the relevant laws and regulations in the place where the staff is employed.

The Company has adopted a share option scheme pursuant to which the Directors and employees of the Group are entitled to participate. As at 31 December 2019, no options had been granted under the share option scheme.

Trainings are provided to the employees to equip them with practical knowledge and skills. For details of the training programmes, please refer to the Environmental, Social and Governance Report.

Foreign currency exposure

Substantially all the transactions of the Group's subsidiaries in Singapore, Indonesia, Japan and the PRC are carried out in Singapore dollar, Indonesia Rupiah, Japanese Yen and Renminbi ("RMB") respectively, which are the functional currencies of the subsidiaries. Therefore, foreign currency risk for the respective currencies above are minimal. However, the translation of functional currencies for respective subsidiaries above to presentation currency in Hong Kong dollar might be exposed to foreign currency risk. During the Year, the Group had not used any financial instruments for foreign currency risk hedging purposes. For the analysis of the Group's foreign currency risk, please refer to the note 46 to the consolidated financial statements.

Charges on group assets

As at 31 December 2019, certain property, plant and equipment of the Group with net carrying amount of approximately HK$168.9 million (2018: approximately HK$175.8 million) were pledged to secure for the banking facilities.

Dividends

The Directors do not recommend the payment of final dividend for the Year (2018: nil).

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has in place compliance and risk management policies and procedures, and members of the senior management are delegated with the continuing obligation to monitor adherence to and compliance with all significant legal and regulatory requirements by the Group.

To the best knowledge of the Board, the Group has complied with the relevant laws and regulations applicable to its business and industry in those jurisdictions in which the Group operates, in all material respects during the year ended 31 December 2019.

ENVIRONMENTAL POLICIES

During the year ended 31 December 2019, the Group has complied with all applicable laws and regulations in relation to environmental protections in all material respects. Details of the Group's environmental, social and governance performance for the year ended 31 December 2019 can be found in in the section headed "Environmental, Social and Governance Report" of this annual report.

KEY RISKS AND UNCERTAINTIES

The Group has implemented certain risk management practices to mitigate the risks that are present in our operations and financial position.

Risk Name	Description	Control Measures
Strategic and Business Risk		
Competitor	Newly opened hotels, competitors' renovation/facilities upgrade or promotional campaign of competitors might decrease the attractiveness of our hotel business.	1. Continuously monitor pricing, renovation or promotional campaign of our competitors and take necessary actions to reduce the impact on our performance; 2. Collect guest satisfactory rating to understand the needs of our guests; and 3. Reinvestments into our hotel to ensure competitiveness.
Macroeconomic and business environment	Economic downturn and the adverse effect of travel restrictions due to the outbreak of the coronavirus pandemic which has led to a decrease in the number of tourists, corporate travelling budget and their sentiment on consumption could impact the occupancy rate, the competitions among the hotels and the profitability.	1. Keep updated with the macroeconomic and business environment, adjust business activities promptly to adapt to changes; and 2. Closely monitor operating costs and budget.
Brand Name	Any negative impact on the Group's brand name might affect the Group's market share, ability to maintain profitable room rate and occupancy rate.	1. Provide clear procedural guidelines to staff to ensure the service level is maintained; 2. Revenue team will closely monitor responses from hotel guests on social media; and 3. Provide code of conduct and training to all staff to increase their awareness of the Company's requirements.
Political and Regulatory	Adverse changes in government policy or regulatory requirement to the hotel industry might affect the Group's business model, incur extra operating cost or affect the Group's competitiveness.	1. Continuously monitor the macroeconomic, political and regulatory landscape in the Group's key markets to anticipate issues for possible adjustment of any business activities promptly; and 2. Closely monitor operating costs and savings measures when required.

Risk Name	Description	Control Measures
Operational risk		
Service Quality	Poor service delivered to guests might cause complaint which might lead to a bad rating and negative impact to our brand name, image and market share.	1. Provide clear procedural guidelines to staff to ensure the service level is maintained; 2. Provide sufficient trainings to staff to ensure high-quality service can be provided; and 3. Local knowledge and cases are shared to enhance staff skill levels to ensure guest satisfaction.
Human Resources	The hotel industry is a people-intensive business. Insufficient competent staff could affect the ability to deliver quality service to the guests and achieve the Group's strategies.	1. Maintain a competitive remuneration package to attract competent employees; 2. Provide comprehensive training to staff, especially new staff, to maintain their knowledge and skill; and 3. Share local knowledge and case to enhance staff skill levels to ensure guest satisfaction.
Natural Disaster/ Terrorist Attacks	Continued terrorist incidents around the globe bring tragic damages to people and negative impacts on travellers. Terrorist attacks could occur at our business location, which could bring fatalities and injuries to our guests and employees, as well as damages to our properties. Major disasters, such as fire, extreme weather conditions, contagious diseases, etc., could bring damage to our assets, adversely impact the Group's business operations and earnings and affect the health and safety of the Group's guests and employees.	1. Conduct ongoing risk surveys by external risk engineering consultant on selected properties focusing on insurable risks; 2. Organise security threat awareness training sessions in particular to the Group's hotels and the locations in which the Group's operate; and 3. Establish emergency plans.

Financial Risk

An analysis of the Group's financial risk management (including foreign currency risk, credit risk, interest rate risk and liquidity risk) are set out in note 46 of the notes to the consolidated financial statements.

DISCLAIMER OF OPINION

Appropriateness of going concern assumption

The Group incurred a loss of HK$55,711,582 (2018: HK$3,052,772) for the year ended 31 December 2019 and as of that date, its current liabilities, totalling HK$352,914,146 (2018: HK$403,786,872), exceeded its current assets by HK$227,112,094 (2018: HK$159,387,280).

Subsequent to the reporting date, the operations of the Group has deteriorated due to the COVID-19 pandemic as the main operations of the Group is hotel operations in Singapore and Japan. The COVID-19 pandemic has brought additional uncertainties to the renewal of its secured interest-bearing bank borrowings of an amount of HK$179,378,400 which is subject to certain loan covenants related to the Group's financial performance and position and renewal intervals of 1, 3 or 6 months as decided by the lending bank; and uncertainties about the Group's ability to generate sufficient cash flows to meet its liquidity needs. These needs mainly include the settlement of (i) construction payable amounting to HK$52,052,895, (ii) an amount due to a director amounting to HK$59,609,880 which is repayable on demand and (iii) convertible bonds with an aggregate principal amount of HK$25,278,000. These events and conditions indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to creditors and ensure the smooth rollover/renewal of loans from the lending bank, which include, (i) the smooth rollover/renewal of certain revolving loans during the period from January to April 2020 and passing of the annual credit assessment conducted by the lending bank in March 2020 in respect of certain instalment loans; (ii) negotiating with the contractor to extend the repayment of the construction payable for more than 12 months or otherwise revising the repayment schedule so as to reduce the liquidity pressure to the Group; (iii) considering to collateralise its investment properties and the freehold lands with hotel property located in Japan. For details of these measures, please refer to note 3(c) to the consolidated financial statements. Taken into account of these measures and that the operating environment would gradually improve from the fourth quarter of 2020 and the performance of hotel operations would be in line with this trend (though with some time lag) with the expectation of a decrease in the number of the COVID-19 cases and gradual relaxation of travel restrictions both locally and worldwide, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Scope limitation on interest in an associate

The Group had 42.3% equity interest in its associate, Zhuhai Shi Kang Ming De Enterprise Management Service Limited ("Kang Ming De"). The Group's interest in Kang Ming De amounted HK$43,277,682 as at 31 December 2019 and its share of loss and share of other comprehensive expense of Kang Ming De for the year then ended were HK$1,215,369 and HK$770,422 respectively. Due to travel restrictions implemented by government authority in COVID-19 pandemic, Kang Ming De's staff were unable to attend the business premises to perform daily operation and therefore the auditors were unable to carry out certain of the audit procedures on the site. Accordingly, the auditors were unable to perform audit procedures on the Group's interest in and share of results of, Kang Ming De as at and for the year ended 31 December 2019. Any adjustments found necessary would affect the Group's interest in an associate, its share of profit or loss and other comprehensive income of an associate for the year, and the elements making up the consolidated statement of changes in equity, the consolidated statement of cash flows and disclosures in the notes to the consolidated financial statements.

Disagreement in respect of accounting for interest in an associate

In addition to the limitation of scope of the auditor's work on the Group's interest in Kang Ming De as mentioned above, due to travel restrictions implemented by government authority in COVID-19 pandemic, Kang Ming De's staff were unable to prepare the financial information of Kang Ming De for the year ended 31 December 2019. As a result, the financial information based on which the Group applied the equity method to account for its interest in Kang Ming De did not cover a full year ended 31 December 2019. Therefore the Group's share of results and share of other comprehensive income of an associate for the year ended 31 December 2019 and its interest in an associate as of 31 December 2019 were not prepared in accordance with International Accounting Standard 28 ("IAS 28") "Investments in Associates and Joint Ventures".

Had the financial information of Kang Ming De used for applying equity method been prepared covering a full year ended 31 December 2019, the Group's share of results and share of other comprehensive income of an associate, interest in an associate and the elements making up the consolidated statement of changes in equity and the consolidated statement of cash flows would have to be adjusted.

AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OF OPINION

The audit committee of the Company (the "Audit Committee") had critically reviewed the disclaimer of opinion of the auditors (the "Audit Qualifications") and also the management's position and action plan of the Group to address the Audit Qualifications. The Audit Committee is in agreement with the management with respect to the Audit Qualifications and the Group's ability to continue as a going concern, and in particular the actions or measures to be implemented by the Group. The Audit Committee's views are based on (i) a critical review of the action plan to address the Audit Qualifications (and the assumption of successful and continued implementation), (ii) discussions between the Audit Committee, the auditors and the management regarding the Audit Qualifications; and (iii) the latest development of the COVID-19 pandemic. The Audit Committee is also of the view that the management should continue its efforts in implementing the actions and measures with the intention of mitigating the Group's liquidity pressure, and removing the Audit Qualifications in the next financial year.

IMPACT OF THE AUDIT QUALIFICATIONS ON THE COMPANY'S FINANCIAL POSITION

Should the Group fail to achieve the intended effects resulting from above measures, it might not be able to continue as a going concern, and adjustments would have to be made to reduce the value of assets to their net realisable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in these consolidated financial statements.

OUTLOOK

The Group adopts an optimistic attitude in the future growth of its businesses. Apart from attracting new valuable guests to Link Hotel in Singapore and the newly opened Hanatsubaki Spa Hotel in Japan, the Group will continue to focus on the development of the Bintan Land (as defined in the Prospectus) to contribute income to the Group and increase return of the assets and enterprise value, with an aim to be a leader of the vacation and resort industry in Asia with international competitiveness. To broaden the Group's income stream, the Group will take the opportunity of "One Belt, One Road" and continuously seek potential acquisition opportunities in the PRC.

Although the Group is facing challenges arising from the outbreak of the coronavirus pandemic since January 2020 which has led to the travel restrictions of tourists from Hong Kong, China and certain countries, and affected the Group's hotel business in Asia, the Directors consider such unfavorable environment is short-term and will not affect the Group's hotel business in the medium to long run. The Group will continue to explore potential projects for expanding its business horizon to the Greater China region and other Asian countries in order to capture the opportunities arising from the growth in the tourism industry in the PRC and other areas in Asia. Nevertheless, the Group will take a cautious approach when seeking potential acquisition opportunities to maximise shareholders' value.

EVENT AFTER THE REPORTING DATE OF 31 DECEMBER 2019

Save for the impact to the Group's business and operations as a result of the outbreak of the coronavirus pandemic as disclosed above, which may affect the financial results of the Group, the Board is not aware of any important event requiring disclosure that has taken place subsequent to 31 December 2019 and up to the date of this annual report. For details, please refer to Note 48 to the consolidated financial statements of the Group.

Corporate Governance Report

The Group is committed to high standards of corporate governance in the interest of its shareholders. It has continued and will continue to identify and adopt the best corporate governance practices appropriate to the Company.

CORPORATE GOVERNANCE CODE

Save as disclosed in the section headed "Board of Directors" in the Corporate Governance Report, during the Year, the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in the Appendix 15 to the GEM Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions in securities of the Company by the Directors. Having made specified enquiry with the Directors, all the Directors confirmed that they had complied with the required standard of dealings during the Year.

BOARD OF DIRECTORS

The Board is responsible for the formulation of strategies and policies, including an oversight of the management. The management of the Company is responsible for the day-to-day operations of the Company. As at 31 December 2019, the Board comprised eight Directors, including two executive Directors, three non-executive Directors ("NEDs") and three independent non-executive Directors ("INEDs").

During the period from 1 January 2019 up to the date of this report, there have been changes in the composition of the Board. As at the date of this report, the Board comprised eight Directors, including two executive Directors, three NEDs and three INEDs. The list of all Directors and the aforesaid changes are set out below:

Executive Directors

Mr. Ngan Iek *(Chairman)*
Datuk Siew Pek Tho
Mr. Chen Changzheng (resigned on 30 July 2019)

Non-executive Directors

Ms. Ngan Iek Peng (resigned on 3 April 2020)
Mr. Lin Jianguo (appointed on 3 April 2020)
Mr. Zhao Guoming (appointed on 15 November 2019)
Mr. Luo Guorong (appointed on 8 January 2019 and resigned on 15 November 2019)
Ms. Zhang Shuo (appointed on 8 January 2019)

Independent non-executive Directors

Mr. Thng Bock Cheng John
Mr. Chan So Kuen
Mr. Lai Yang Chau, Eugene

Each of the INEDs, namely Mr. Chan So Kuen, Mr. Lai Yang Chau, Eugene and Mr. Thng Bock Cheng John has appropriate professional qualifications, or accounting or legal or related financial management expertise.

In determining the independence of INEDs, the Board has followed the requirements set out in the GEM Listing Rules. The Company has received from each of the INEDs an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. Based on such confirmation, the Company is of the view that all the INEDs have met the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and considers that they are independent.

Pursuant to the articles of association of the Company (the "Articles"), at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. A circular which includes the biographical details of the retiring Directors who stand for re-election together with the notice of annual general meeting of the Company will be despatched to the shareholders of the Company in due course.

The Board meets regularly, and at least four times a year of approximately quarterly intervals. Between scheduled meetings, senior management of the Company from time to time meets with Directors to discuss the businesses of the Company. In addition, Directors have full access to information on the Group and independent professional advice whenever deemed necessary by the Directors.

During the Year, the Board held four regular board meetings. The attendance records of these meetings are set out below:

	Attendance (for general meetings)	Attendance (for Board meetings)
Executive Directors		
Mr. Ngan Iek	1/1	4/4
Datuk Siew Pek Tho	1/1	4/4
Mr. Chen Changzheng (resigned on 30 July 2019)	0/1	2/2
Non-executive Directors		
Ms. Ngan Iek Peng (resigned on 3 April 2020)	0/1	1/4
Mr. Lin Jianguo (appointed on 3 April 2020)	N/A	N/A
Mr. Zhao Guoming (appointed on 15 November 2019)	N/A	N/A
Mr. Luo Guorong (appointed on 8 January 2019 and resigned on 15 November 2019)	0/1	4/4
Ms. Zhang Shuo (appointed on 8 January 2019)	0/1	4/4
Independent non-executive Directors		
Mr. Chan So Kuen	1/1	4/4
Mr. Lai Yang Chau, Eugene	1/1	4/4
Mr. Thng Bock Cheng John	0/1	4/4

The annual general meeting of the Company was held on 24 May 2019. Ms. Ngan Iek Peng, Mr. Luo Guorong, Ms. Zhang Shuo and Mr. Thng Bock Cheng John, due to their respective other important engagements, did not attend the annual general meeting of the Company held on 24 May 2019.

Biographical details of the Directors are set out in the section of "Biographical Details of Directors" on pages 40 to 42. Mr. Ngan Iek, the chairman and executive Director of the Company, is the elder brother of Ms. Ngan Iek Peng, a former NED. Datuk Siew Pek Tho, an executive Director, is the brother-in-law of Mr. Ngan Iek and Ms. Ngan Iek Peng. Save as disclosed above, there are no family or other material relationships among members of the Board.

ROLES AND RESPONSIBILITIES OF THE BOARD

The Company is headed by the Board which is responsible for the leadership, control and promotion of success of the Group in the interest of the Shareholders by formulating overall strategies of the Group, setting management targets, and supervising management performance.

DELEGATION BY THE BOARD

The overall management and control of the Company's business are vested in its Board, which assumes responsibility for its leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs.

Management is responsible for the day-to-day management of the Group's businesses and the implementation of the strategies and policies as determined by the Board. Where the Board delegates aspects of its management and administrative functions to the management, it gives clear directions as to the powers of management and periodically reviews the delegations to the management to ensure that they are appropriate and continue to be beneficial to the Group as a whole.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the CG Code, the role of the chairman and chief executive officer should be separated and should not be performed by the same individual. The posts of chairman and chief executive officer are separated to ensure a clear division between the chairman's responsibility to manage the Board and the chief executive officer's responsibility to manage the company's business. The separation ensures a balance of power and authority so that power is not concentrated.

Mr. Ngan Iek as a chairman of the Group, plays a leading role and is responsible for formulating development strategies and overseeing the overall business of the Group. During the year ended 31 December 2019, the Company did not have an officer with the title of chief executive officer. The duties of the chief executive officer have been undertaken by the members of the Board. The Board considers that this structure will not impair the balance of power and authority of the Board. The Board currently comprises two executive Directors, three NEDs and three INEDs.

The Company has complied with the code provisions as set out in the CG Code contained in Appendix 15 of the GEM Listing Rules throughout the Year.

BOARD DIVERSITY POLICY

The Board had adopted a board diversity policy (the "Board Diversity Policy") in December 2018, which sets out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, integrity, management experience, technical skills, industry or professional knowledge and experience. All Board appointments are based on meritocracy, and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board.

NOMINATION POLICY

The Board had adopted a nomination policy (the "Nomination Policy") in December 2018, which sets out the approach to determine the nomination of Directors, the procedure, process and criteria to be adopted for the purposes of selecting and recommending candidates for directorship, and shall make recommendations to the Board on the appointment or re-appointment of Directors.

The Company considered that, in assessing the suitability of a proposed candidate, the nomination committee of the Board may make reference to certain criteria, including but not limited to experience in the Company's principal business and/or the industry in which the Company operates, balance of skills, knowledge and experience on the Board, and various aspects set out in the Board Diversity Policy.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to the code provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills so as to ensure their contribution to the board remains informed and relevant.

The Company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of the director.

During the Year and up to the date of this report, the Company has arranged an in-house seminar for the Directors on the topic relating to directors' duties.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") on 20 June 2014 with written terms of reference in compliance with the requirements as set out in Rule 5.28 of the GEM Listing Rules. The primary duties of the Audit Committee are set out in its terms of reference which are posted on the websites of the Company and the Stock Exchange.

The Audit Committee comprises three INEDs, namely, Mr. Chan So Kuen, Mr. Lai Yang Chau, Eugene and Mr. Thng Bock Cheng John. Mr. Chan So Kuen is the chairman of the Audit Committee. The Audit Committee has met the external auditor of the Group to review the accounting principles and practices adopted by the Group and discussed auditing, internal control, risk management and financial reporting matters including the review of this report and financial statements of the Group for the Year. During the Year, the Audit Committee held four meetings. The attendance record of the Audit Committee meetings during the year ended 31 December 2019 are set out below:

	Attendance
Mr. Chan So Kuen *(Chairman)*	4/4
Mr. Thng Bock Cheng John	4/4
Mr. Lai Yang Chau, Eugene	4/4

During the Year, the Audit Committee reviewed with the management or the auditors of the Company (i) the audit findings; (ii) the accounting principles and practices adopted by the Company; (iii) financial reporting matters (including quarterly, half-yearly and annual results); and recommended to the Board the re-appointment of the external auditor at the 2019 annual general meeting (the "2019 AGM"). The audited consolidated results of the Group for the Year have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "Remuneration Committee") on 20 June 2014 in compliance with Rule 5.34 of the GEM Listing Rules. The primary duties of the Remuneration Committee are set out in its terms of reference which are posted on the websites of the Company and the Stock Exchange.

The Remuneration Committee consists of five members, namely, Mr. Ngan Iek, Datuk Siew Pek Tho, Mr. Lai Yang Chau, Eugene, Mr. Chan So Kuen and Mr. Thng Bock Cheng John. Mr. Lai Yang Chau, Eugene is the chairman of the Remuneration Committee and majority of the members are INEDs.

During the Year, the Remuneration Committee held two meetings. Details of the attendance of the Remuneration Committee meetings during the Year are set out below:

	Attendance
Mr. Lai Yang Chau, Eugene *(Chairman)*	2/2
Mr. Ngan Iek	2/2
Datuk Siew Pek Tho	2/2
Mr. Thng Bock Cheng John	2/2
Mr. Chan So Kuen	2/2

During the Year, the Remuneration Committee has considered and reviewed the existing terms of appointment of the Directors and the remuneration package of a newly appointed non-executive Director, which were considered fair and reasonable.

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

The Company established a nomination and corporate governance committee (the "Nomination and Corporate Governance Committee") on 20 June 2014. The primary duties of the Nomination and Corporate Governance Committee are set out in its terms of reference which are posted on the websites of the Company and the Stock Exchange.

The Nomination and Corporate Governance Committee consists of five members, namely, Mr. Ngan Iek, Datuk Siew Pek Tho, Mr. Chan So Kuen, Mr. Lai Yang Chau, Eugene and Mr. Thng Bock Cheng John. Mr. Ngan Iek is the chairman of the Nomination and Corporate Governance Committee. During the Year, the Nomination and Corporate Governance Committee held two meetings. Details of the attendance of the Nomination and Corporate Governance Committee meetings are set out below:

	Attendance
Mr. Ngan Iek *(Chairman)*	2/2
Datuk Siew Pek Tho	2/2
Mr. Chan So Kuen	2/2
Mr. Lai Yang Chau, Eugene	2/2
Mr. Thng Bock Cheng John	2/2

During the Year, the Nomination and Corporate Governance Committee has (i) considered and reviewed the Nomination Policy, the Board Diversity Policy, the Company's policies and practices on corporate governance, the process and criteria to select and recommend candidates for directorship; (ii) approved the nomination for appointment of a new non-executive Director; and (iii) recommended the Board to approve the proposed sequence for re-election of retiring Directors in the 2019 AGM. The Nomination and Corporate Governance Committee considers that the Nomination Policy, the Board Diversity Policy and the existing polices and practices of corporate governance of the Company are suitable.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group in accordance with the statutory requirement and applicable accounting standards. The Directors' responsibilities in the preparation of the financial statements and the auditor's responsibilities are set out in the section headed "Independent auditor's report" of this report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible to maintain a sound and effective risk management and internal control system, in order to protect the interest of the Company and its shareholders. The risk management and internal control systems are designed to manage rather than eliminate the risks of failure to achieve the Company's business objectives, and can only provide reasonable, but not absolute assurance against material misstatements or losses.

The Company has established an Enterprise Risk Management Framework (the "ERM Framework") in order to implement risk management effectively. Our ERM Framework comprises two key elements: risk management structure and risk management process.

Risk Management Structure

Board of directors

The Board has a duty to ensure the effectiveness of the risk management and internal control systems of the Group (the "ERM system"). The Board oversees the ERM system, assesses and evaluates the Group's business strategies and risk tolerance. The Board monitors the ERM system in an on-going manner, and with assistance from the Audit Committee, reviews at least annually the effectiveness of the ERM system.

Audit Committee

The Audit Committee has the second highest responsibility to risk management and internal control. The Audit Committee assists the Board in overseeing the Group's ERM system by providing support and advice, including on-going monitoring of the execution of risk management processes, reviewing the Group's risk register, reviewing and approving the internal control review plan and results.

Management

The management, comprising the Board and senior managers, (the "Management") is responsible for identifying and monitoring the risks relevant to daily operations of the Group. The Management reports to the Board and the Audit Committee on the risks identified including strategic, operational, financial, reporting and compliance risks and its changes during the Year. The Management is also responsible to develop appropriate internal control measures to mitigate the risk, identify and resolve material internal control defects.

Independent internal control consultant and auditors

To ensure the independence of the internal control review, the Group has outsourced the internal audit function to an independent internal control consultant (the "IC consultant") whose scope of work includes reviewing the effectiveness of the Group's risk management and internal control systems. The scope of the internal control review is risk-based and is reviewed by the Audit Committee, and the IC consultant is able to communicate with the Audit Committee directly regarding the results of their review. The Auditor is also able to communicate the internal control issues they noticed during their audit to Audit Committee directly.

Risk Management Process

Our ERM Framework defined the procedures for identifying, assessing, responding and monitoring risks and their changes. Through regular discussion with each operating functions, the Group can strengthen the understanding of risk management such that all employees will understand and report various risks identified to the Management in a timely manner. It enhanced the Group's ability to identify and manage risks.

To identify and prioritize material risks throughout the Group, Management will communicate with each operating functions, collect significant risk factors that affect the Group from bottom to top, including strategic, operational, financial, reporting and compliance risks. After identifying all relevant risks, Management will assess the potential impact and possibilities of the risks and prioritize the risks. Appropriate internal control measures are then developed to mitigate the risks identified and the changes of risks in an on-going manner.

Main features of our risk management and internal control systems

Maintain an effective internal control system (operational level)

- Establish clear internal control policies and procedures, clearly define the responsibilities, authorities and accountabilities of each key positions;
- Establish code of conduct, explain the Group's requirements on integrity and ethical value to all staffs;
- Establish whistle blowing mechanism, encourage employees to report incidents of misconduct or fraud;
- Establish appropriate level of information technology access rights, avoid leakage of price sensitive information;
- Establish insider information disclosure policy, including reporting channel and responsible person of disclosure, unified response to external enquiries and obtain advice from professionals or the Stock Exchange, if necessary.

During the Year, the Board has reviewed the effectiveness of internal control policies and procedures, including those related to financial reporting and GEM Listing Rules compliance. The Board has considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit and financial reporting functions during the evaluation of the effectiveness of risk management and internal control systems.

On-going risk monitoring (risk management level)

Based on the ERM Framework and risk management policies established by the Board, the Management communicates with each operating functions, collects significant risk factors that affect the Group from bottle to top. The Group has established a risk register to record the risks identified, and the Management assesses the potential impact and possibilities of the risks and develop appropriate internal control measures to mitigate the risks identified.

During the Year, the Management conducted evaluation of risk management structure and procedures and submitted a risk assessment report to the Board and the Audit Committee, including a 3-year internal control review plan, to enable the Board and Audit Committee to effectively monitor and mitigate the major risks of the Group.

Independent review

The Group has appointed the IC consultant to conduct an internal control review[1] for the Year, the scope of review has covered the period from 1 January 2019 to 31 December 2019. An internal control review report has been provided to the Audit Committee.

The Management has established a remediation and improvement plan for internal control weaknesses identified. Nothing has come to the Audit Committee's or the Board's attention that causes them to believe that the risk management and internal control systems of the Group are inadequate or ineffective.

EXTERNAL AUDITOR'S REMUNERATION

The statement of the external auditor of the Company on their reporting responsibilities and opinion on the Group's financial statements for the Year is set out in the section headed "Independent Auditor's Report" in this annual report. The Audit Committee is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company.

The fees charged by the external auditor of the Company in respect of audit services and non-auditing services for the Year amounted to approximately HK$1.10 million (2018: approximately HK$1.08 million) and approximately HK$0.43 million (2018: approximately HK$0.39 million) respectively. The non-audit services included interim review and due diligence service.

COMPANY SECRETARY

All Directors have access to the advice and services of the company secretary. The company secretary reports to the chairman on board governance matters, and is responsible for ensuring that the Board and Board committees procedures are followed, and for facilitating communications among Directors, senior management as well as with shareholders of the Company.

Our company secretary, Mr. Tong Hing Wah undertook over 15 hours of professional training to update his skills and knowledge for the Year.

1 The internal control review performed by the IC consultant does not constitute an assurance engagement made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants

APPROPRIATENESS OF GOING CONCERN ASSUMPTION

The Group incurred a loss of HK$55,711,582 (2018: HK$3,052,772) for the year ended 31 December 2019 and as of that date, its current liabilities, totalling HK$352,914,146 (2018: HK$403,786,872), exceeded its current assets by HK$227,112,094 (2018: HK$159,387,280).

Subsequent to the reporting date, the operations of the Group has deteriorated due to the COVID-19 pandemic as the main operations of the Group is hotel operations in Singapore and Japan. The COVID-19 pandemic has brought additional uncertainties to the renewal of its secured interest-bearing bank borrowings of an amount of HK$179,378,400 which is subject to certain loan covenants related to the Group's financial performance and position and renewal intervals of 1, 3 or 6 months as decided by the lending bank; and uncertainties about the Group's ability to generate sufficient cash flows to meet its liquidity needs. These needs mainly include the settlement of (i) construction payable amounting to HK$52,052,895, (ii) an amount due to a director amounting to HK$59,609,880 which is repayable on demand and (iii) convertible bonds with an aggregate principal amount of HK$25,278,000. These events and conditions indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to creditors and ensure the smooth rollover/renewal of loans from the lending bank, which include, (i) the smooth rollover/renewal of certain revolving loans during the period from January to April 2020 and passing of the annual credit assessment conducted by the lending bank in March 2020 in respect of certain instalment loans; (ii) negotiating with the contractor to extend the repayment of the construction payable for more than 12 months or otherwise revising the repayment schedule so as to reduce the liquidity pressure to the Group; (iii) considering to collateralise its investment properties and the freehold lands with hotel property located in Japan. For details of these measures, please refer to note 3(c) to the consolidated financial statements. Taken into account of these measures and that the operating environment would gradually improve from the fourth quarter of 2020 and the performance of hotel operations would be in line with this trend (though with some time lag) with the expectation of a decrease in the number of the COVID-19 cases and gradual relaxation of travel restrictions both locally and worldwide, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group fail to achieve the intended effects resulting from above measures, it might not be able to continue as a going concern, and adjustments would have to be made to reduce the value of assets to their net realisable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in these consolidated financial statements.

SHAREHOLDERS' RIGHTS

Pursuant to article 58 of the Articles, any one or more shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. In the event that any shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company would like to call for an extraordinary general meeting, please make a written requisition to the principal office of the Company in Hong Kong from time to time, making attention to "The Board of Directors and the company secretary".

There are no provisions allowing shareholders to put forward proposals at the general meetings under the memorandum and articles of association. If shareholders wish to do so, they may request to convene an extraordinary general meeting as stipulated above and specify the proposals in such written requisition. For any enquiries, shareholders are welcome to contact the Company by post to the principal office of the Company in Hong Kong, by phone at (852) 3521 1706 or by fax at (852) 2180 7460.

INVESTOR RELATIONS

All corporate communication materials published on the GEM website (http://www.hkgem.com) are posted on the Company's corporate website (http://www.linkholdingslimited.com) as soon as practicable after their release. The Company's constitutional documents are also available on both websites. During the Year, there were no significant changes to the Company's constitutional documents.

Environmental, Social and Governance Report

ABOUT THIS REPORT

Link Holdings Limited ("Link" or the "Company") together with its subsidiaries (the "Group" or "We") is pleased to present the Environmental, Social and Governance ("ESG") Report for the year ended 31 December 2019 ("the "Report") which outlines our approaches, strategies and performances of sustainability development.

REPORTING PERIOD AND SCOPE

The Report covers the period from 1 January 2019 to 31 December 2019 (the "Reporting Period"). Unless otherwise specified, the Report will focus on our principal business, the operation of Link Hotel in Singapore, which contributed the major source of revenue to the Group during the Reporting Period.

REPORTING STANDARDS

The Report was prepared in accordance with the applicable disclosure requirements of the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix 20 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). As for details of our corporate governance, please refer to the Corporate Governance Report section of our Annual Report.

ACCESS TO THE REPORT

The Report is available in both Chinese and English version on the Group's official website. The English version shall always prevail for any inconsistency or ambiguity between the two versions.

YOUR FEEDBACK

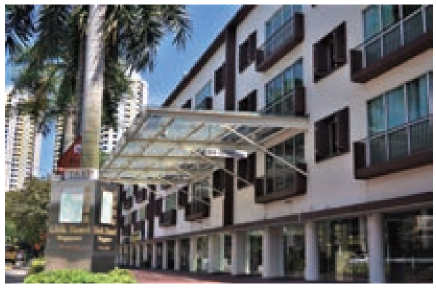
The Group acknowledges the importance of our stakeholders' feedbacks. Should you have any suggestions or comments on the content of the Report or our overall performance in sustainable development, please do not hesitate to contact us at general@linkholdingslimited.com.

ABOUT LINK HOTEL

The Cultural Heritage of Singapore

Our operation of the award-winning heritage boutique hotel, Link Hotel, located at the heart of the oldest housing estate in Singapore, has been the first and only hotel to be converted from conserved art deco apartment blocks built by the Singapore Housing Development Board in the 1950s and 1960. It has 274 guest rooms with different room categories located at two separate buildings, the Lotus Block and the Orchid Block, serving the need of business, leisure or family travellers.

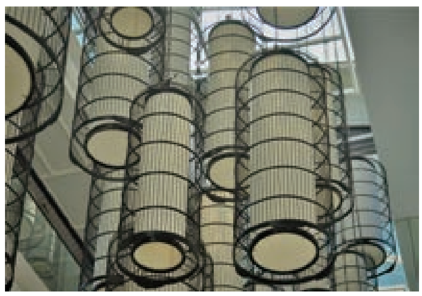
Our Employees



The Link Hotel

Our mission is to deliver a "Home Away from Home" experience to all guests. We are determined to become a cultural ambassador of the region and promote the history of the area. With a classic British public housing reddish style exterior design, we have incorporated bird cages, representing the neighbourhood's signature leisure activity and traditional abacus into the design concept of the lobby. We strive to create a culturally inspired and comfortable experience for our guests in the old town of Singapore.

The Interior of the Link Hotel



The Interior of the Link Hotel

We are committed to drawing visitors to the district where we operate and enabling them to explore in depth the heritage of Singapore. We see ourselves as a cultural ambassador by turning ourselves into an attraction. The attractions in our neighbourhood and our hotel property come in great varieties, including

- Tiong Bahru Heritage Trail, an exploration trip for the visitors to immerse themselves in the Art Deco buildings in the area;
- Tiong Bahru Market, a landmark since its renovation in 2006, not only selling groceries for locals but offering a spacious and clean indoor dining area with a great selection of Singaporean cuisines;
- Qi Tian Gong Temple, worshipping more than ten monkey god statues where visitors can pray for good fortune;
- Tasty Loong restaurant at Link Hotel, featuring an award-winning celebrity chef who serves Chinese cuisines with a touch of modern creations; and
- Nanyang Old Coffee at Link Hotel, which has been a signature back in the 1940s for making traditional coffees with classic kaya toasts.

Qi Tian Gong Temple

Tiong Bahru Market

Tasty Loong

Nanyang Old Coffee

OUR SUSTAINABILITY APPROACH

It is our belief that historic buildings and cultural heritage of the country could be passed down from one generation to the next through our business, as it is our commitment to be a responsible corporate citizen to create long-term value. We are devoted to integrating environmental, social and governance considerations into the way we manage our business with an aim to create positive social and environmental impacts to our society.

We believe that sustainability encompasses not just cultural preservation, but also underpins our environmental performance, contribution to the wider community, our core business practices and our relationships with stakeholders. Our approach is guided by various standards and policies. We centre our sustainability efforts on four sustainability values.

- The Link with Our Guests
- The Link with Our People
- The Link with Our Community
- The Link with Our Environment

Stakeholder Engagement

Stakeholder engagement is a key component of our strategy to anticipate, shape and adapt to changes in the business environment. We regularly engage with a range of stakeholders in our daily operations. Engaging with our stakeholders allows us to better shape our business strategy to respond to their needs, and build business intelligence to make informed decisions, anticipate risks and strengthen key relationships.

Our key stakeholders are those that are significantly influenced by, or have the ability to influence our business, which include our guests, employees, investors and shareholders, government, suppliers and business partners as well as the local community. The chart below shows the channels used to engage various key stakeholder groups and the material sustainability issues of concern to each group.

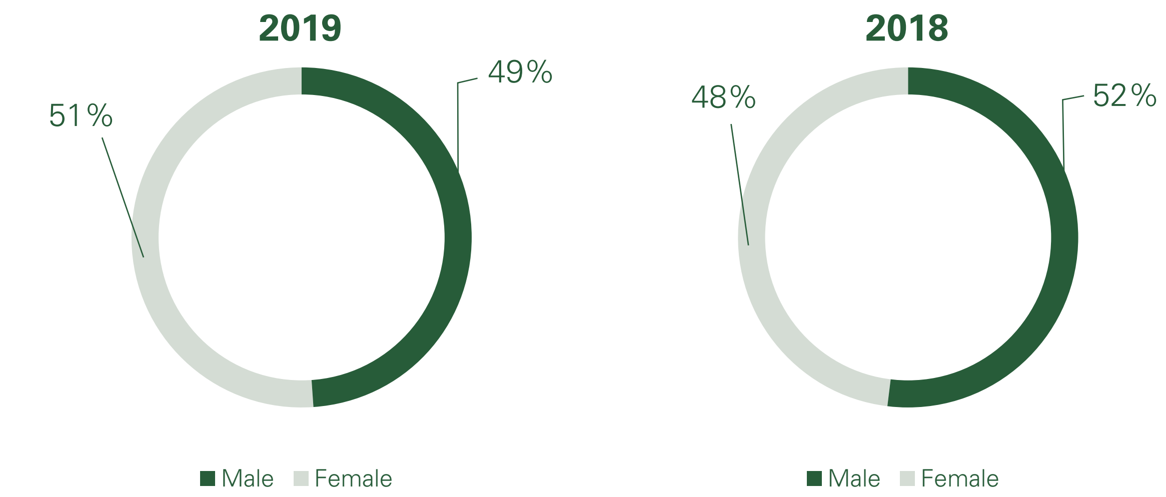
Stakeholder Group	Communication Channels	Matters of Interest
Guests	➢ Feedback cards ➢ E-mails ➢ Interactions with hotel employees during the visit	➢ Overall value of the cost ➢ Customer service quality ➢ Providing a "Home Away from Home" experience during the hotel stay ➢ Price attractiveness ➢ Proximity to tourist attraction
Employees	➢ Briefings and meetings ➢ Internal e-mails ➢ Notice board for employees ➢ Employee events	➢ Workplace health and safety ➢ Benefits and remunerations ➢ Employee trainings ➢ Career opportunities ➢ Team cohesiveness
Investors & Shareholders	➢ Annual reports ➢ General meetings ➢ Official website	➢ Financial performance ➢ Market positioning ➢ Peer competitions
Government	➢ Meetings ➢ Site visits	➢ Heritage and cultural conservation ➢ Benefits to Singapore's tourism
Suppliers and Business Partners (including tenants and booking agents)	➢ E-mails ➢ Consultations and meetings ➢ Phone calls ➢ Site visits and meetings	➢ Financial performance ➢ Relationship management ➢ Business volume
Local Community	➢ E-mails ➢ Service hotline	➢ Economic growth and job opportunities ➢ Impacts on environment (e.g. noise, water, light pollution etc.) ➢ Impacts on the neighbourhood (e.g. increase of tourists, traffic etc.)

THE LINK WITH OUR PEOPLE

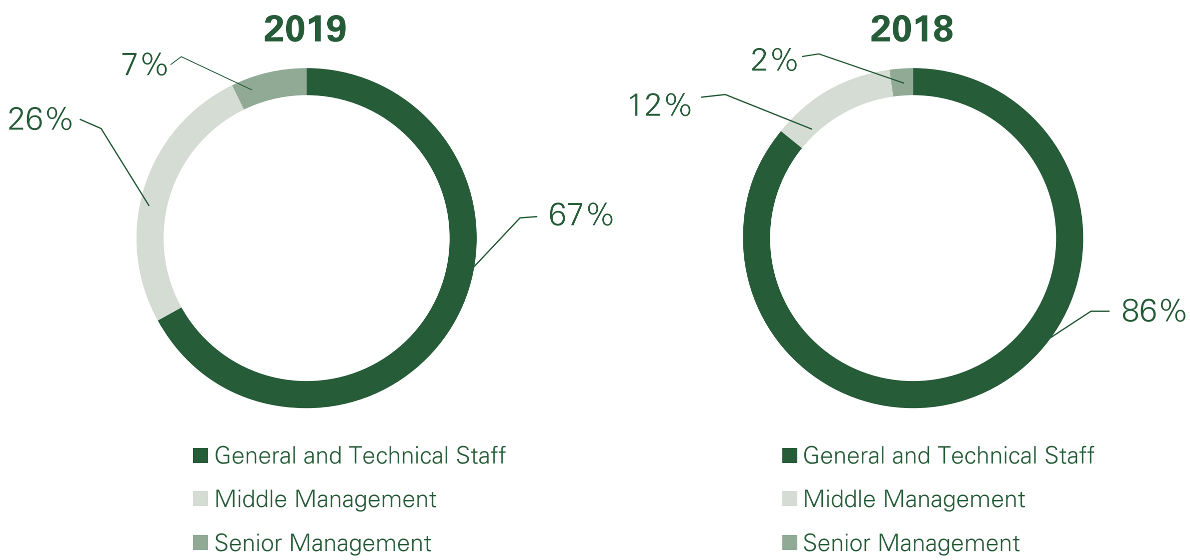
Equal Employer

To demonstrate that the Group values our employees, we have stringently complied with the Employment Act of Singapore to ensure equal opportunities are given to our employees. We are committed to creating a harmonious working environment for everyone. Link does not tolerate any kind of discrimination including sex, sexual orientation, race, colour, religion, national origin, age or disability. We have our own set of policies and operational standards for our employees to follow. Our employees' handout has clearly set out our policy concerning recruitment, employment, training, compensation, benefits, promotions and dismissals. Below shows the diversity in our workforce:

Gender Diversity



Employee Diversity



Our equitable employee packages offer benefits along with fair remuneration according to the requirements of The Employment Act. To maintain our package at a competitive level, regular review and adjustments would be made to keep up with the industry standard.

During the Reporting Period, the Group was not aware of any material non-compliance with the Employment Act of Singapore and other applicable local laws in relation to employment.

Training and Development

It is important to continuously provide training to our employees to ensure their services and knowledge align with the Group's standard. For the hospitality industry being a competitive and dynamic market, solid trainings are necessary for further enhancement in daily operations.

As we have employed a number of employees for different departments, the Group has provided continuous, all-round and job-related trainings for them throughout the Reporting Period. We offered trainings on service attitude, teamwork, operational-related skills, food hygiene, grooming and deportment, telephone skills and supervisory skills, so that the employees could improve their efficiency and capability at work.

	2019	2018	Unit
Total training hours for employees	115.58	157.25	Hours

When new employees are recruited, the Group provides comprehensive orientations for them to get familiar with Link's operations and understand the standard procedures for performing their tasks. On-the-job trainings will also be provided with a briefing session led by the Head of Department and attachments to senior colleagues for guidance. If necessary, Link also provides cross-departmental trainings. Eligible employees can attach to another department to learn a new skill. The complexity of the job might also affect the span of the training from three months to one year. Employees who have successfully completed these trainings will have the priority in transferring to relevant departments once there are vacancies. It also serves as a way for employees to learn about the operations of different departments. By doing so, effective communication can be enhanced among departments with a better understanding of the diversity of job responsibilities.

Total training hours (by gender)	2019	2018	Unit
Male	41	95.50	%
Female	43	100.00	%

The Human Resources Department is responsible for conducting the performance appraisal system regularly for at least once a year. A performance appraisal form will be filled in by the employee's supervisor or manager in evaluating the employee's job performance and personal feedbacks on further improvements or encouragements. The appraisal form will also act as a medium for the employee to decide on career advancement.

Promotion policies are clearly stated in the Employee's Handbook. Length of service with Link is not a major factor in deciding a successful promotion. Instead, the Human Resources Manager will consider the effectiveness of the individual's job performance, arising from their skills and abilities, efficiency, qualifications, past disciplinary records, attendance, safety record and attitude at work. This helps to ensure the promotion assessments are processed in a fair and unbiased manner.

We have developed code of conducts for employees which sets out the standards for employees to comply with. Any misconduct will lead to appropriate disciplinary actions according to the guidelines stated in the Employee's Handbook.

In the occurrence of dismissal or termination of employment contracts, notice periods should have been clearly stated on their contracts or otherwise, two weeks for probationary employees or one-month notice for full time employees. Link ensures that the procedure is consistently, appropriately and legally handled in order to protect the interests of the employee and the Group.

Occupational Health & Safety

The Group regards the health, safety and security of our employees and guests as our utmost priority. We ensure that Link strictly complies with the Workplace Safety and Health Act in Singapore. With effective systems and policies in place, we are committed to promoting a hazard-free working environment for our people.

Prevention is a crucial procedure to avoid accidents from happening. Link has conducted regular risk assessments to evaluate potential hazards at work, such as the safety of office equipment and operations of the housekeeping department. The personnel who is responsible for the evaluation will identify different areas of risks whereas department managers will discuss with frontline employees to understand their concerns. Once evaluation results are collected, follow-up actions will be taken. Preventive measures will be taken to mitigate the risk or problem. For example, personal protective equipment will be provided for engineering employees to perform property maintenance tasks. Employees are encouraged to propose constructive and effective solutions to minimize their health and safety risks at work. We hope that this will also help Link build up better communications with the team members and raise their awareness of workplace hazards.

During the Reporting Period, the Group was not aware of any material non-compliance with the Workplace Safety and Health Act or relevant laws and regulations in Singapore which had caused any significant impact on the Group. We did not have any lost days due to injury and there were no work-related fatalities.

Work-life Balance

Employees are part of our significant assets. Therefore, the Group pays great attention to both the mental and physical health of our employees. We take great pride in and value their contributions in assisting the development of our business and services. We are devoted to maintain the well-being of and create a work-life balance for our people.

Due to the nature of our hotel operation, a certain amount of workforce is required to work on shift. In spite of the shift pattern, the standard working hours remain 44 hours with one rest day per week, which are set according to the Employment Act of Singapore. We do not encourage overtime work. However, when it is necessary, especially during peak seasons with high occupancy rate, overtime is allowed with the permission of the head of the department prior to the shift. Compensation will also be offered according to the Employment Act of Singapore. For example, monthly meal and transportation allowances to employees working on midnight shifts.

Our employees are also entitled to a variety of leaves including, statutory leave, paid annual leave, child care leave, compassionate leave, maternity leave, matrimonial leave, paternity leave and public holidays. In addition, Link also offers medical insurance to employees to ensure that their health conditions are well-covered.

During the Reporting Period, we had organized company activities for our employees such as quarterly birthday parties, Mid-autumn Festival party and social networking parties to show our commitment to creating a pleasant workplace and promoting a healthy lifestyle.

Labour Standards

The Group strictly prohibits child labour and forced labour. With reference to the Employment Act of Singapore, the Group applies a standard procedure in protecting the rights of our employees and complies with the Act's requirement. Our Human Resources Department is responsible for verifying applicants' identities during the recruitment process. Moreover, regular inspection will also be conducted to ensure that no child or forced labour are employed.

During the Reporting Period, the Group was not aware of any material non-compliance with the Employment Act of Singapore or laws and regulations related to child labour and forced labour.

Anti-corruption

The Group regards integrity, honesty and fair competition as our core values which should be upheld by our employees. The Management is responsible to protect the property and interest of Link. To help our employees to better understand the meaning of topics related to anti-corruption, bribery, extortion, fraud and money laundering, the Group has outlined the measures and controls together with a matrix stated in Link's Employee's Handbook. We have clearly stated disciplinary procedures to be taken if any suspicious cases have to be investigated. Moreover, regular reviews and updates over the polices will also be conducted to guarantee the equality and compliance with the Prevention of Corruption Act in Singapore.

During the Reporting Period, the Group was not aware of any material non-compliance with the laws and regulations pertaining to the prevention of bribery, extortion, fraud and money laundering in the Prevention of Corruption Act of Singapore.

THE LINK WITH OUR GUESTS

Comfortable and Safe Accommodation

Quality Assurance

Link constantly discovers new services which can entertain our guests. Apart from the current services we are equipped with such as the Rooftop Gym, the Reading Corner, free Wi-Fi, in-room minibar service, a great selection of restaurants, complimentary hotel shuttle service on selected routes, currency exchange service, concierge services, rental of portable power banks and 24-hour self-laundry facilities, Link believes that getting hotel guests involved in local events is the most remarkable method in promoting Link as a heritage hotel and a cultural ambassador.

Apart from organizing the Bird Singing Competition, the newly added celebration of the Mid-Autumn Festival was made special to our hotel guests. The Mid-Autumn Festival celebration was held in September. Everyone was invited to the Link Bridge to enjoy the activity of moongazing together, whereas complimentary lantern packages were provided for them to assemble their own lanterns. By building up a family reunion atmosphere, we believed this event greatly aligned with our mission in creating the "Home Away from Home" experience for our guests.

Apart from the effort maintained by our back of house operations, we ensure that our employees, especially for those who belong to the front of house area, are well-trained and ready to deliver professional services to our guests in a proactive manner. The first step to achieve this is to establish a grooming standard for the employees to follow. Grooming includes the personal hygiene and appearance of an individual, together with their expression of greetings which can influence Link's reputation. Therefore, it is crucial for Link to provide sufficient trainings with clear guidance stated in the Employee's Handbook.

Our Housekeeping Department remains a significant part in assuring the room quality meets our standard at all times. Housekeeping supervisors will conduct inspections regularly with a checklist to guarantee that the presentation and cleanliness of the room is satisfactory. They will contact the Maintenance Department for repair work if necessary. Sales representatives will also check on the rooms prior to guests' arrivals and contact respective departments for further enhancements when required. The Sales and Marketing Department will have follow-up actions if feedbacks are received from the guests after their stay. By conducting layers of inspections, we hope to present our hotel rooms at their best qualities which can build up positive reputation for the Link Hotel.

The Group is proud to announce that the Link Hotel has achieved a number of awards in recognizing ourselves as one of the outstanding boutique hotels in Singapore as seen in the following:

- Asia Pacific Entrepreneurship Awards (APEA) 2019 – Certificate of Achievement in the Outstanding Category
- 2019's Leading Luxury Heritage Hotel, Singapore
- 2019 Winner of the Haute Grandeur Global Hotel Awards:
  - Best Family Hotel in Asia
  - Best Leisure Hotel in Asia
  - Best All-Inclusive Family Hotel in Singapore

Feedbacks from our guests contribute a significant portion for Link to seek for continuous improvement. In each hotel room, we have placed the "We Care" card for our guests to submit compliments or suggestions for Link. Guests are also welcome to approach our employees to express their opinions.

Guest Safety

Guest safety is always of the utmost importance. We perform at our best in guaranteeing the safety of our guests. Apart from having clear indications of exit signs and emergency exit plans visibly posted behind each hotel room's door, the Link Hotel has full set of safety devices and systems in place, such as smoke detectors, automatic sprinkler system and fire extinguishers, in rigorous compliance with the Fire Safety Act of Singapore. Our Maintenance Department will perform regular checks on these safety facilities for example, conducting yearly fire alarm testing to ensure that they are ready to use in case of any emergencies. In addition, our employees are well-trained to assist in escorting our guests. There are scheduled fire evacuation drills for our employees as required from the Singapore Civil Defence Force.

Privacy Protection

The Group is committed to protecting the privacy of our guests. By following the Personal Data Protection Act of Singapore, we ensure that guest information collected is stored in enclosed cabinets and data inputted in the check-in system can only be accessed by authorized personnel. The use of USB drives to save details of hotel guests is strictly prohibited. Any printed documents related to guests' privacy will also be handled and disposed of in a cautious manner. In light of this, we have raised the awareness of our employees by providing relevant training in handling guests' information as it is part of their responsibilities to safeguard interests of our guests.

Advertising

As a responsible corporate citizen, we uphold a high standard of ethics and integrity in advertising. In stringent compliance with the Singapore Code of Advertising Practice, we strive to ensure the information on our advertising and marketing materials are accurate, honest and legal. Due to our business nature, product labelling was irrelevant to the Group.

During the Reporting Period, the Group was not aware of any violation of any relevant laws and regulations that have a significant impact on the Group in relation to health and safety, advertising and privacy matters.

Supply Chain Management

A healthy supply chain can benefit the Group in building up sustainable business growth. The conduct and performance of our suppliers can have a significant impact on the quality of our offerings to guests and our reputation. It is the reason for us to proactively engage with our suppliers and to uphold our commitment to the Group's corporate social responsibility throughout Link's value chain. When we cooperate with our suppliers, the suppliers are expected to follow the Supplier Code of Conduct before signing on contracts. In the Supplier Code of Conduct, we have stated our expectations and requirements in different ESG aspects covering labour standards, human rights, health and environmental impacts. The Group also schedules evaluation in reviewing suppliers' performances in aligning with the Supplier Code of Conduct. Furthermore, as we place great attention in the area of environmental impact created by the suppliers, we have also set up a Sustainable Procurement Policy for the Sales and Marketing Team in their selection of suppliers. Some of the factors for consideration include price, after-sale services and support, maintenance requirements and packaging materials. Suppliers who have more outstanding performances in sustainability management will become the Group's preferred suppliers.

THE LINK WITH OUR COMMUNITY

The Group is dedicated to promote social awareness on environmental protection and climate change throughout local communities. We strongly encourage our employees to participate in volunteer activities and be actively engaged in social welfare activities to give back to the community. We believe that this will also build up the awareness of the individual employee and maintain a great reputation for the Group.

THE LINK WITH OUR ENVIRONMENT

The Group constantly strives to maintain and improve the environmental friendliness of the Link Hotel. To achieve this, the Group has formulated the environmental policy which covers topics on energy conservation, waste reduction, water management and environmental protection. The policy is also regulated in accordance with relevant environmental laws and regulations such as the National Environmental Agency Act (Cap. 195) and Environmental Protection and Management Act (Cap. 94A). We actively review Link's operation and optimise resources usage by taking references from the practices implemented by peers in the hospitality industry. We believe that this will help to ensure Link Hotel operates in a sustainable manner.

Air and Greenhouse Gas Emissions

As the Link Hotel operates around the clock, during the Reporting Period, the main driver of energy consumption, which indirectly generated greenhouse gas emissions was purchased electricity for the operations of the Hotel, such as lighting, air-conditioning and the purpose of general usage. Another key contributor which led to air and greenhouse gas emissions was our shuttle van transportation service which uses unleaded petrol. Although the emission emitted was not material in creating an impact to the environment, Link will continue to revise our current practices at the workplace, periodically update and enhance the Environmental Policy. We strive to be more attentive and discover better solutions to reduce our environmental impact at all times.

Air Emissions	2019	2018	Unit
Nitrogen Oxides (NOx)	1.23	0.49	kg
Sulphur Oxides (SOx)	0.02	0.01	kg
Particular Matter (PM)	0.09	0.04	kg

	2019	2018	Unit
Total Greenhouse Gas Emission (Scope 1 & Scope 2)	1,103.93	974.62[1]	tonnes

Waste Management

During the Reporting Period, we did not generate any hazardous waste. However, it is inevitable for the Group to generate non-hazardous waste due to our business nature, our major source of waste was general refuse and office papers generated from daily operations. We have assigned a qualified recycling agency to handle recyclable wastes. In addition, to comply with the requirements from the Environmental Public Health Act of Singapore, our employees are required to dispose of the refuse into the bin and ensure that the bin is covered at all times.

	2019	2018	Unit
Total Non-hazardous Wastes Produced	184.91	178.08	tonnes

Water Management

Water is important in providing hospitality services to our guests. We did not encounter any issues in sourcing water. As a responsible corporation, we actively promote sustainable water management throughout our operation. By following the Environmental Protection and Management Act of Singapore, we hope to optimise the efficiency of water usage and reduce the environmental impact in the long run.

	2019	2018	Unit
Total Water Consumption	18,958.60	19,910.20	m^3

1 Data were adjusted to reflect the actual consumption and/or associated emissions.

Resources Conservation

The Group aims to consume resources in a more responsible manner. During the Reporting Period, the Group did not produce any packaging materials nor had the need to utilize raw materials. The Group aims to utilize our valuable resources such as water and electricity by implementing methods of recycling and waste reduction. We hope to conserve resources through the following measures:

➢ Temperatures of air-conditioners are set to be between 25°C and 27°C.	➢ Encourage employees to use recycled paper for printing and copying.
➢ Implementation of the remote energy-saving tuning service to reduce energy spent.	➢ Offer e-confirmation for hotel reservations.
➢ We have placed green cards to offer options for our guests to make up their hotel rooms upon requests. This would lessen the usage of laundry services and amenities and help conserve water.	➢ Reminders such as "go paperless" messages are attached in e-mails to remind employees to refrain from printing if possible.
➢ The usage of sensor lighting for ceilings.	➢ Reminders to employees in switching off all air-conditioning, lights and electrical appliances for any unoccupied rooms and non-office hours.
➢ Make full use of electronic communications and the Office Administration System.	➢ Preference in selecting brands and models of electrical appliances who offer energy efficiency labels.

During the Reporting Period, the Group was not aware of any non-compliance with relevant laws and regulations in Singapore, including but not limited to the Environmental Protection and Management Act, the Sewerage and Drainage Act of Singapore and the Environmental Public Health Act in relation to the environment.

ENVIRONMENTAL KPI SUMMARY

	2019	2018	Unit
Air Emissions			
Nitrogen Oxides (NOx)	1.23	0.49	kg
Sulphur Oxides (SOx)	0.02	0.01	kg
Particulate Matter (PM)	0.09	0.04	kg
Greenhouse Gas Emissions			
Total GHG Emission	1,103.93	974.62[1]	tonnes of CO2e
Direct (Scope 1)	3.92	2.24[1]	tonnes of CO2e
Indirect (Scope 2)	1,100.01	972.38	tonnes of CO2e
Total GHG Emission Intensity (Scope 1 & Scope 2)	0.11	0.10	tonnes of CO2e/m^2
Energy			
Total Energy Consumption	2,638.97	2,328.11[1]	MWh
Purchased Electricity	2,624.08	2,319.61	MWh
Diesel Oil	14.89	8.50[1]	MWh
Energy Consumption Intensity	0.26	0.23[1]	MWh/m^2
Water			
Total Water Consumption	18,958.60	19,910.20	m^3
Water Consumption Intensity	1.85	1.94	m^3/m^2
Waste[2]			
Total Non-hazardous Waste Generated	184.91	178.08	tonnes
Total Non-hazardous Waste Disposed	180.10	176.50	tonnes
Total Non-hazardous Waste Recycled	4.81	1.58	tonnes
Total Non-hazardous Waste Generated Intensity	0.02	0.02	tonnes/m^2

1 Data were adjusted to reflect the actual consumption and/or associated emissions.

2 Due to our business nature, we were not aware of any significant generation of hazardous waste and packaging materials.

ESG REPORTING GUIDE CONTENT INDEX

A. Environmental		Chapter/Disclosure	Page
Aspect A1: Emissions			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		The Link with Our Environment	33
KPI A1.1	The types of emissions and respective emissions data.	Environmental KPI Summary	35
KPI A1.2	Greenhouse gas emissions in total and where appropriate, intensity.	Environmental KPI Summary	35
KPI A1.3	Total hazardous waste produced and where appropriate, intensity.	N/A	N/A
KPI A1.4	Total non-hazardous waste produced and where appropriate, intensity.	Environmental KPI Summary	35
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Resources Conservation	34
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Waste Management	33
Aspect A2: Use of Resources			
General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.		The Link with Our Environment	33
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Environmental KPI Summary	35
KPI A2.2	Water consumption in total and intensity.	Environmental KPI Summary	35
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Resources Conservation	34
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Resources Conservation	34
KPI A2.5	Total packaging material used for finished products, and if applicable, with reference to per unit produced.	Resources Conservation	34

Aspect A3: The Environment and Natural Resources			
General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.		Resources Conservation	34
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Resources Conservation	34
B. Social			
Employment and Labour Practices			
Aspect B1: Employment			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		The Link with Our People	27
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	The Link with Our People (Partially disclosed)	27
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Recommended disclosure item, not disclosed this year	N/A
Aspect B2: Health and Safety			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. relating to providing a safe working environment and protecting employees from occupational hazards.		Occupational Health & Safety	29
KPI B2.1	Number and rate of work-related fatalities.	Occupational Health & Safety	29
KPI B2.2	Lost days due to work injury.	No lost day due to work injury during the Reporting Period	29
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Occupational Health & Safety	29

Aspect B3: Development and Training			
General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		Training and Development	28
KPI B3.1	The percentage of employees trained by gender and employee category.	Training and Development	28
KPI B3.2	The average training hours completed per employee by gender and employee category.	Recommended disclosure item, not disclosed this year	N/A
Aspect B4: Labour Standards			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.		Labour Standards	30
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards	30
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards	30
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure Policies on managing environmental and social risks of the supply chain.		Supply Chain Management	32
KPI B5.1	Number of suppliers by geographical region.	Recommended disclosure item, not disclosed this year	N/A
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Recommended disclosure item, not disclosed this year	N/A
Aspect B6: Product Responsibility			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		The Link with Our Guests	31

KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A	N/A
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Quality Assurance (partially disclosed)	31
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	N/A	N/A
KPI B6.4	Description of quality assurance process and recall procedures.	Quality Assurance (partially disclosed)	31
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Privacy Protection	32
Aspect B7: Anti-corruption			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		Anti-corruption	30
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption	30
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption	30
Community			
Aspect B8: Community Investment			
General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		About Link Hotel The Link with Our Community	23 32
KPI B8.1	Focus areas of contribution.	Recommended disclosure item, not disclosed this year	N/A
KPI B8.2	Resources contributed to the focus area.	Recommended disclosure item, not disclosed this year	N/A

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Ngan Iek (顏奕先生) ("Mr. Ngan"), aged 47, was appointed as a Director on 15 May 2012. He was subsequently redesignated as a non-executive Director and was appointed as the chairman of our Company on 24 February 2014. Further on 2 March 2016, he was redesignated as an executive Director. He is one of the founders of the Group. He is responsible for formulating development strategies and overseeing the overall business of the Group. He is also a member of the Remuneration Committee and the chairman of the Nomination and Corporate Governance Committee. He obtained a Bachelor of Business degree from University of New England in Australia in March 1997.

Mr. Ngan obtained a Master of Business in Accounting and Finance from the University of Technology, Sydney in Australia in May 1998 and a Doctor of Business Administration from the Macau University of Science and Technology in October 2010. Mr. Ngan obtained a registered accountant licence from the Financial Services of the Government of Macau in June 2000. He became a member of the ninth session of the committee of All-China Youth Federation (中華全國青年聯合會) in January 2004. Mr. Ngan is also a member of the eleventh Fujian Province Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十一屆福建省委員會會員). Mr. Ngan is a director of Vertic Holdings Limited ("Vertic"), the controlling shareholder of the Company, which was ordered to be wound-up pursuant to a Hong Kong court order dated 9 December 2019.

Mr. Ngan is (i) the elder brother of Ms. Ngan Iek Peng, a former non-executive Director (resigned on 3 April 2020), and Ms. Ngan Iek Chan, the spouse of Datuk Siew Pek Tho, an executive Director; and (ii) the brother-in-law of Datuk Siew Pek Tho.

Datuk Siew Pek Tho (拿督蕭柏濤) ("Datuk Siew"), aged 47, was appointed as an executive Director on 24 February 2014. Datuk Siew is also the compliance officer and one of the authorised representatives of our Company. He is responsible for overseeing financial management and managing investment projects of the Group. Datuk Siew obtained a Bachelor of Business and a Master of Business in Accounting from the University of Technology, Sydney in Australia in September 1995 and May 1998 respectively. He obtained the certificate of membership from The Institute of Chartered Accountants in Australia in January 1998. Datuk Siew is the brother-in-law of Mr. Ngan Iek, the chairman and executive Director and Ms. Ngan Iek Peng, a former non-executive Director (resigned on 3 April 2020).

NON-EXECUTIVE DIRECTORS

Mr. Lin Jianguo (林建國先生) ("Mr. Lin"), aged 58, was appointed as a non-executive Director on 3 April 2020. He obtained his bachelor degree in economics (accounting profession) from Xiamen University in the PRC in 1983. Mr. Lin has over 30 years of experience in accounting, financial management and investment management. Mr. Lin has been working for Hang Huo Enterprise Group Limited (恒和企業集團有限公司) ("HHEGL"), a company incorporated in the Macau Special Administrative Region of the PRC, since 2001 and is currently the vice president of general affairs mainly responsible for financial management. HHEGL is owned by the family members of Mr. Ngan Iek, the chairman, an executive director and a controlling shareholder of the Company. Prior to joining HHEGL, Mr. Lin held various senior management positions in several PRC enterprises from 1983 to 2000.

Mr. Zhao Guoming (趙國明先生) ("Mr. Zhao"), aged 34, was appointed as a non-executive Director on 15 November 2019. He obtained his bachelor degree in economics from Nanjing University in the PRC in 2005 and a master degree in business administration from Peking University in the PRC in 2012. Mr. Zhao is currently the director of investment department of 中民投亞洲資產管理有限公司 (transliterated as China Minsheng Asia Asset Management Company Limited), which is the holding company of CMI Financial Holding Company Limited, a substantial shareholder of the Company. Prior to his current position, he worked in Shanghai Sailing Capital Management Company Limited (上海賽領資本管理有限公司), SDIC Fund Management Company Limited (國投創新投資管理有限公司) and Deloitte Touche Tohmatsu Certified Public Accountants (德勤華永會計師事務所).

Ms. Zhang Shuo (張碩女士) ("Ms. Zhang"), aged 33, was appointed as a non-executive Director on 8 January 2019. She obtained her Bachelor of Laws degree from the East China Normal University (華東師範大學) in the PRC in 2009 and a Master of Laws degree from the Xiamen University (廈門大學) in the PRC in 2012. Ms. Zhang is currently a senior counsel of CMI Asia. Prior to joining CMI Asia in 2007, Ms. Zhang was a solicitor in JunHe LLP and she possesses extensive legal and compliance experience in corporate investment and financing, asset restructure, cross-border mergers and acquisitions, foreign investment, fund establishment and operation. Since February 2019, Ms. Zhang has been an executive director of New Universe Environmental Group Limited (stock code: 436), a company whose shares are listed on the Main Board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Thng Bock Cheng John (湯木清先生) ("Mr. Thng"), aged 68, was appointed as an independent non-executive Director on 20 June 2014. Mr. Thng worked for Hotel New Otani in Singapore from March 1984 to September 2004. His last position with Hotel New Otani was a general manager where he was responsible for (i) formulating, communicating and administering effective standards of internal control procedures to ensure best practices within the hotel; (ii) implementing policies for an effective operational overview of the hotel; and (iii) implementing divisional performance measurements as an effective management tool in the allocation of the resources of the hotel. From October 2004 to November 2010, he was employed by Rendezvous Hospitality Group Pte. Ltd., a subsidiary of Straits Trading Company in Singapore as the director of development for Southeast Asia. From August 2011 to present, Mr. Thng was employed by Singa Hospitality Pte. Ltd. as a hotel opening consultant.

Mr. Lai Yang Chau, Eugene (黎瀛洲先生) ("Mr. Lai"), aged 50, was appointed as an independent non-executive Director on 16 October 2014. He obtained his bachelor of laws degree from the University of Hong Kong in 1992, a Master of Laws degree on Chinese laws from Renmin University of China in 1998, and an EMBA-Global Asia degree conferred jointly by Columbia University, London Business School and the University of Hong Kong in 2012. He has also completed the Senior Executive Program for China (class 2011), jointly organised by Harvard Business School, Tsinghua University and China Europe International Business School. Mr. Lai is currently a practicing solicitor in Hong Kong. He has experience in international corporate finance, cross border merger and acquisition, and securities laws in Hong Kong.

Mr. Lai is currently one of the joint company secretary of Sinopec Kantons Holdings Limited (stock code: 934), the company secretary of AB Builders Group Limited (stock code: 1615) and one of the joint company secretary of Hengxin Technology Ltd. (stock code: 1085) whose shares are listed on the Main Board of the Stock Exchange.

Mr. Chan So Kuen (陳素權先生) ("Mr. Chan"), aged 40, was appointed as an independent non-executive Director on 16 October 2014. He obtained his Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University in 2001. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has over 13 years of experience in accounting, auditing, corporate governance and capital market in Hong Kong and the PRC. Since February 2014, Mr. Chan has been the chief financial officer and company secretary of Huazhang Technology Holding Limited (Stock Code: 1673), a company listed on the main board of the Stock Exchange. Since January 2015, Mr. Chan has been an independent non-executive director of Yangzhou Guangling District Taihe Rural Micro-finance Company Limited (stock code: 1915), a joint stock limited liability company established in the PRC whose H shares are currently listed on the Main Board of the Stock Exchange.

COMPANY SECRETARY

Mr. Tong Hing Wah (湯慶華先生) ("Mr. Tong"), aged 49, was appointed as the company secretary of the Company on 30 July 2019. He obtained his bachelor degree in accountancy from the Hong Kong Polytechnic University in 1993. He is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. He has over 25 years of experience in regulatory compliance, financial reporting, auditing, financial management and corporate finance, including over 15 years of experience as the company secretary of Hong Kong listed companies.

The Directors are pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019 (the "Year").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 43 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year and the state of affairs of the Group as at 31 December 2019 are set out in the consolidated financial statements on pages 55 to 57.

The Board does not recommend the payment of a final dividend for the Year.

BUSINESS REVIEW

The business review of the Group for the Year is set out in the sections headed "Chairman's Statement" and "Management Discussion & Analysis" on page 3 and pages 4 to 11 of this annual report respectively.

RESERVES

Movements in the reserves for the Year are set out in the consolidated statement of changes in equity on pages 58 to 59 of this report.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2019 calculated under the Company Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$239.0 million.

SHARE CAPITAL

Details of the movement in share capital of the Company during the Year is set out in note 36 to the consolidated financial statements.

CONVERTIBLE BONDS

Details of the movement in convertible bonds of the Company during the Year is set out in note 35 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

Details of the movements in property, plant and equipment and prepaid lease payments during the Year are set out in notes 16 and 19 to the consolidated financial statements respectively.

INVESTMENT PROPERTIES

The Group has revalued its investment properties as at 31 December 2019. Details of movements during the Year are set out in note 18 to the consolidated financial statements.

INTEREST-BEARING BANK BORROWINGS

Details of the borrowings as at 31 December 2019 are set out in note 31 to the consolidated financial statements.

CHARITABLE CONTRIBUTIONS

During the Year, the Group did not make any charitable contributions.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 144 of this report.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the Group's revenue from the largest customer and the five largest customers combined accounted for approximately 34.1% and 58.6% of the Group's total revenue respectively. For the Year, the Group's purchases from the five largest suppliers combined accounted for less than 30% of the Group's total purchases.

None of the Directors or any of their associates or any shareholders of the Company (the "Shareholders") (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

DIRECTORS

The Directors during the Year and up to the date of this report were:

Executive Directors

Mr. Ngan Iek *(Chairman)*
Datuk Siew Pek Tho
Mr. Chen Changzheng (resigned on 30 July 2019)

Non-executive Directors

Ms. Ngan Iek Peng (resigned on 3 April 2020)
Mr. Lin Jianguo (appointed on 3 April 2020)
Mr. Zhao Guoming (appointed on 15 November 2019)
Mr. Luo Guorong (appointed on 8 January 2019 and resigned on 15 November 2019)
Ms. Zhang Shuo (appointed on 8 January 2019)

Independent Non-executive Directors

Mr. Thng bock Cheng John
Mr. Chan So Kuen
Mr. Lai Yang Chau, Eugene

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company with a term of three years which shall be terminated by either party by serving no less than three months' notice in writing subject to the terms and conditions of such service contract.

Each of the non-executive Directors, including the INEDs, has signed an appointment letter with a fixed appointment term of three years.

The emoluments of the Directors are determined with reference to their duties, responsibilities and the prevailing market conditions. Details of the emoluments of each Director are set out in note 12 to the consolidated financial statements.

CONTRACTS, TRANSACTIONS AND ARRANGEMENTS OF SIGNIFICANCE

No Director had a material interest, either directly or indirectly, in any contract, transaction or arrangement of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

No contract of significance had been entered into between the Company, or any of its subsidiaries, and the controlling shareholders of the Company or any of its subsidiaries during the Year.

Save as disclosed above, no Director proposed for re-election at the 2019 AGM has an unexpired service contract with the Group which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of Directors are set out on pages 40 to 42 of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders unless otherwise required by the Stock Exchange.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as at the date of this report.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole and any part of the Company's business were entered into or existed during the Year.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2019, the interests or short positions of the Directors in the shares, underlying shares or debentures of the Company and associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Charter 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register to be kept under which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which is required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which is required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, is as follows:

Long positions in shares of the Company

Name	Capacity	Total number of shares held	Percentage of shareholding
Mr. Ngan Iek	Interest in controlled corporation (Note)	1,900,000,000	54.44%

Note:

These shares are registered in the name of Vertic, a company owned as to 50% by Mr. Ngan Iek, 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. Mr. Ngan Iek is deemed to be interested in the shares of the Company held by Vertic under Part XV of the SFO. Mr. Ngan Iek is a director of Vertic. Pursuant to a Hong Kong court order dated 9 December 2019, Vertic was ordered to be wound-up. For details, please refer to the announcement of the Company dated 9 December 2019.

Long positions in Vertic, an associated corporation of the Company

Name of Directors	Nature of interest	Number of shares held in the associated corporation	Position	Approximate percentage of shareholding in the associated corporation
Mr. Ngan Iek	Beneficial owner	500	Long	50%
Ms. Ngan Iek Peng	Beneficial owner	250	Long	25%
Datuk Siew Pek Tho	Interest of spouse *(Note 1)*	250	Long	25%

Notes:

1. Datuk Siew Pek Tho is the spouse of Ms. Ngan Iek Chan who is the owner of 25% shareholdings in Vertic. Datuk Siew Pek Tho is deemed to be interested in the 25% shareholdings in Vertic held by Ms. Ngan Iek Chan under Part XV of the SFO.

2. Pursuant to a Hong Kong court order dated 9 December 2019, Vertic was ordered to be wound-up. For details, please refer to the announcement of the Company dated 9 December 2019.

Save as those disclosed above, as at 31 December 2019, none of the Directors had any interests or short positions in the shares, underlying shares, or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.45 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2019, so far as any Directors are aware, the following persons (other than the interests disclosed above in respect of certain Directors of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO:

Long position in Shares

Name of Shareholder	Capacity	Number of Shares	Approximate Percentage
Vertic	Beneficial owner	1,900,000,000 *(Note 1)*	54.44%
Ms. Cheng Wing Shan	Interest of spouse	1,900,000,000 *(Note 2)*	54.44%
CMI Financial Holding Company Limited ("CMI Hong Kong")	Beneficial owner	690,000,000 *(Note 3)*	19.77%
China Minsheng Asia Asset Management Company Limited (Formerly known as Minsheng (Shanghai) Asset Management Company Limited#) 中民投亞洲資產管理有限公司 (前稱民生（上海）資產管理有限公司) ("CMI Asia")	Interest of controlled corporation	690,000,000 *(Note 3)*	19.77%
China Minsheng Investment Group Corporation Limited# (中國民生投資股份有限公司) ("China Minsheng Investment")	Interest of controlled corporation	690,000,000 *(Note 3)*	19.77%
China Orient Asset Management Corporation ("China Orient")	Beneficial owner	310,000,000 *(Note 4)*	8.88%

Notes:

1. Vertic is a company owned as to 50% by Mr. Ngan Iek, 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. For details, please refer to the announcement of the Company dated 9 December 2019.

2. Ms. Cheng Wing Shan is the spouse of Mr. Ngan Iek. Ms. Cheng Wing Shan is deemed to be interested in all the Shares in which Mr. Ngan Iek is interested in under Part XV of the SFO.

3. Such Shares are held by CMI Hong Kong, which is wholly-owned by CMI Asia, which is in turn wholly-owned by 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 SFO.

4. Pursuant to the disclosure of interest form filed by China Orient, it has (i) a security interest in 200,000,000 Shares, and (ii) a deemed interest in 110,000,000 Shares held by its controlled corporation.

Long position in and the underlying shares of the convertible bonds of the Company:

Name of the holder of the convertible bonds	Capacity	Principal amount of the convertible bonds	Number of the total underlying shares	Approximate percentage of the total issued share capital of the Company
CMI Hong Kong	Beneficial owner	HK$25,278,000	76,600,000	2.19%
CMI Asia	Interest of controlled corporation	HK$25,278,000	76,600,000	2.19%
China Minsheng Investment	Interest of controlled corporation	HK$25,278,000	76,600,000	2.19%

Note: Such underlying shares are held by CMI Hong Kong, which is wholly-owned by CMI Asia, which is in turn wholly-owned by China Minsheng Investment. Both CMI Asia and China Minsheng Investment are deemed to be interested in all the underlying shares held by CMI Hong Kong under Part XV of the SFO.

Save as disclosed above, as at 31 December 2019, the Directors were not aware of any other person who had, or deemed to have, interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under section 336 of the SFO.

INTERESTS AND SHORT POSITIONS OF OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS

Save as disclosed above, as at 31 December 2019, so far as the Directors are aware, no person or company (not being a director or chief executive of the Company) had any interests and/or short positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO.

COMPETING INTEREST

None of the Directors is or was interested in any business apart from the Group's business that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the Year and up to and including the date of this report.

SHARE OPTION SCHEME

The principal terms of the share option scheme adopted by the Company on 20 June 2014 (the "Share Option Scheme") are set out as follows:

Purpose

The purpose of the Share Option Scheme is to provide an incentive or a reward to eligible persons for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group or any entity in which our Group holds any equity interest ("Invested Entity").

Participants

Subject to the provisions in the Share Option Scheme, the Board shall be entitled at any time and from time to time within the period of 10 years after the date of adoption of the Share Option Scheme to make an offer to any of the following classes of persons:

(1) any employee (whether full-time or part-time) of our Company, any of our subsidiaries and any Invested Entity;

(2) any director (including executive, non-executive and independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;

(3) any supplier of goods or services to any member of our Group or any Invested Entity;

(4) any customer of our Group or any Invested Entity; and

(5) any consultant, adviser, manager, officer or entity that provides research, development or other technological support to our Group or any Invested Entity.

Total number of Shares available for issue

(1) The maximum number of shares of the Company (the "Shares") which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time.

(2) The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not exceed 10% of the total number of Shares in issue, without prior approval from the Company's shareholders (the "Shareholders").

As at 31 December 2019, the outstanding number of options available for grant under the Share Option Scheme is 349,000,000 options to subscribe for Shares, representing 10% of the number of Shares in issue.

Maximum entitlement of each participants

The total number of Shares issued and to be issued upon exercise of the options granted and may be granted to any participants in any 12-month period must not exceed 1% of the Shares in issue (as for connected persons, not exceed 0.1% of the Shares in issue or the value of HK$5 million), unless prior approval is obtained from the Shareholders.

Time of acceptance and exercise of an option

Any offer made to a participant for an option must be taken up within 21 days from the date (the "Offer Date") as specified in the offer letter issued by our Company, upon payment of HK$1. Option may be exercised in whole or in part at any time before the expiry of the period to be determined and notified by the Board, which shall not be longer than 10 years from the Offer Date.

Unless otherwise determined by the Board and specified in the offer letter at the time of the offer, there is neither any performance target that needs to be achieved by the grantee before an option can be exercised nor any minimum period for which an option must be held before an option can be exercised.

The subscription price

The subscription price for any Share under the Share Option Scheme is determined by the Board, and shall be at least the highest of: (i) the closing price of a Share on the Offer Date; (ii) the average closing price of a Share for the five business days immediately preceding the Offer Date; and (iii) the nominal value of a Share on the Offer Date.

Life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption of the Share Option Scheme on 20 June 2014.

During the Year, no option has been granted and there has been no movement of any options granted (if any) under the Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during the Year or at the end of the Year.

RELATED PARTY TRANSACTIONS

Details of the related party transactions are disclosed in note 38 to the consolidated financial statements. None of these related party transactions constitute a discloseable connected transaction as defined under the GEM Listing Rules.

PERMITTED INDEMNITY PROVISION

According to the Articles, every director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors and officers liability insurance cover for the directors and officers of the Company and its subsidiaries.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules for the Year. The Corporate Governance Report is set out on pages 12 to 21 of this report.

AUDITOR

The financial statements for the Year have been audited by BDO Limited which retires, and being eligible, offers itself for re-appointment at 2019 AGM. A resolution to re-appoint BDO Limited and to authorise the Directors to fix its remuneration will be proposed at 2019 AGM.

On behalf of the Board

Ngan Iek
Chairman and Executive Director
Hong Kong, 6 May 2020

In this report, translated English names of Chinese entities for which no official English translation exist are unofficial translations for identification purposes only, and in the event of any inconsistency between the Chinese names and their English translation, the Chinese names shall prevail.

TO THE SHAREHOLDERS OF LINK HOLDINGS LIMITED
(Incorporated in Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Link Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 55 to 142 which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Appropriateness of going concern assumption

As set out in note 3(c) to the consolidated financial statements, which indicates that the Group incurred a net loss of HK$55,711,582 during the year ended 31 December 2019 and, as of that date, the Group's current liabilities, totalling HK$352,914,146, exceeded its current assets by HK$227,112,094.

Subsequent to the reporting date, the operations of the Group has deteriorated due to the Novel Coronavirus ("COVID-19") pandemic as the main operations of the Group is hotel operations in Singapore and Japan. The COVID-19 pandemic has brought additional uncertainties to the renewal of its secured interest-bearing bank borrowings of an amount of HK$179,378,400 (Note 31) which is subject to certain loan covenants related to the Group's financial performance and position and renewal intervals of 1, 3 or 6 months as decided by the lending bank; and uncertainties about the Group's ability to generate sufficient cash flows to meet its liquidity needs. These needs mainly include the settlement of (i) construction payable amounting to HK$52,052,895 (Note 28), (ii) an amount due to a director amounting to HK$59,609,880 which is repayable on demand (Note 30) and (iii) convertible bonds with an aggregate principal amount of HK$25,278,000 (Note 35).

These events and conditions indicate that material uncertainties exist that may cast significant doubt on the Group's ability to continue as a going concern, and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of the above circumstances, the directors have prepared a forecast which takes into account of certain assumptions as set out in note 3(c) to the consolidated financial statements. Based on the directors' assessment, the Group is able to continue as a going concern and it is appropriate to prepare the consolidated financial statements on a going concern basis.

The appropriateness of the consolidated financial statements prepared on a going concern basis largely depends on whether those assumptions underlying the going concern assessment performed by the directors are reasonable and supported. However, in respect of the assumption that the Group will successfully negotiated with contractors to extend the settlement of construction payable amounting to HK$52,052,895 as at 31 December 2019 for more than 12 months or otherwise revise the repayment schedule so as to reduce the liquidity pressure to the Group, the directors have not provided us with information regarding the constructor's consent or intent to granting such extension or revision of repayment schedule or the basis for the directors' assumption in this regard. There are no alternative audit procedures to obtain sufficient appropriate audit evidence to support the assumption is reasonable. As a result, we were unable to conclude whether it is appropriate for the Company to prepare the consolidated financial statements on a going concern basis.

Should the Group fail to continue as a going concern, adjustments would have to be made to reduce the value of assets to their net realisable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in these consolidated financial statements.

Scope limitation on interest in an associate

As disclosed in note 20 to the consolidated financial statements, the Group had 42.3% equity interest in its associate, Zhuhai Shi Kang Ming De Enterprise Management Service Limited ("Kang Ming De"). The Group's interest in Kang Ming De amounted HK$43,277,682 as at 31 December 2019 and its share of loss and share of other comprehensive expense of Kang Ming De for the year then ended were HK$1,215,369 and HK$770,422 respectively. Due to travel restrictions implemented by government authority in COVID-19 pandemic, Kang Ming De's staff were unable to attend the business premises to perform daily operation and therefore we were unable to carry out certain of our audit procedures on the site. Accordingly, we were unable to perform audit procedures on the Group's interest in and share of results of, Kang Ming De as at and for the year ended 31 December 2019.

Any adjustments found necessary would affect the Group's interest in an associate, its share of profit or loss and other comprehensive income of an associate for the year, and the elements making up the consolidated statement of changes in equity, the consolidated statement of cash flows and disclosures in the notes to the consolidated financial statements.

Disagreement in respect of accounting for interest in an associate

In addition to the limitation of scope of our work on the Group's interest in Kang Ming De as mentioned above, due to travel restrictions implemented by government authority in COVID-19 pandemic, Kang Ming De's staff were unable to prepare the financial information of Kang Ming De for the year ended 31 December 2019. As a result, the financial information based on which the Group applied the equity method to account for its interest in Kang Ming De did not cover a full year ended 31 December 2019. Therefore the Group's share of results and share of other comprehensive income of an associate for the year ended 31 December 2019 and its interest in an associate as of 31 December 2019 were not prepared in accordance with International Accounting Standard 28 ("IAS 28") "Investments in Associates and Joint Ventures".

Had the financial information of Kang Ming De used for applying equity method been prepared covering a full year ended 31 December 2019, the Group's share of results and share of other comprehensive income of an associate, interest in an associate and the elements making up the consolidated statement of changes in equity and the consolidated statement of cash flows would have to be adjusted. However, it is impracticable for us to quantify the effects of this non-compliance.

OTHER MATTER

Had we not disclaimed our opinion in respect of the appropriateness to prepare the consolidated financial statements on a going concern basis and limitation of scope of work on interest in an associate, we would have issued a qualified opinion due to a material misstatement in respect of the accounting for the Group's interest in an associate and its share of profit or loss and other comprehensive income of an associate.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and to issue an auditor's report. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

However, because of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

BDO Limited
Certified Public Accountants
Lam Tsz Ka
Practising Certificate Number P06838

Hong Kong, 6 May 2020

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 HK$	2018 HK$
Revenue	7	**37,726,009**	60,628,594
Cost of sales		**(22,003,856)**	(15,513,071)
Gross profit		**15,722,153**	45,115,523
Other income	8	**1,431,880**	3,551,575
Other gains and losses	9	**(16,130,284)**	(138,863)
Selling expenses		**(1,837,137)**	(2,197,330)
Administrative expenses		**(46,401,182)**	(40,880,624)
Finance costs	10	**(11,512,364)**	(8,221,511)
Gain on changes in fair value of investment properties	18	**7,180,393**	5,393,060
Share of results of an associate	20	**(1,215,369)**	(510,484)
(Loss)/profit before income tax expense	11	**(52,761,910)**	2,111,346
Income tax expense	13	**(2,949,672)**	(5,164,118)
Loss for the year		**(55,711,582)**	(3,052,772)
Other comprehensive income/(expense) that will not be reclassified to profit or loss:			
Gain on revaluation of properties		**3,128,096**	395,239
Tax expense related to gain on revaluation of properties		**(975,620)**	(67,191)
Share of other comprehensive (expense)/income of an associate		**(770,422)**	977,670
Other comprehensive income/(expense) that may be reclassified subsequently to profit or loss:			
Exchange difference on translating foreign operations		**8,061,468**	(20,783,385)
Loss on cash flow hedges		**(440,554)**	(3,968,118)
Other comprehensive income/(expense) for the year, net of tax		**9,002,968**	(23,445,785)
Total comprehensive expense for the year		**(46,708,614)**	(26,498,557)
(Loss)/profit attributable to:			
Owners of the Company		**(55,624,724)**	(3,253,782)
Non-controlling interests		**(86,858)**	201,010
		(55,711,582)	(3,052,772)
Total comprehensive (expense)/income attributable to:			
Owners of the Company		**(46,822,878)**	(26,363,031)
Non-controlling interests		**114,264**	(135,526)
		(46,708,614)	(26,498,557)
Losses per share	14		
– Basic (HK cents per share)		**(1.594)**	(0.093)
– Diluted (HK cents per share)		**(1.594)**	(0.093)

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	At 31 December 2019 HK$	2018 HK$
Non-current assets			
Property, plant and equipment	*16*	**468,348,847**	442,567,556
Right-of-use assets	*17*	**77,579,193**	–
Investment properties	*18*	**185,777,959**	172,166,917
Prepaid lease payments	*19*	**–**	76,395,966
Interest in an associate	*20*	**43,277,682**	46,066,984
Prepayments for construction	*21*	**713,393**	3,108,892
Deposit for acquisition of land	*22*	**1,648,344**	1,418,751
Distressed debt assets classified as receivables	*24*	**–**	41,654,350
Deferred tax assets	*33*	**772,317**	–
Total non-current assets		**778,117,735**	783,379,416
Current assets			
Hotel inventories	*23*	**416,133**	167,975
Repossessed assets	*26*	**10,192,222**	–
Distressed debt assets classified as receivables	*24*	**67,882,280**	70,223,599
Trade and other receivables	*25*	**10,562,003**	8,049,478
Amount due from an associate	*20*	**64,260**	702,733
Cash and cash equivalents	*27*	**36,685,154**	165,255,807
Total current assets		**125,802,052**	244,399,592
Current liabilities			
Trade and other payables	*28*	**65,489,496**	76,434,943
Obligations under finance lease	*29*	**–**	171,159
Amount due to a non-controlling shareholder of subsidiaries	*30*	**8,758,913**	8,448,206
Amount due to a director	*30*	**59,609,880**	123,756,917
Interest-bearing bank borrowings	*31*	**189,469,650**	188,081,306
Lease liabilities	*32*	**1,199,213**	–
Provision for taxation		**3,294,084**	5,427,754
Derivative financial instruments	*34*	**2,545,661**	1,466,587
Convertible bonds	*35*	**22,547,249**	–
Total current liabilities		**352,914,146**	403,786,872
Net current liabilities		**(227,112,094)**	(159,387,280)
Total assets less current liabilities		**551,005,641**	623,992,136

	Notes	At 31 December 2019 HK$	2018 HK$
Non-current liabilities			
Other payables	*28*	**8,872,723**	8,132,163
Obligations under finance lease	*29*	**–**	308,219
Interest-bearing bank borrowings	*31*	**111,597,814**	120,797,387
Lease liabilities	*32*	**666,388**	–
Deferred tax liabilities	*33*	**25,055,722**	22,736,190
Derivative financial instruments	*34*	**1,848,980**	2,455,330
Convertible bonds	*35*	**–**	19,890,219
Total non-current liabilities		**148,041,627**	174,319,508
Net assets		**402,964,014**	449,672,628
Equity			
Share capital	*36*	**3,490,000**	3,490,000
Reserves		**393,848,487**	440,671,365
		397,338,487	444,161,365
Non-controlling interests		**5,625,527**	5,511,263
Total equity		**402,964,014**	449,672,628

On behalf of the Board

Ngan Iek

Datuk Siew Pek Tho

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company										
	Share capital HK$	Share premium HK$ *(Note a)*	Hotel properties revaluation reserve HK$ *(Note b)*	Other reserve HK$ *(Note c)*	Translation reserve HK$ *(Note d)*	Convertible bonds reserve HK$ *(Note e)*	Hedging reserve HK$ *(Note f)*	Retained earnings HK$	Total HK$	Non-controlling interests HK$	Total equity HK$
At 1 January 2018	3,490,000	333,122,249	66,671,156	2,014,251	(17,343,534)	10,698,249	–	71,872,025	470,524,396	5,646,750	476,171,146
Profit for the year	–	–	–	–	–	–	–	(3,253,782)	(3,253,782)	201,010	(3,052,772)
Other comprehensive income/(expense)											
– Gain on revaluation of properties	–	–	395,239	–	–	–	–	–	395,239	–	395,239
– Tax expense related to gain on revaluation of properties	–	–	(67,191)	–	–	–	–	–	(67,191)	–	(67,191)
– Share of other comprehensive income of an associate	–	–	977,670	–	–	–	–	–	977,670	–	977,670
– Exchange differences arising on translation of foreign operations	–	–	–	–	(20,446,849)	–	–	–	(20,446,849)	(336,536)	(20,783,385)
– Loss on cash flow hedges	–	–	–	–	–	–	(3,968,118)	–	(3,968,118)	–	(3,968,118)
Total comprehensive income/(expense) for the year	–	–	1,305,718	–	(20,446,849)	–	(3,968,118)	(3,253,782)	(26,363,031)	(135,526)	(26,498,557)
– Shares issued to a non-controlling shareholder in a subsidiary	–	–	–	–	–	–	–	–	–	39	39
At 31 December 2018 and 1 January 2019	**3,490,000**	**333,122,249**	**67,976,874**	**2,014,251**	**(37,790,383)**	**10,698,249**	**(3,968,118)**	**68,618,243**	**444,161,365**	**5,511,263**	**449,672,628**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(55,624,724)**	**(55,624,724)**	**(86,858)**	**(55,711,582)**
Other comprehensive income/(expense)											
– Gain on revaluation of properties	**–**	**–**	**3,128,096**	**–**	**–**	**–**	**–**	**–**	**3,128,096**	**–**	**3,128,096**
– Tax expense related to gain on revaluation of properties	**–**	**–**	**(975,620)**	**–**	**–**	**–**	**–**	**–**	**(975,620)**	**–**	**(975,620)**
– Share of other comprehensive income of an associate	**–**	**–**	**(770,422)**	**–**	**–**	**–**	**–**	**–**	**(770,422)**	**–**	**(770,422)**
– Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**7,846,315**	**–**	**14,031**	**–**	**7,860,346**	**201,122**	**8,061,468**
– Loss on cash flow hedges	**–**	**–**	**–**	**–**	**–**	**–**	**(440,554)**	**–**	**(440,554)**	**–**	**(440,554)**
Total comprehensive income/(expense) for the year	**–**	**–**	**1,382,054**	**–**	**7,846,315**	**–**	**(426,523)**	**(55,624,724)**	**(46,822,878)**	**114,264**	**(46,708,614)**
At 31 December 2019	**3,490,000**	**333,122,249**	**69,358,928**	**2,014,251**	**(29,944,068)**	**10,698,249**	**(4,394,641)**	**12,993,519**	**397,338,487**	**5,625,527**	**402,964,014**

Notes:

a. The share premium account of the Group represents the premium arising from the issuance of shares at premium.

b. The hotel properties revaluation reserve represents the gains arising on the revaluation of hotel buildings of the Group and the associate (other than investment properties).

c. The other reserve of the Group represents the difference between the nominal value of the shares issued by the Company and the aggregate nominal value of the issued share capital of subsidiaries acquired pursuant to a group reorganisation which became effective on 20 June 2014. The other reserve also resulted from the acquisition of additional interest in a subsidiary which represents the difference between the fair value of the consideration and the carrying amount of the net assets attributable to the additional interest in the subsidiary acquired.

d. The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

e. The convertible bonds reserve represents the amount of proceeds on issue of convertible bonds, net of issue expenses, relating to the equity component (i.e. option to convert the debt into share capital).

f. The hedging reserve included the cash flow hedge reserve. The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedge. Amounts are subsequently reclassified to profit or loss as appropriate.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 HK$	2018 HK$
Cash flows from operating activities			
(Loss)/profit before income tax expense		**(52,761,910)**	2,111,346
Adjustments for:			
Finance cost	*10*	**11,512,364**	8,221,511
Interest income	*8*	**(2,110)**	(211,657)
Depreciation of property, plant and equipment	*11*	**14,369,480**	10,810,082
Gain on disposal of property, plant and equipment	*9*	**(121,131)**	(156,915)
Write off of property, plant and equipment	*9*	**5,251,415**	295,778
Gain on changes in fair value of investment properties	*18*	**(7,180,393)**	(5,393,060)
Bad debt written off	*11*	**25,695**	203,231
Amortisation of prepaid lease payments	*11*	**–**	1,589,774
Loss allowance for ECLs of distressed debt assets	*9*	**11,000,000**	–
Share of results of an associate	*20*	**1,215,369**	510,484
Interest loss/(income) arising from distressed debt assets	*7*	**17,509,423**	(9,953,539)
		818,202	8,027,035
Increase in hotel inventories		**(246,829)**	(29,938)
Cash receipts from distressed debt assets		**3,501,877**	20,098,320
Decrease/(increase) in trade and other receivables		**6,652,531**	(2,742,645)
Increase/(decrease) in trade and other payables		**3,935,905**	(11,186,320)
Net cash generated from operations		**14,661,686**	14,166,452
Income taxes paid		**(4,970,212)**	(3,282,604)
Net cash flows generated from operating activities		**9,691,474**	10,883,848
Cash flows from investing activities			
Interest received		**2,110**	211,657
Payments for purchases of property, plant and equipment		**(44,436,165)**	(40,502,098)
Proceeds from disposal of property, plant and equipment		**631,883**	3,115,787
Payments for acquisition of investment properties		**–**	(382,939)
Prepayments for construction		**(8,995,785)**	(2,424,337)
Deposits paid for acquisition of lands		**(232,437)**	(1,671,577)
Decrease in amount due from an associate		**634,593**	21,420,282
Net cash used in investing activities		**(52,395,801)**	(20,233,225)

	Notes	2019 HK$	2018 HK$
Cash flows from financing activities			
(Decrease)/increase in amount due to a director		**(63,271,874)**	6,406,685
Repayment of finance lease obligation		**–**	(267,705)
Proceeds from borrowings		**–**	145,586,473
Repayment of borrowings		**(10,018,036)**	(9,382,188)
Repayments of lease liabilities		**(803,686)**	–
Increase in amount due to a non-controlling shareholder of subsidiaries		**–**	472,761
Interest paid		**(11,793,519)**	(10,865,253)
Net cash (used in)/generated from financing activities		**(85,887,115)**	131,950,773
Net (decrease)/increase in cash and cash equivalents		**(128,591,442)**	122,601,396
Cash and cash equivalents at beginning of year		**165,255,807**	42,759,995
Effect of exchange rate changes on cash and cash equivalents		**20,789**	(105,584)
Cash and cash equivalents at end of year		**36,685,154**	165,255,807

1. CORPORATE INFORMATION

Link Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 15 May 2012 under the Companies Law, Cap 22 of the Cayman Islands. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at Unit No. 3503, 35/F. of West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Sheung Wan, Hong Kong.

The ordinary shares of the Company (the "Shares") are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The immediate and ultimate holding company is Vertic Holdings Limited, a company incorporated in the British Virgin Islands.

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 43 to the consolidated financial statements.

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 6 May 2020.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

(a) Adoption of new/revised IFRSs – effective 1 January 2019

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

IFRS 16	Leases
IFRIC – Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features and Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	Annual Improvements to IFRSs 2015-2017 Cycle

A. *IFRS 16 – Leases*

(i) *Impact of the adoption of IFRS 16*

IFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces IAS 17 Leases ("IAS 17"), IFRIC – Int 4 Determining whether an Arrangement contains a Lease, SIC – Int 15 Operating Leases-Incentives and SIC – Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from IAS 17. For details of IFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under IFRS 16, please refer to section (ii) to (v) of this note.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONT'D)

(a) Adoption of new/revised IFRSs – effective 1 January 2019 (cont'd)

A. *IFRS 16 – Leases (cont'd)*

(i) Impact of the adoption of IFRS 16 (cont'd)

The Group has applied IFRS 16 using the cumulative effect approach and recognised the right-of-use assets at the amount equal to the lease liability, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018 at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under IAS 17 and related interpretations as allowed by the transition provision in IFRS 16.

The following tables summarised the impact of transition to IFRS 16 on consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

Consolidated statement of financial position as at 1 January 2019	HK$
Right-of-use assets	77,772,723
Motor vehicles presented in property, plant and equipment	(1,376,757)
Prepaid lease payments	(76,395,966)
Lease liabilities (non-current)	308,219
Lease liabilities (current)	171,159
Obligations under finance lease	(479,378)

The following reconciliation explains how the operating lease commitments disclosed applying IAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at 1 January 2019:

Reconciliation of operating lease commitment to lease liabilities	HK$
Operating lease commitment as of 31 December 2018	449,820
Less: short-term leases with remaining lease term ending on or before 31 December 2019	(449,820)
Add: obligations under finance leases as at 31 December 2018	479,378
Lease liabilities at 1 January 2019	479,378

(ii) The new definition of a lease

Under IFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONT'D)

(a) Adoption of new/revised IFRSs – effective 1 January 2019 (cont'd)

A. IFRS 16 – Leases (cont'd)

(ii) The new definition of a lease (cont'd)

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

(iii) Accounting as a lessee

Under IAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under IFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but IFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at fair value.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONT'D)

(a) Adoption of new/revised IFRSs – effective 1 January 2019 (cont'd)

A. IFRS 16 – Leases (cont'd)

(iii) Accounting as a lessee (cont'd)

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Accounting as a lessor

As the accounting under IFRS 16 for a lessor is substantially unchanged from the requirements under IAS 17, the adoption of IFRS 16 does not have significant impact on these financial statements.

(v) Transition

As mentioned above, the Group has applied IFRS 16 using the cumulative effect approach and recognised the right-of-use asset at the amount equal to the lease liability, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. The comparative information presented in 2018 has not been restated and continues to be reported under IAS 17 and related interpretations as allowed by the transition provision in IFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying IAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONT'D)

(a) Adoption of new/revised IFRSs – effective 1 January 2019 (cont'd)

A. IFRS 16 – Leases (cont'd)

(v) Transition (cont'd)

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under IAS 17 as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied IAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) IFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying IAS 17 and IFRIC – Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply IFRS 16 to contracts that were not previously identified as containing a lease under IAS 17 and IFRIC – Int 4.

The Group has also leased majority of its motor vehicles which previously were classified as finance leases under IAS 17. As the Group has elected to adopt the cumulative effect method over the adoption of IFRS 16, for those finance leases under IAS 17, the right-of-use assets and the corresponding lease liabilities at 1 January 2019 were the carrying amount of the lease assets and lease liabilities under IAS 17 immediately before that date. For those leases, the Group has accounted for the right-of-use assets and the lease liabilities applying IFRS 16 from 1 January 2019.

IFRIC – Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of IAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONT'D)

(a) Adoption of new/revised IFRSs – effective 1 January 2019 (cont'd)

Amendments to IAS 19 – Plan amendments, curtailment or settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

Amendments to IFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that IFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that IFRS 9 is applied to these LTI before the impairment losses guidance within IAS 28.

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

Except for the impact of the adoption of IFRS 16 Leases, the other new or amended IFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONT'D)

(b) New/revised HKFRSs that have been issued but are not yet effective

Amendments to IFRS 3	Definition of a business[1]
Amendments to IAS 1 and IAS 8	Definition of material[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate benchmark reform[1]
IFRS 17	Insurance contracts[2]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

Amendments to IFRS 3 – Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to IAS 1 and IAS 8 – Definition of material

The amendments clarify the definition and explanation of "material", aligning the definition across all IFRS Standards and the Conceptual Framework, and incorporating supporting requirements in IAS 1 into the definition.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

IFRS 17 – Insurance Contracts

IFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONT'D)

(b) New/revised HKFRSs that have been issued but are not yet effective (cont'd)

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable IFRSs, International Accounting Standards ("IASs") and Interpretations (hereinafter collectively referred to as "IFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The measurement basis used in preparation of the consolidated financial statement is the historical cost basis except for investment properties, hotel buildings and financial instruments, which are measured at fair values as explained in the accounting policies set out below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 5.

3. BASIS OF PREPARATION (CONT'D)

(c) Going concern assumption

The Group incurred a loss of HK$55,711,582 (2018: HK$3,052,772) for the year ended 31 December 2019 and as of that date, its current liabilities, totalling HK$352,914,146 (2018: HK$403,786,872), exceeded its current assets by HK$227,112,094 (2018: HK$159,387,280).

Subsequent to the reporting date, the operations of the Group has deteriorated due to the Novel Coronavirus ("COVID-19") pandemic as the main operations of the Group is hotel operations in Singapore and Japan. The COVID-19 pandemic has brought additional uncertainties to the renewal of its secured interest-bearing bank borrowings of an amount of HK$179,378,400 (Note 31) which is subject to certain loan covenants related to the Group's financial performance and position (the "Covenants") and renewal intervals of 1, 3 or 6 months as decided by the lending bank; and uncertainties about the Group's ability to generate sufficient cash flows to meet its liquidity needs. These needs mainly include the settlement of (i) construction payable amounting to HK$52,052,895 (Note 28), (ii) an amount due to a director amounting to HK$59,609,880 which is repayable on demand (Note 30) and (iii) convertible bonds with an aggregate principal amount of HK$25,278,000 (Note 35).

These events and conditions indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of these circumstances, the directors of the Company have given careful consideration of the future liquidity and cash flows of the Group in assessing whether the Group will have sufficient financial resources to continue as a going concern. For this purpose, management has prepared a forecast covering a period of 12 months from the date of approval of these consolidated financial statements. The forecast has incorporated the latest information obtained by management about the COVID-19 pandemic into the Group's operating cash flows estimation and different possible measures that are available to the Group, including extension of settlement of recognised liabilities and seeking of alternative sources of finance.

In this regard, management has communicated with the lending bank of the Group's secured interest-bearing bank borrowings and, having considered the latest renewal completed in March 2020 with the next renewal in June 2020, has made an assessment of the Group's ability to renew its interest-bearing bank borrowings. Management has performed a sensitivity analysis by considering the headroom available before the relevant Covenants would be triggered should the current operating environment continues for a considerable time in forecast period and considered that the Group would be able to meet the Covenants and complete the renewal. Apart from the anticipated renewal of the interest-bearing bank borrowings, the distressed debt asset management business is expected to generate positive net cash flows which further strengthen the Group's liquidity position.

In addition, the Group has communicated with the contractor to extend the repayment of the construction payable mentioned above for more than 12 months or otherwise revise the repayment schedule so as to reduce the liquidity pressure to the Group. Management has considered collateralising its investment properties with a fair value of HK$185,777,959 and the freehold lands with hotel property located in Japan with a net book value of HK$48,154,660 as at 31 December 2019, taking account of the nature of the properties when estimating the loan-to valuation ratio as considered reasonable by management and the Covenants, to obtain further source of funds.

3. BASIS OF PREPARATION (CONT'D)

(c) Going concern assumption (cont'd)

After taking into consideration of the above-mentioned assessments in the forecast, the directors are of the opinion that the Group will have sufficient working capital over the forecast period. Accordingly, the directors of the Group considered that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Whether the Group will be able to continue as a going concern are subject to the following assumptions:

(i) The COVID-19 pandemic would not be getting worse and the operating environment would gradually improve from the fourth quarter of 2020 and the Group's hotel operations performance would be in line with this trend, but with some time lag;

(ii) The bank making the interest-bearing borrowings would renew the revolving loans based on management's expectation that, at the time of renewal, the Group would be able to meet the loan covenants based on the sensitivity analysis;

(iii) Successfully negotiated with the contractor to extend the settlement of construction payable amounting to HK$52,052,895 for more than 12 months or otherwise revise the repayment schedule so as to reduce the liquidity pressure to the Group; and

(iv) Seeking other financing resources by collateralising its investment properties amounting to HK$185,777,959 and the freehold lands with hotel property located in Japan with a net book value of HK$48,154,660 as at 31 December 2019, taking account of the nature of the properties when estimating the loan-to-valuation ratio as considered reasonable by management and the Covenants.

Should the Group fail to achieve the intended effects resulting from above assumptions, it might not be able to continue as a going concern, and adjustments would have to be made to reduce the value of assets to their net realisable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in these consolidated financial statements.

(d) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by IFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

(d) Property, plant and equipment

Hotel buildings are stated at valuation less accumulated depreciation. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. Increases in value arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of properties revaluation reserve. Decreases in value arising on revaluation are first offset against increases on earlier valuations in respect of the same property and thereafter recognised in profit or loss. Any subsequent increases are recognised in profit or loss up to the amount previously charged and thereafter to the properties revaluation reserve.

Upon disposal, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the properties revaluation reserve to retained earnings.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, plant and equipment (cont'd)

Other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

No depreciation is provided on freehold land. Other property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Other property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Buildings	60 years
Leasehold improvements	5 – 20 years
Computer equipment	3 – 5 years
Furniture, fixtures and equipment	3 – 15 years
Motor vehicles	3 – 6 years

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Investment property

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss. Fair value is determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment properties. The carrying amounts recognised in the consolidated statement of financial position reflect the prevailing market conditions at the reporting date.

(f) Prepaid land lease payments (accounting policies applied until 31 December 2018)

Prepaid land lease payments represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

(g) Leasing (accounting policies applied from 1 January 2019)

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group as lessee – Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at fair value.

The Group as lessee – Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Leasing (accounting policies applied from 1 January 2019) (cont'd)

The Group as lessee – Lease liability (cont'd)

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

(h) Leasing (accounting policies applied until 31 December 2018)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (other than hotel buildings);
- Right-of-use asset;
- investments in subsidiaries;
- interest in an associate;
- prepayments for construction; and
- hotel inventories.

If the recoverable amount (i.e. the greater of the fair value less costs to disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another IFRS, in which case the impairment loss is treated as a revaluation decrease under that IFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

(j) Financial Instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Financial Instruments (cont'd)

(i) Financial assets (cont'd)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non-credit-impaired financial assets interest income is calculated based on the gross carrying amount.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Financial Instruments (cont'd)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, bank borrowings, obligations under finance lease, amounts due to non-controlling shareholder and a director, lease liabilities and the debt element of convertible loan note issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Financial Instruments (cont'd)

(iv) Convertible bonds

Convertible bonds issued by the Company that contain both the liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the fair value of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share capital and share premium. Where the option remains unexercised at the expiry dates, the balance stated in convertible bonds equity reserve will be released to the retained earnings. No gain or loss is recognised upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

(v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset of financial liability and of allocating interest income or interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(vi) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions. The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 46(c). Movements in the hedging reserve in shareholders' equity are shown in note 46(c) to the consolidated financial statement. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedges that qualify for hedge accounting IFRS 9. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses).

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognised within OCI in the costs of hedging reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

(l) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Cash and cash equivalents

Cash comprises cash at bank and on hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including assets similar in nature to cash, which are not restricted as to use.

(n) Repossession of assets

In the recovery of distressed debt assets, the Group may take possession of the collateral assets through court proceedings or voluntary delivery of possession by the borrowers. In accordance with the Group's accounting policy, impairment allowances for impaired loans and advances are maintained after taking into account the net realisable value of the collateral assets, usually resulting in a partial write-off of the loans and advances against impairment allowances. Repossessed assets are assets held for sale if it is highly probable that the future economic benefits will flow to the Group, their carrying amount will be recovered through a sale transaction rather than through continuing use and the assets are available for sale in their present condition.

Repossessed assets are recorded at the lower of the amount of the distressed debt assets and fair value less costs to sell at the date of exchange. They are not depreciated or amortised. Impairment losses on initial classification and on subsequent remeasurement are recognised in the statement of comprehensive income.

(o) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Revenue recognition (cont'd)

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception./Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Hotel room service

The Group has determined that for contracts with hotel guests for the hotel room services, there may be one or two performance obligations, which include the provision of hotel room services and provision of free breakfast. For the hotel room services, the Group has determined that the customers simultaneously receives and consumes the benefits of the Group's performance and thus the Group concludes that the service should be recognised overtime. For the performance obligation related to the free breakfast, the Group determines that the customers obtain control of the breakfast when it was delivered to the customers. Revenue is thus recognised when the customers finished their breakfast. Invoices are issued when the hotel guests checked out and the payment was required to settle at the same time. Uninvoiced amounts and the amounts receipt in advance regarding the hotel room services are presented as contract assets and contract liabilities respectively.

Sales of food and beverage

The Group operates a restaurant selling food and beverages. Revenue from the sales of food and beverages is recognised when a group entity sells a product to the customer. There is generally only one performance obligation. Invoices are usually payable when the customers finished their meal and the payment of the transaction price is due immediately.

Rental income

Rental is recognised in the consolidated income statement on a straight-line basis over the lease term.

Income from distressed debt assets

It included interest income and disposal income arising on distressed debt assets classified as receivables. Interest income is recognised in profit or loss using the effective interest method.

Interest income

Interest is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognised using the original effective interest rate.

(p) Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Contract assets and liabilities (cont'd)

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(q) Income tax

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under IAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(r) Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of each reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Foreign currencies (cont'd)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of each reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

(s) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. In particular the Group makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are made based on a percentage of the employee's basic salaries and are recognised as an expense in the period in which the related service is performed. The Group's employer contributions vest fully with the employees when contributed into the Central Provident Find scheme.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Employee benefits (cont'd)

(ii) Defined contribution retirement plan (cont'd)

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit and loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independent administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(iv) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period.

(t) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant. Such fair value is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all non-market vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

The Group also operates a phantom share option scheme which is determined to be a cash-settled share-based payment transaction with employees. An option pricing model is used to measure the Group's liability at grant date and subsequently at the end of each reporting period, taking into account the terms and conditions on which the bonus is awarded and the extent to which employees have rendered service. Movements in the liability (other than cash payments) are recognised in profit or loss.

(u) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(w) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation.

(x) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(x) Related parties (cont'd)

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is reversed if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives for the property, plant and equipment of the Group. The estimate is based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which would affect the related amortisation and depreciation charges included in the consolidated statement of comprehensive income.

(b) Estimate of income and deferred tax provisions

Significant judgement is required in determining the amount of provision for taxation and the timing of payment of the related taxation. Where the final tax outcome is different from the amounts that were initially recorded, such differences would impact the income and deferred tax provisions in the period in which such determination were made.

(c) Provision for impairment of trade receivables

The policy for the provision for impairment of trade receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment may be required.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONT'D)

(d) Measurement of distressed debt assets classified as receivables

Distressed debt assets classified as receivables are recognised at fair value (generally the consideration paid) and subsequently measured at amortised cost using the effective interest rate method. The interest rate method is applied at the level of individual distressed debt by using an actuarially determined three-year cash collections forecast to determine an effective interest rate or implicit cash flow. This effective interest rate is used over the collection life cycle to apportion cash collections between the principal and interest components.

As a minimum, cash collections over the three-year collection life cycle are actuarially reforecasted each accounting period and any consequent adjustment to the carrying value is recognised in profit or loss on a net basis across all distressed debt assets tranches.

The appropriateness of the carrying value of distressed debt assets classified as receivables is assessed by management and Directors by reviewing realised cash collections against ongoing forecasts and assessing cash flow generation more broadly.

(e) Fair value measurement

A number of assets and liability included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's non-financial assets and financial liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

- Hotel buildings (note 16);
- Investment properties (note 18); and
- Derivative financial instruments (note 34)

For more detailed information in relation to the fair value measurement of the items above, please refer to the note 45 (c).

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONT'D)

(f) Impairment of interest in an associate

The Group determines whether interest an associate is impaired by regularly review whether there are any indicators of impairment of the investments by reference to the requirements under IAS 28 (2011) "Investments in Associates and Joint Ventures" and IAS 36 "Impairment of Assets".

For investments where impairment indicators exist, management estimated the recoverable amounts of the investments, being higher of fair value less costs of disposal and value in use. The value in use of the underlying businesses is determined based on the discounted cash flow projections. Significant judgements are required to determine the key assumptions used in the discounted cash flow models, such as revenue growth, unit price and discount rates. Independent external valuers were also involved in the fair value and value in use assessments, where appropriate.

(g) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

(h) Going concern and liquidity

The assessment of the going concern assumptions involves making judgements by the Directors of Group, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The Directors of Group consider that Group has ability to continue as a going concern and the major conditions that may cast doubt about the going concern assumptions are set out in note 3(c) above.

6. OPERATING SEGMENT INFORMATION

Management determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The chief operating decision-maker considers the business primarily on the basis of the geographical locations. The Group is currently organised into four reportable segments. The following summary describes the operations in each of the Group's reportable and operating segments:

– Operation of hotel business in Singapore, Indonesia and Japan

– Distressed debt asset management in PRC

(a) Reportable segments

Management assesses the performance of the operating segments based on the measure of segment results which represents the net of revenues, incomes and gains, costs and expenditures directly attributable to each operating segment. Central corporate income, administrative cost and finance cost and share of results of an associate are not allocated to the operating segments as they are not included in the measure of the segment results that are used by the chief operating decision-maker for assessment of segment performance.

6. OPERATING SEGMENT INFORMATION (CONT'D)

(a) Reportable segments (cont'd)

The following is an analysis of the Group's revenue and results by reportable segments for the year:

Segment revenue and results

	Operation of hotel business			Distressed debt asset management	
	Singapore HK$	**Indonesia HK$**	**Japan HK$**	**The PRC HK$**	**Total HK$**
For the year ended 31 December 2019					
External revenue/(loss)	**52,072,444**	**–**	**3,162,988**	**(17,509,423)**	**37,726,009**
Segment profit/(loss)	**1,378,132**	**730,288**	**(12,055,155)**	**(33,130,489)**	**(43,077,224)**
Corporate income – Others					**37,598**
Central administrative cost and finance cost					**(8,506,915)**
Share of results of an associate					**(1,215,369)**
Loss before income tax expense					**(52,761,910)**

	Operation of hotel business			Distressed debt asset management	
	Singapore HK$	Indonesia HK$	Japan HK$	The PRC HK$	Total HK$
For the year ended 31 December 2018					
External revenue	50,675,055	–	–	9,953,539	60,628,594
Segment profit	3,135,689	3,925,982	1,720,736	3,553,202	12,335,609
Corporate income – Others					26,701
Central administrative cost					(9,740,480)
Share of results of an associate					(510,484)
Profit before income tax expense					2,111,346

6. OPERATING SEGMENT INFORMATION (CONT'D)

(a) Reportable segments (cont'd)

Segment revenue and results (cont'd)

Segment results represents the profit/(loss) earned/(charged) by each segment without allocation of corporate income (which includes other income), corporate finance cost, share of results of an associate and central administrative cost. Central administrative cost mainly included legal and professional fees and corporate staff costs. This is the information reported to the chief operating decision-maker for the purpose of resource allocation and performance assessment.

Segment assets

All assets are allocated to reportable segments other than interest in an associate, a deposit for acquisition of lands in Malaysia, corporate's other receivable, deposits and prepayments, corporate's property, plant and equipment, corporate's right-of-use assets and cash and cash equivalents.

	2019 **HK$**	2018 HK$
Operation of hotel business		
Singapore	**248,087,711**	257,785,670
Indonesia	**386,811,539**	360,934,236
Japan	**104,484,302**	81,308,830
Distressed debt asset management		
The PRC	**79,282,758**	112,812,345
Total segment assets	**818,666,310**	812,841,081
Unallocated	**85,253,477**	214,937,927
Consolidated assets	**903,919,787**	1,027,779,008

6. OPERATING SEGMENT INFORMATION (CONT'D)

(a) Reportable segments (cont'd)

Segment liabilities

All liabilities are allocated to reportable segments other than accruals of corporate expenses, amount due to a director, corporate's lease liabilities and convertible bonds.

	2019 HK$	2018 HK$
Operation of hotel business		
Singapore	**331,996,125**	339,698,272
Indonesia	**77,628,776**	81,629,143
Japan	**5,287,070**	10,255,272
Distressed debt asset management		
The PRC	**1,045,401**	1,059,599
Total segment liabilities	**415,957,372**	432,642,286
Unallocated	**84,998,401**	145,464,094
Consolidated liabilities	**500,955,773**	578,106,380

6. OPERATING SEGMENT INFORMATION (CONT'D)

(a) Reportable segments (cont'd)

Other segment information

Amounts included in the measure of segment loss or segment assets:

	Operation of hotel business			Distressed debt asset management		
	Singapore HK$	Indonesia HK$	Japan HK$	The PRC HK$	Unallocated HK$	Total HK$
For the year ended 31 December 2019						
Additions to property, plant and equipment	**85,990**	**12,930,774**	**20,116,027**	**–**	**18,398**	**33,151,189**
Depreciation of right-of-use assets	**(1,677,647)**	**(109,840)**	**–**	**–**	**(700,057)**	**(2,487,544)**
Depreciation of property, plant and equipment	**(10,279,666)**	**–**	**(1,484,848)**	**(14,543)**	**(102,879)**	**(11,881,936)**
Written off of property, plant and equipment	**–**	**(5,251,415)**	**–**	**–**	**–**	**(5,251,415)**
Gain on disposal of property, plant and equipment	**121,131**	**–**	**–**	**–**	**–**	**121,131**
Addition of deposit for acquisition of land	**–**	**–**	**–**	**–**	**229,593**	**229,593**
Gain on changes in fair value of investment properties	**–**	**7,180,393**	**–**	**–**	**–**	**7,180,393**
Addition of repossessed assets	**–**	**–**	**–**	**10,192,222**	**–**	**10,192,222**
Interest income	**–**	**1,806**	**60**	**–**	**244**	**2,110**
Interest expenses	**(11,408,526)**	**–**	**–**	**–**	**(103,838)**	**(11,512,364)**

6. OPERATING SEGMENT INFORMATION (CONT'D)

(a) Reportable segments (cont'd)

Other segment information (cont'd)

Amounts included in the measure of segment profit or segment assets:

	Operation of hotel business			Distressed debt asset management		
	Singapore HK$	Indonesia HK$	Japan HK$	The PRC HK$	Unallocated HK$	Total HK$
For the year ended 31 December 2018						
Additions to property, plant and equipment	1,354,967	148,570,755	40,580,741	31,675	11,370	190,549,508
Write off of property, plant and equipment	(295,778)	–	–	–	–	(295,778)
Gain on disposal of property, plant and equipment	156,915	–	–	–	–	156,915
Depreciation of property, plant and equipment	(10,699,786)	–	–	(8,457)	(101,839)	(10,810,082)
Amortisation of prepaid lease payments	(1,480,609)	(109,165)	–	–	–	(1,589,774)
Gain on changes in fair value of investment properties	–	5,393,060	–	–	–	5,393,060
Interest income	–	204,806	10	–	6,841	211,657
Interest expenses	(8,020,477)	–	–	(201,034)	–	(8,221,511)

6. OPERATING SEGMENT INFORMATION (CONT'D)

(b) Geographical information

The Group's revenue is derived from activities located in Singapore, Japan and the PRC. The following table provides an analysis of the Group's non-current assets.

	Non-current assets As at 31 December	
	2019	2018
	HK$	HK$
Operation of hotel business		
Singapore	**242,696,553**	252,849,969
Indonesia	**386,317,132**	360,934,236
Japan	**101,819,876**	80,257,367
Distressed debt asset management		
The PRC	**796,432**	41,693,530
Unallocated	**46,487,742**	47,644,314
	778,117,735	783,379,416

6. OPERATING SEGMENT INFORMATION (CONT'D)

(c) Disaggregation of revenue

	Hotel business		Distressed debt asset management		Total	
	2019	2018	**2019**	2018	**2019**	2018
	HK$	HK$	**HK$**	HK$	**HK$**	HK$
Primary geographical markets						
Singapore	**52,072,444**	50,675,055	**–**	–	**52,072,444**	50,675,055
Japan	**3,162,988**	–	**–**	–	**3,162,988**	–
PRC	**–**	–	**(17,509,423)**	9,953,539	**(17,509,423)**	9,953,539
Total	**55,235,432**	50,675,055	**(17,509,423)**	9,953,539	**37,726,009**	60,628,594
Major services and timing of revenue recognition						
At a point of time						
Sales of food and beverage	**6,784,405**	3,337,927	**–**	–	**6,784,405**	3,337,927
Others	**52,917**	56,497	**–**	–	**52,917**	56,497
Transferred over time						
Hotel room services	**41,438,815**	39,820,959	**–**	–	**41,438,815**	39,820,959
Others	**1,184,234**	1,377,369	**–**	–	**1,184,234**	1,377,369
Rental income from hotel properties *(note)*	**5,775,061**	6,082,303	**–**	–	**5,775,061**	6,082,303
Loss from distressed debt assets classified as receivables *(note)*	**–**	–	**(17,509,423)**	9,953,539	**(17,509,423)**	9,953,539
	55,235,432	50,675,055	**(17,509,423)**	9,953,539	**37,726,009**	60,628,594

Note: Rental income from hotel properties and loss from distressed debt assets classified as receivables are not within the scope of IFRS 15. Accordingly, income from these businesses is shown separately from the disaggregation of revenue from contracts with customers recognised at a point in time or transferred over time.

(d) Information about major customers

The Group did not have any single customer that contributed more than 10% of the Group's revenue during the year.

7. REVENUE

An analysis of the Group's revenue mainly represents the aggregate amount of income from hotel operations and distressed debt assets. An analysis of revenue is as follows:

	Year ended 31 December	
	2019	2018
	HK$	HK$
Income from distressed debt assets classified as receivables	**22,638,016**	33,336,005
Less: modification loss *(note a)*	**(40,147,439)**	(23,382,466)
	(17,509,423)	9,953,539
Hotel room	**41,438,815**	39,820,959
Food and beverage	**6,784,405**	3,337,927
Rental income from hotel properties	**5,775,061**	6,082,303
Others (note b)	**1,237,151**	1,433,866
	37,726,009	60,628,594

Notes:

a. The amount arising from adjusting the gross amount of distressed debt assets to reflect the renegotiated or modified estimated cash flow.

b. The amount mainly represents laundry and car park services from hotel operations.

8. OTHER INCOME

Other income is analysed as follows:

	Year ended 31 December	
	2019	2018
	HK$	HK$
Insurance compensation income	**–**	2,707,876
Government grants *(note)*	**94,642**	180,521
Interest income from bank deposits	**2,110**	211,657
Others	**1,335,128**	451,521
	1,431,880	3,551,575

Note: The government grants represent Special Employment Credit, Wage Credit Scheme and Government-Paid-Child- care leave received from Singapore Government and Inland Revenue Authority of Singapore during the year. There are no unfulfilled conditions or contingencies attached to these grants.

9. OTHER GAINS AND (LOSSES)

	Year ended 31 December 2019 HK$	2018 HK$
Gain on disposal of property, plant and equipment	**121,131**	156,915
Loss allowance for ECLs of distressed debt assets	**(11,000,000)**	–
Write off of property, plant and equipment	**(5,251,415)**	(295,778)
	(16,130,284)	(138,863)

10. FINANCE COSTS

	Year ended 31 December 2019 HK$	2018 HK$
Interest on bank borrowings *(note a)*	**10,510,455**	10,808,958
Bank overdraft interest	**2,848**	22,937
Interest expenses on lease liabilities *(note b)*	**127,750**	–
Finance lease interest	**–**	30,840
Convertible bonds *(note 35)*	**2,659,548**	2,346,717
Total interest expense on financial liabilities not at fair value through profit or loss	**13,300,601**	13,209,452
Less: amount capitalised *(note c)*	**(2,940,703)**	(4,987,941)
	10,359,898	8,221,511
Interest rate swap: cash flow hedges	**1,152,466**	–
	11,512,364	8,221,511

Notes:

a. This analysis shows the finance costs of bank borrowings, including term loans which contain scheduled repayment date and repayment on demand clause.

b. The Group has initially applied IFRS 16 as at 1 January 2019 using the cumulative effect approach. Under this approach, comparative information is not restated.

c. Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 3.84% (2018: 3.41%) to expenditure on qualifying assets.

11. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

The Group's (loss)/profit before income tax expense is arrived at after charging:

	Year ended 31 December	
	2019	2018
	HK$	HK$
Staff costs (excluding directors' remuneration *(note 12(a))*)		
Wages and salaries	**17,803,420**	17,724,128
Short-term non-monetary benefits	**2,017,125**	1,292,281
Contributions to defined contribution plans	**1,763,038**	1,960,455
	21,583,583	20,976,864
Depreciation of property, plant and equipment (included in administrative expenses)		
– Owned	**11,881,936**	10,513,797
– Held under finance leases	**–**	296,285
– Right-of-use assets *(note)*	**2,487,544**	–
	14,369,480	10,810,082
Amortisation of prepaid lease payments *(note)* (included in administrative expenses)	**–**	1,589,774
Auditor's remuneration	**1,100,000**	1,080,000
Bad debt written off	**25,695**	203,231
Legal and professional fees	**4,039,197**	5,027,048
Minimum lease payments under operating leases		
– Buildings (under IAS 17) *(note)*	**–**	1,081,743
– Short-term lease expenses (under IFRS 16)	**578,760**	–
Property taxes	**2,435,742**	2,049,774

Note: The Group has initially applied IFRS 16 using the cumulative effect approach. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses and amortisation of prepaid lease payments incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated.

12. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

	Ngan Iek HK$	Siew Pek Tho HK$	Chen Changzheng HK$ *(Note a)*	Ngan Iek Peng HK$	Thng Bock Cheng John HK$	Chan So Kuen HK$	Lai Yang Chau, Eugene HK$	Luo Guorong HK$ *(Note b)*	Zhang Shuo HK$ *(Note c)*	Zhao Guoming HK$ *(Note d)*	Total HK$
Fees	–	150,000	–	–	180,000	180,000	180,000	–	–	–	690,000
Salaries, allowances and benefits in kind	680,504	–	981,032	–	–	–	–	–	–	–	1,661,536
Contributions to defined contribution plans	–	–	41,015	–	–	–	–	–	–	–	41,015
Total	680,504	150,000	1,022,047	–	180,000	180,000	180,000	–	–	–	2,392,551

	Year ended 31 December 2018										
	Ngan Iek HK$	Siew Pek Tho HK$	Chen Changzheng HK$	Ngan Iek Peng HK$	Thng Bock Cheng John HK$	Chan So Kuen HK$	Lai Yang Chau, Eugene HK$	Chen Guogang HK$ *(Note e)*	Feng Xiaoying HK$ *(Note f)*	Total HK$
Fees	–	–	–	–	180,000	180,000	180,000	–	–	540,000
Salaries, allowances and benefits in kind	1,101,635	–	1,818,219	–	–	–	–	–	–	2,919,854
Contributions to defined contribution plans	–	–	100,774	–	–	–	–	–	–	100,774
Total	1,101,635	–	1,918,993	–	180,000	180,000	180,000	–	–	3,560,628

Notes:

a. Mr. Chen Changzheng resigned on 30 July 2019.

b. Mr. Luo Guorong was appointed on 8 January 2019 and resigned on 15 November 2019.

c. Mr. Zhang Shuo was appointed on 8 January 2019.

d. Mr. Zhao Guoming was appointed on 15 November 2019.

e. Mr. Chen Guogang resigned on 31 August 2018.

f. Ms. Feng Xiaoying resigned on 30 July 2018.

Salaries, allowance and benefits in kind paid to or for the executive directors are generally emoluments paid or payable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

12. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (CONT'D)

(b) Five highest paid employees

The five highest paid individuals whose emoluments were the highest in the Group for the year ended 31 December 2019 included 2 directors (2018: 2 directors) and their emoluments are reflected in note 12(a). The emoluments of the remaining 3 highest paid individuals (2018: 3) for the year ended 31 December 2019 are as follows:

	Year ended 31 December	
	2019	2018
	HK$	HK$
Salaries, allowances and benefits in kind	**3,014,000**	2,721,367
Contributions to defined contribution plans	**140,163**	18,000
	3,154,163	2,739,367

The number of non-directors, highest paid employees whose remuneration fell within the bands is as follows:

	Year ended 31 December	
	2019	2018
Nil to HK$1,000,000	**1**	3
HK$1,000,001 to HK$1,500,000	**2**	–

During the year ended 31 December 2019, no remuneration was paid by the Group to the directors or any of the five highest paid employees of the Group as an inducement to join or upon joining the Group or as compensation for loss of office (2018: Nil). None of the directors, nor the five highest paid employees has waived or agreed to waive any emoluments during the year (2018: Nil).

The remuneration paid or payable to members of senior management was within the following bands:

	Year ended 31 December	
	2019	2018
Nil to HK$1,000,000	**1**	5
HK$1,000,001 to HK$1,500,000	**2**	–

13. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2018: Nil).

Singapore corporate income tax has been provided on the estimated assessable profit arising in Singapore at the rate of 17% (2018: 17%).

The subsidiaries in Indonesia are subject to 25% on their assessable profit as determined in accordance with the relevant Indonesia income tax rules and regulations (2018: 25%).

The PRC Enterprise Income Tax is calculated at 25% on the estimated assessable profits of a subsidiary operating in the PRC. (2018: 25%)

Subsidiary operating in Japan is subject to national corporate income tax, inhabitant tax, and enterprise tax (hereinafter collectively referred to as "Japan Profits Tax") in Japan, which, in aggregate, resulted in effective statutory income tax rates of approximately 33.59% for the year based on the existing legislation, interpretations and practices in respect thereof (2018: 23%). No provision for Japan Profits Tax has been provided as the Group has no estimate assessable profit arising in Japan for the year ended 31 December 2019.

Taxes on profits assessable in elsewhere have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof.

The amount of taxation in the consolidated statement of comprehensive income represents:

	Year ended 31 December	
	2019	2018
	HK$	HK$
Current – Singapore Corporate Income Tax		
– Tax for the year	**(3,270,185)**	(2,765,254)
– Over/(under) provision in respect of prior years	**457,937**	(355,988)
	(2,812,248)	(3,121,242)
Deferred tax *(note 33)*		
– Current year	**(137,424)**	(2,042,876)
Total income tax expense	**(2,949,672)**	(5,164,118)

13. INCOME TAX EXPENSE (CONT'D)

The income tax expense for the year can be reconciled to the (loss)/profit before income tax expense per the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2019	2018
	HK$	HK$
(Loss)/profit before income tax expense	**(52,761,910)**	2,111,346
Tax at Singapore Corporate Income Tax rate of 17%	**8,969,524**	(358,929)
Effect of different tax rate of subsidiaries operating in other jurisdictions	**3,609,949**	(739,492)
Tax effect of expense not deductible for tax purpose	**(4,418,645)**	(2,219,194)
Tax effect of income not taxable for tax purpose	**26,797**	19,523
Tax effect of share of result of an associate	**(200,536)**	(84,230)
Effect of tax exemptions	**200,193**	339,227
Tax effect of deductible temporary differences not recognised	**(2,058,089)**	(1,765,035)
Tax effect of tax loss not recognised	**(9,536,802)**	–
Over/(under) provision in prior years	**457,937**	(355,988)
Income tax expense	**(2,949,672)**	(5,164,118)

At 31 December 2019, no unused tax loss can be carried forward indefinitely (2018: Nil).

14. LOSSES PER SHARE

The calculation of the basic losses per share attributable to the owners of the Company is based on the following data:

	2019 **HK$**	2018 HK$
Losses		
Losses for the purposes of basic losses per share	**(55,624,724)**	(3,253,782)
Interest expenses on convertible bonds	**–**	–
Losses for the purposes of diluted losses per share	**(55,624,724)**	(3,253,782)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic losses per share	**3,490,000,000**	3,490,000,000
Effect of dilutive potential ordinary shares on convertible bonds	**N/A**	N/A
Weighted average number of ordinary shares for the purposes of diluted losses per share	**3,490,000,000**	3,490,000,000

Ordinary shares are derived from 3,490,000,000 ordinary shares, being the number of shares in issue during the year ended 31 December 2019 (2018: 3,490,000,000 ordinary shares).

For the years ended 31 December 2019 and 2018, diluted losses are the same as basic losses per share as the impact of the potential dilutive ordinary shares outstanding has an anti-dilutive effect on the basic losses per share.

15. DIVIDEND

The Directors do not recommend payment of final dividend for the year ended 31 December 2019 (2018: Nil).

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold lands HK$	Hotel buildings HK$	Leasehold improvements HK$	Computer equipment HK$	Furniture, fixtures and equipment HK$	Motor vehicles HK$	Construction in progress HK$	Total HK$
Cost								
At 1 January 2018	9,835,737	130,852,413	84,627,613	4,124,121	19,815,105	2,332,324	63,638,438	315,225,751
Additions	–	–	228,752	62,604	293,023	1,059,561	188,905,568	190,549,508
Adjustment arising on revaluation	–	(2,211,440)	–	–	–	–	–	(2,211,440)
Disposal	–	–	–	–	(3,802,158)	(761,334)	–	(4,563,492)
Written off	–	–	(371,040)	–	–	–	–	(371,040)
Exchange realignment	24,669	(2,301,693)	(1,479,411)	(74,001)	(306,976)	(41,203)	(1,612,728)	(5,791,343)
At 31 December 2018	9,860,406	126,339,280	83,005,914	4,112,724	15,998,994	2,589,348	250,931,278	492,837,944
Impact on initial application of IFRS 16	–	–	–	–	–	(1,958,061)	–	(1,958,061)
At 1 January 2019	9,860,406	126,339,280	83,005,914	4,112,724	15,998,994	631,287	250,931,278	490,879,883
Additions	–	–	–	398,354	2,341,123	901,727	29,509,985	33,151,189
Transfer from Construction in progress	–	35,874,028	51,428,834	–	–	–	(87,302,862)	–
Transfer from right-of-use assets	–	–	–	–	–	593,027	–	593,027
Disposal	–	–	–	–	–	(593,027)	–	(593,027)
Written off	–	–	–	–	–	–	(5,251,415)	(5,251,415)
Adjustment arising on revaluation	–	281,186	–	–	–	–	–	281,186
Exchange realignment	6,715	883,454	476,655	28,558	111,042	5,228	6,852,555	8,364,207
At 31 December 2019	**9,867,121**	**163,377,948**	**134,911,403**	**4,539,636**	**18,451,159**	**1,538,242**	**194,739,541**	**527,425,050**
Accumulated depreciation								
At 1 January 2018	–	–	27,807,872	3,219,891	12,327,747	1,277,321	–	44,632,831
Depreciation charge for the year	–	2,637,373	6,240,826	305,221	1,265,467	361,195	–	10,810,082
Write back on revaluation	–	(2,606,679)	–	–	–	–	–	(2,606,679)
Disposal	–	–	–	–	(843,296)	(761,334)	–	(1,604,630)
Written off	–	–	(74,198)	(1,064)	–	–	–	(75,262)
Exchange realignment	–	(30,694)	(556,173)	(60,241)	(221,030)	(17,816)	–	(885,954)
At 31 December 2018	–	–	33,418,327	3,463,807	12,528,888	859,366	–	50,270,388
Impact on initial application of IFRS 16	–	–	–	–	–	(581,304)	–	(581,304)
At 1 January 2019	–	–	33,418,327	3,463,807	12,528,888	278,062	–	49,689,084
Depreciation charge for the year	–	2,828,338	7,097,488	319,458	1,401,009	235,643	–	11,881,936
Disposal	–	–	–	–	–	(82,275)	–	(82,275)
Write back on revaluation	–	(2,846,910)	–	–	–	–	–	(2,846,910)
Exchange realignment	–	18,572	285,621	27,364	100,459	2,352	–	434,368
At 31 December 2019	–	–	40,801,436	3,810,629	14,030,356	433,782	–	59,076,203
Net book value								
At 31 December 2018	9,860,406	126,339,280	49,587,587	648,917	3,470,106	1,729,982	250,931,278	442,567,556
At 31 December 2019	**9,867,121**	**163,377,948**	**94,109,967**	**729,007**	**4,420,803**	**1,104,460**	**194,739,541**	**468,348,847**

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

As at 31 December 2019 and 31 December 2018, construction in progress includes all costs related to the construction of the resorts and amenities. The accumulated costs will be transferred to the appropriate property and equipment upon completion.

The Group's hotel buildings was valued on 31 December 2019 by AVISTA Valuation Advisory Limited, a qualified professional valuer not connected to the Group, who holds a recognised and relevant professional qualification and has recent experience in the location and category of property, plant and equipment being valued. The revaluation surplus of HK$3,128,096 (2018: HK$395,239) net of applicable deferred income taxes of HK$975,620 (2018: HK$67,191) was credited to hotel properties revaluation reserve in the amount of approximately HK$2,152,476 (2018: HK$328,048). If the buildings had not been revalued, it would have been included in the consolidated financial statements at historical cost of HK$85,565,700 (2018: HK$50,516,211) as at 31 December 2019.

In estimating the fair value of the Group's hotel buildings, the highest and best use of the hotel buildings is their current use. The following table gives information about how the fair values of these hotel buildings are determined (in particular, the valuation techniques and key inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised level 3 based on the degree to which the key inputs to the fair value measurements is observable.

Element	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Buildings	Level 3	Discounted cash flow method *(note)* Key inputs: – Room rate; – Occupancy rate; – Discount rate; and – Annual growth	Room rate Occupancy rate Discount rate	The higher the occupancy rate and room rate, the higher the fair value The higher the discount rate, the lower the fair value

Note: The estimated fair values of the hotel properties (including the land, hotel buildings, leasehold improvements, furniture, fixtures and equipment) were determined using the discount cash flow method with the key inputs described in the table above. The estimated fair values of the land were then determined using market comparison method and leasehold improvements and furniture, fixtures and equipment components using depreciated replacement cost method respectively, and such fair values were then deducted from the estimated fair value of the hotel properties to arrive at the estimated fair value of the Group's hotel buildings.

The Group's hotel buildings are located (i) in the Republic of Singapore under long term lease, and (ii) in Japan under freehold lands.

As at 31 December 2019, certain property, plant and equipment with net carrying amount of approximately HK$168,878,221 (2018: HK$175,798,444) were pledged to the bank for banking facilities granted to the Group *(note 31)*.

As at 31 December 2018, the carrying amount of the Group's motor vehicle at the amount of HK$1,376,757 is in respect of asset acquired under finance lease *(note 29)*. From 1 January 2019 leased assets are presented as right-of-use assets *(note 17)* in the consolidated statement of financial position. Refer to note 2(a)A(i) for details about the changes in accounting policy.

17. RIGHT-OF-USE ASSETS

	Building HK$ *(Note a)*	Motor vehicles HK$	Prepaid lease payments HK$ *(Note b)*	Total HK$
At 1 January 2019 *(note 2(a) A(i))*	–	1,376,757	76,395,966	77,772,723
Addition	2,187,673	–	–	2,187,673
Amortisation *(note 11)*	(700,056)	(214,172)	(1,573,316)	(2,487,544)
Transfer to property, plant and equipment	–	(593,027)	–	(593,027)
Exchange realignment	–	4,261	695,107	699,368
At 31 December 2019	1,487,617	573,819	75,517,757	77,579,193

Notes:

a. The Group has obtained the right-to-use of properties as its office premise through tenancy agreement. The lease typically run for an initial period of 2 years. The lease does not include any option to renew the lease for an additional period after the end of the contract term.

b. The Group holds several leasehold land in Singapore and Bintan Islands in Indonesia. The right-to-use of the leasehold lands in Singapore are subject to the expiry on 31 December 2066. The right-of-use of leasehold lands in Bintan Islands, Indonesia are subject to the expiry in June 2044 and the Group has the option to extend for another 20 years. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

18. INVESTMENT PROPERTIES

	2019	2018
	HK$	HK$
At 1 January (level 3 recurring fair value)	**172,166,917**	171,116,397
Transferred from deposits for acquisition of lands	**–**	6,222,421
Change in fair value	**7,180,393**	5,393,060
Exchange realignment	**6,430,649**	(10,564,961)
At 31 December (level 3 recurring fair value)	**185,777,959**	172,166,917

During the years ended 31 December 2019 and 2018, there was no direct operating expenses arising from investment properties. As at 31 December 2019 and 2018, the Group had no unprovided contractual obligations for future repairs and maintenance.

The fair value of the Group's investment properties as at 31 December 2019 and 2018 has been arrived at on the basis of a valuation carried out by AVISTA Valuation Advisory Limited, independent qualified professional valuers not connected to the Group. They have relevant professional qualifications and recent experience in the location and category of the investment properties being valued. The valuations of the vacant parcels of land are determined based on direct comparison approach. Change in fair value of investment properties is recognised in line item "Gain on changes in fair value of investment properties" on the face of the consolidated statements of comprehensive income.

In relation to direct comparison approach, the valuation is based on the market comparable approach that reflects recent transaction prices for similar properties. Prices of comparable properties in close proximity are adjusted for differences in key attributes regarding property location, size, time, accessibility, surrounding environment and other relevant factors.

Significant unobservable inputs	**2019**	2018
Direct comparison approach (Level 3):		
Market unit rate with adjustment for property location, size, time, accessibility, surrounding environment and other relevant factors	**Range**	Range
– per square meter	**HK$254 – HK$398**	HK$245 – HK$367

In estimating the fair value of the properties, the highest and best use of the properties is their current use. During the year ended 31 December 2019, there were no transfers amongst Level 1, Level 2 and Level 3 in the fair value hierarchy (2018: Nil). The Directors estimated that the effect on the fair value of investment properties in response to reasonably possible changes in key inputs would be insignificant for the year ended 31 December 2019 and 2018.

The investment properties comprising lands only are located in Bintan Islands, Indonesia which are held under medium-term lease and currently at undetermined future use.

19. PREPAID LEASE PAYMENTS

The Group's interests in land use rights represented prepaid operating lease payments and the movements in their net carrying amounts are analysed as follows:

	At 31 December	
	2019	2018
	HK$	HK$
At 31 December as originally presented	**76,395,966**	–
Initial application of IFRS 16 *(note 2(a) A(i))*	**(76,395,966)**	–
At 1 January	**–**	79,587,028
Amortisation *(note 11)*	**–**	(1,589,774)
Exchange realignment	**–**	(1,601,288)
At 31 December	**–**	76,395,966

The Group has initially applied IFRS 16 using the cumulative effect approach to recognise right-of-use assets relating to leases which were previously classified as prepaid lease payments at the date of initial application. Further details on the impact of the transition to IFRS 16 are set out in note 2(a)A(i).

The prepaid lease payments represent (i) up-front payments to Singapore Tourism Board for acquiring rights to develop and operate a budget hotel located in the Republic of Singapore; (ii) up-front payments to Singapore Tourism Board for the lease of an airspace occupied by a bridge of the Group's buildings and (iii) the lands located in Bintan Islands, Indonesia. Both of the rights of (i) and (ii) are subject to the expiry of the government lease on 31 December 2066. The right of (iii) is subject to the expiry of the government lease in June 2044 and the Group has the option to extend for another 20 years.

20. INTEREST IN AN ASSOCIATE

Due to matters related to the worldwide COVID-19 pandemic, the travel restrictions prevented the Kang Ming De's staff to maintain daily operation and prepare the financial information. As the result, the associate was unable to provide the financial information to the Group and the management was unable to account for the interest in associate in accordance with the equity method under International Accounting Standard 28 "Investments in Associates and Joint Ventures". The reconciliation of financial information from sharing of the net assets of an associate and the breakdown of the Group's share of results and other comprehensive expense of associate for the year ended 31 December 2019 in accordance with IFRSs as disclosed are representing the interim figures of the associate.

	At 31 December	
	2019	2018
	HK$	HK$
Share of net assets of an associate	**39,307,620**	41,430,587
Goodwill	**3,970,062**	4,636,397
	43,277,682	46,066,984
Amount due from an associate *(note)*	**64,260**	702,733

Note: Amount due from an associate is unsecured, interest-free and repayable on demand.

The associate's subsidiaries are principally engaged in management of tourist scenic spots, hotel operation and provision of travel and travel related services.

20. INTEREST IN AN ASSOCIATE (CONT'D)

Details of the major group companies in the associate as at 31 December 2019 are as follows:

Company names	Place of incorporation	Percentage of ownership interest held by the Group Direct %	Indirect %	Place of operation and principal activities
Zhuhai Shi Kang Ming De Enterprise Management Service Limited ("Kang Ming De")	The PRC	42.3	–	Investment holding and provision of hotel management services in the PRC
Guangxi Detian Travel Development Group Limited	The PRC	–	40.02	Tourist scenic spots waterfall sightseeing and hospitality and catering services in the PRC
Daxin Mingshi Travel Development Company Limited	The PRC	–	39.91	Tourist scenic spots bamboo raft adventure and hospitality and catering services in the PRC
Nanning Mingshi Travel Consulting Limited	The PRC	–	40.02	Inactive in the PRC
Daxin County Detian Travel Agency Limited	The PRC	–	40.02	Travel agency in the PRC
Daxin Minsu Hotel Management Limited	The PRC	–	40.02	Hospitality services in the PRC
Daxiu Minshi Scenic Area Services Limited	The PRC	–	40.02	Inactive in the PRC

20. INTEREST IN AN ASSOCIATE (CONT'D)

Summarised financial information in respect of the associate, adjusted for any differences in accounting policies, are disclosed below:

	At 31 December 2019 HK$	2018 HK$
Non-current assets	**113,232,352**	119,075,469
Current assets	**67,817,583**	62,630,883
Current liabilities	**50,669,103**	45,864,874
Non-current liabilities	**33,207,667**	33,843,076
Net assets	**97,173,166**	101,998,402
Non-controlling interests	**4,247,351**	4,053,752
Group's share of the net assets of an associate (excluding non-controlling interests and other reconciliation items)	**39,307,620**	41,430,587

	For the year ended 31 December 2019 HK$	For the year ended 31 December 2018 HK$
Revenue	**27,613,630**	61,224,919
Loss for the year	**(2,953,552)**	(1,370,701)
Share of loss to non-controlling interests	**(193,599)**	(163,883)
Group's share of results of the associate for the year (excluding non-controlling interests)	**(1,215,369)**	(510,484)

21. PREPAYMENTS FOR CONSTRUCTION

As at 31 December 2019 and 31 December 2018, the prepayments for construction is related to advances made under the construction contract related to development in Bintan Islands, Indonesia.

22. DEPOSIT FOR ACQUISITION OF LAND

As at 31 December 2019 and 2018, the amount represented the refundable earnest money to an independence third entity, pursuant to the sale and purchase agreement for the acquisition of land located in Malaysia.

23. HOTEL INVENTORIES

Hotel inventories comprise food and beverage and other consumables.

24. DISTRESSED DEBT ASSETS CLASSIFIED AS RECEIVABLES

On 25 April 2017, a wholly-owned subsidiary of the Company, entered into a debt assignment agreement with Kang Ming De, an associate of the Group, pursuant to which Kang Ming De agreed to assign, and the wholly-owned subsidiary agreed to accept, the distressed debt assets and the enforcement right of the collaterals in connection with the non-performing debts, at the cash consideration of RMB108.9 million (equivalent to HK$125,555,116). The transaction was completed on 29 September 2017.

	At 31 December	
	2019	2018
	HK$	HK$
Current	**67,882,280**	70,223,599
Non-current	**–**	41,654,350
	67,882,280	111,877,949

For distressed debt assets classified as receivables, it represented the receivables from the obligors of non-performing loans. The borrowers are obliged to settle the amount according to the terms set out in relevant loan. These receivables classified as receivables are measured at amortised cost using the effective interest method in accordance with IFRS 9 "Financial Instruments". The effective interest rate is the rate that exactly discounts estimated future cash receipts over the expected life of the distressed debt assets.

When the contractual cash flows of the distressed debt assets are modified and the modification does not result in derecognition, the calculation of the modification gain or loss is the difference between the gross carrying amount of the asset before the modification and the recalculated gross carrying amount. The recalculated gross carrying amount is the present value of the estimated future cash payments or receipts through the expected life of the modified distressed debt assets discounted using the credit-adjusted effective interest rate before the modification. The movements during the year are as follows:

	2019	2018
	HK$	HK$
At 1 January	**111,877,949**	128,257,463
Add: interest income recognised during the year *(note 7)*	**22,638,016**	33,336,005
Less: net of modification loss recognised during the year *(note 7)*	**(40,147,439)**	(23,382,466)
Less: cash receipts from debtors	**(3,501,877)**	(20,098,320)
Less: obtained repossessed assets *(note 26)*	**(10,344,006)**	–
Exchange realignment	**(1,640,363)**	(6,234,733)
Gross amount of distressed debt assets	**78,882,280**	111,877,949
Less: Loss allowance for ECLs *(note 9)*	**(11,000,000)**	–
	67,882,280	111,877,949

The Directors assessed that the fair value of collateral over the distressed debt are less than the carrying amount of distressed debt assets classified as receivables, loss allowance for ECLs is recognised as at 31 December 2019 (2018: Nil).

25. TRADE AND OTHER RECEIVABLES

	At 31 December	
	2019	2018
	HK$	HK$
Trade receivables *(note a)*	**4,224,434**	2,589,275
Contract assets *(note b)*	**433,264**	405,649
Prepayments	**4,200,600**	3,913,103
Deposits	**1,503,128**	971,522
Other receivables	**200,577**	169,929
	10,562,003	8,049,478

(a) Trade receivables

Trade receivables, which generally have credit terms of 30 days, are recognised and carried at their original invoiced amounts less impairment which is made when collection of the full amounts is no longer probable. Bad debts are written off as incurred.

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

The aged analysis as at the end of reporting period, based on the invoice date, is as follows:

	At 31 December	
	2019	2018
	HK$	HK$
Current to 30 days	**3,811,033**	2,210,652
31 to 60 days	**325,990**	295,139
61 to 90 days	**30,227**	25,498
Over 90 days	**57,184**	57,986
	4,224,434	2,589,275

25. TRADE AND OTHER RECEIVABLES (CONT'D)

(b) Contract assets

The amount represents the uninvoiced revenue regarding the hotel room services.

	At 31 December 2019 HK$	2018 HK$
Contract assets arising from:		
Hotel business	**433,264**	405,649

The contract assets are expected to be recovered or settled within one months.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables appropriately grouped by similar loss pattern. The calculation reflects the probability weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions. As at 31 December 2019 and 2018, the amount of ECLs for contract assets is not material, no provision is recorded. Further details on the Group's credit policy and credit risk arising from trade debtors and contract assets are set out in note 46(a).

26. REPOSSESSED ASSETS

During the year, the Group obtained by taking possession of collaterals held as security. The nature and carrying value of these assets held as at 31 December 2019 is summarised as follows:

	At 31 December 2019 HK$	2018 HK$
Obtained from a distressed debtors *(note 24)*	**10,344,006**	–
Exchange realignment	**(151,784)**	–
Repossessed property – shops	**10,192,222**	–

The estimated market value of the repossessed asset held by the Group as at 31 December 2019 was approximately RMB9.6 million (equivalent to approximately HK$10.7 million) (2018: Nil). It comprises property in respect of which the Group has acquired assess or control through court proceedings for release in full or in part of the obligations of a borrower *(note 24)*. As at 31 December 2019, the management of the Group has committed themselves to a plan for disposal of the repossessed properties and expected to complete the disposal within one year.

27. CASH AND CASH EQUIVALENTS

	At 31 December 2019 HK$	2018 HK$
Cash at bank and on hand	**36,685,154**	165,255,807

Cash at bank and on hand are mainly denominated in SG$, IDR, Renminbi ("RMB"), Japanese Yen ("JPY") and HK$.

Cash at bank earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

28. TRADE AND OTHER PAYABLES

	At 31 December 2019 HK$	2018 HK$
Current liabilities		
Trade payables *(note a)*	**1,291,087**	800,292
Contract liabilities *(note b)*	**2,520,420**	1,501,490
Accruals and other payables	**9,625,094**	7,104,117
Construction payables	**52,052,895**	67,029,044
	65,489,496	76,434,943
Non-current liabilities		
Construction payables *(note c)*	**8,872,723**	8,132,163

28. TRADE AND OTHER PAYABLES (CONT'D)

(a) Trade payables

The Group normally obtains credit terms of up to 30 days from its suppliers. Trade payables are interest-free. The aged analysis of trade payables as at the end of reporting period, based on the invoice dates, is as follows:

	At 31 December	
	2019	2018
	HK$	HK$
Current to 30 days	**1,104,400**	517,326
31 to 60 days	**–**	28,577
Over 90 days	**186,687**	254,389
	1,291,087	800,292

(b) Contract liabilities

The Group recognises contract liabilities when a customer pays consideration before the Group recognises the related revenue.

	At 31 December	At 31 December
	2019	2018
	HK$	HK$
Contract liabilities arising from:		
Hotel business	**2,520,420**	1,501,490

Movements in contract liabilities

	2019	2018
	HK$	HK$
Balance as at 1 January	**1,501,490**	218,862
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(1,501,490)**	(218,862)
Increase in contract liabilities as a result of receipt in advance from hotel operating activities	**2,520,420**	1,501,490
Balance at 31 December	**2,520,420**	1,501,490

(c) Construction payables

The amount represents the retention payable for the construction in Bintan. It is payable one year after the date of completion.

29. OBLIGATIONS UNDER FINANCE LEASE

The Group leases two (2018: two) motor vehicles. Such assets are classified as finance lease as the rental period amounts to the estimated useful economic life of the asset concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount. The lease term are ranging from 3 years to 5 years (2018: 3 years to 5 years).

The future lease payments under the finance leases are due as follows:

	Minimum lease payments	**Interest**	**Present value**
	HK$	HK$	HK$
As at 31 December 2018			
Not later than one year	190,704	19,545	171,159
Later than one year but not later than five years	334,886	26,667	308,219
	525,590	46,212	479,378
Initial application of IFRS 16 *(note 2(a)A(i))*			(479,378)
At 1 January 2019			–

The Group has initially applied IFRS 16 using the cumulative effect approach to recognise lease liabilities relating to leases which were previously classified as finance leases at the date of initial application. Further details on the impact of the transition are set out in note 2(a)A(i).

The present value of future lease payments are analysed as:

	2018
	HK$
Current liabilities	171,159
Non-current liabilities	308,219
	479,378

The effective interest rates of the Group's obligations under finance lease liabilities as at 31 December 2018 ranging from 5.21% to 5.37% per annum.

30. AMOUNTS DUE TO A NON-CONTROLLING SHAREHOLDER OF SUBSIDIARIES AND A DIRECTOR

	At 31 December	
	2019	2018
	HK$	HK$
Amount due to a non-controlling shareholder of subsidiaries *(note a)*	**8,758,913**	8,448,206
Amount due to a director *(note b)*	**59,609,880**	123,756,917

Notes:

a. Amount due to a non-controlling shareholder of subsidiaries is unsecured, interest-free and repayable on demand.

b. Amount due to a director – Mr. Ngan Iek is unsecured, interest-free and repayable on demand. Mr. Ngan Iek has shareholding in the Company with significant influence.

31. INTEREST-BEARING BANK BORROWINGS

	At 31 December	
	2019	2018
	HK$	HK$
Current		
Secured		
– bank borrowings due for repayment within one year *(note)*	**189,469,650**	188,081,306
Non-current		
Secured		
– bank borrowings due for repayment after one year	**111,597,814**	120,797,387
	301,067,464	308,878,693

Note: During the year ended 31 December 2019, the banking facilities are revised. Revolving loans amounted to HK$179,378,400 (2018: HK$178,064,000) are subject to renewal for every 1, 3 or 6 months.

Bank borrowings bear interest ranging from 1.75% to 2% (2018: 1.75%) per annum above the bank's Singapore swap offer rate. The effective interest rate ranging from 3.84% to 3.99% (2018: from 3.07% to 3.42%). During the year ended 31 December 2019, the Group entered into an interest rate swap contract to hedge the interest rate risk of the floating rate interest-bearing bank borrowings *(note 34)*.

31. INTEREST-BEARING BANK BORROWINGS (CONT'D)

The Group's banking facilities and its interest-bearing bank borrowings are secured by:

– the pledge of certain property, plant and equipment of the Group with net carrying amount of approximately HK$168,878,221 as at 31 December 2019 (2018: HK$175,798,444) *(note 16)*;

– a fixed and floating charge on all of the assets and undertakings of a Company's subsidiary;

– corporate guarantees from the Company and the Company's subsidiary; and

– a charge over an operating bank account of a Company's subsidiary.

At 31 December 2019 and 2018, total current and non-current bank borrowings were scheduled to repay as follows:

	At 31 December	
	2019	2018
	HK$	HK$
On demand or within one year	**189,469,650**	188,081,306
More than one year, but not exceeding two years	**10,091,250**	10,017,306
More than two years, but not exceeding five years	**101,506,564**	110,780,081
	301,067,464	308,878,693

Note: The amounts due are based on the scheduled repayment dates in the loan agreements and ignore the effect of repayment on demand clause.

Certain of the banking facilities are subject to the fulfilment of covenants relating to the aggregate market value of the Group's properties, which are to be maintained not less than a specific ratio to the outstanding balances of interest-bearing bank borrowings at the end of the reporting period. If the Group breaches the covenants, the drawn down facilities shall become repayable on demand.

The Group regularly monitors its compliance with these covenants and does not consider it probable that the bank will exercise its discretion to demand repayment so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 46(b). During the years ended 31 December 2019 and 2018, none of the covenants relating to drawn down facilities had been breached.

32. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and at the date of transition to IFRS 16:

	Minimum lease payments HK$	Interest HK$	Present value HK$
As at 31 December 2019			
Not later than one year	**1,297,686**	**98,473**	**1,199,213**
Later than one year and not later than two years	**687,691**	**21,303**	**666,388**
	1,985,377	**119,776**	**1,865,601**
As at 1 January 2019			
Not later than one year	190,704	19,545	171,159
Later than one year and not later than two years	334,886	26,667	308,219
	525,590	46,212	479,378

The Group has initially applied IFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition are set out in note 2(a)A(i).

The present value of future lease payments are analysed as:

	31 December 2019 HK$	1 January 2019 HK$
Current liabilities	**1,199,213**	171,159
Non-current liabilities	**666,388**	308,219
	1,865,601	479,378

33. DEFERRED TAX ASSETS/(LIABILITIES)

Details of the deferred tax assets and liabilities recognised, and movements during the year are as follows:

	Hotel properties revaluation HK$	Revaluation of investment properties HK$	Accelerated tax depreciation HK$	Unrealised (income)/ expense from distressed debt assets HK$	Total HK$
At 1 January 2018	(13,861,499)	(7,278,033)	(219,343)	–	(21,358,875)
Charge to profit or loss for the year *(note 13)*	–	(1,348,265)	218,025	(912,636)	(2,042,876)
Charge to other comprehensive income	(67,191)	–	–	–	(67,191)
Exchange realignment	243,824	452,478	1,318	35,132	732,752
At 31 December 2018 and 1 January 2019	**(13,684,866)**	**(8,173,820)**	**–**	**(877,504)**	**(22,736,190)**
Charge to profit or loss for the year *(note 13)*	**–**	**(1,795,098)**	**–**	**1,657,674**	**(137,424)**
Charge to other comprehensive income	**(975,620)**	**–**	**–**	**–**	**(975,620)**
Exchange realignment	**(101,016)**	**(325,302)**	**–**	**(7,853)**	**(434,171)**
At 31 December 2019	**(14,761,502)**	**(10,294,220)**	**–**	**772,317**	**(24,283,405)**

Reconciliation to the consolidated statement of financial position

	At 31 December **2019** HK$	2018 HK$
Deferred tax assets	**772,317**	–
Deferred tax liabilities	**(25,055,722)**	(22,736,190)

34. DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments represent an interest rate swap contract held by the Group, in which the contract period is 3 years with the maturity date on 15 September 2021.

The following table details the interest rate swaps outstanding as at the end of the reporting period:

	Fair value at 31 December 2019 HK$	Fair value at 31 December 2018 HK$
Swap #1	**4,394,641**	3,921,917
Less: Current portion	**2,545,661**	1,466,587
Non-current portion	**1,848,980**	2,455,330

At 31 December 2019, the notional amount of the outstanding interest rate swap contract was approximately HK$301,067,464 (2018: HK$308,878,693).

The interest rate swap contract is settled on a monthly basis. The interest rate swaps and the interest payments on the loan occur simultaneously. The floating rate on the interest rate swaps is the Singapore swap offer rate and the contracted fixed interest rate of the interest rate swaps is 2.1%. At 31 December 2019, the Group's effective interest of bank borrowings is fixed at 3.85% (2018: fixed at 3.85%). The Group will settle the difference between the fixed and floating interest rate on a net basis. The hedge ratio of the interest rate swap is 1:1 to hedged instrument.

	At 31 December	
	2019 HK$	2018 HK$
At 1 January	**3,921,917**	–
Fair value loss on hedging instrument recognised in other comprehensive income during the year	**1,593,020**	3,968,118
Settlement during the year (note 10)	**(1,152,466)**	–
Exchange realignment	**32,170**	(46,201)
At 31 December	**4,394,641**	3,921,917

35. CONVERTIBLE BONDS

On 8 October 2015, the Group entered into a subscription agreement with CMI Hong Kong to issue the 5-year Convertible Bonds with an aggregate principal amount of HK$25,278,000 (the "Convertible Bonds"). The subscription was completed on 30 November 2015 and the Group issued the Convertible Bonds.

The Convertible Bonds are denominated in Hong Kong dollars and are convertible at the option of the bondholder at any time after the date of issuance up to the date falling seven days prior to the maturity date of 30 November 2020 into new share of the Company at a price of HK$0.33 per share, subject to anti-dilutive adjustments.

The Convertible Bonds contain liability and equity components. The equity component is included in the equity headed "convertible bonds reserve".

The fair value of the liability component of the Convertible Bonds at the issue date was valued by an independent valuer determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate. The effective interest rate of the liability component is approximately 13.37% per annum. The convertible bonds are bearing interest at fixed rate of 0.01% per annum and are payable annually in arrears.

Based on the terms of the subscription agreement, the Convertible Bonds contain two components, the liability components and the equity conversion components. At 31 December 2019 and 2018, none of the Convertible Bonds has been converted into ordinary shares of the Group. The movements of the components of Convertible Bonds of during the year are set out below:

	Liability component HK$	**Equity conversion component** HK$	**Total** HK$
At 1 January 2018	17,546,020	10,698,249	28,244,269
Effective interest expense for the year *(note 10)*	2,346,717	–	2,346,717
Accrual of interest expense on Convertible Bonds	(2,518)	–	(2,518)
At 31 December 2018 and 1 January 2019	**19,890,219**	**10,698,249**	**30,588,468**
Effective interest expense for the year *(note 10)*	**2,659,548**	**–**	**2,659,548**
Accrual of interest expense on Convertible Bonds	**(2,518)**	**–**	**(2,518)**
At 31 December 2019	**22,547,249**	**10,698,249**	**33,245,498**

The interest expense of Convertible Bonds for the year ended 31 December 2019 is calculated using the effective interest method by applying an effective interest rate of approximately 13.37% to the liability component (2018: 13.37%).

36. SHARE CAPITAL

	At 31 December 2019 HK$	2018 HK$
Authorised:		
50,000,000,000 (2018: 50,000,000,000) ordinary shares of HK$0.001 (2018: HK$0.001) each	**50,000,000**	50,000,000
Issued and fully paid:		
3,490,000,000 (2018: 3,490,000,000) ordinary shares of HK$0.001 (2018: HK$0.001) each	**3,490,000**	3,490,000

The movements in issued share capital were as follows:

	2019		2018	
	Number of shares in issue	**Issued share capital HK$**	Number of shares in issue	Issued share capital **HK$**
At 1 January and 31 December	**3,490,000,000**	**3,490,000**	3,490,000,000	3,490,000

37. RESERVES

Details of the movements in the reserves of the Company during the year are as follows:

	Share premium HK$	**Convertible bonds reserve** HK$	**Accumulated losses** HK$	**Total** HK$
At 1 January 2018	333,122,249	10,698,249	(61,216,900)	282,603,598
Loss for the year and total comprehensive expense for the year	–	–	(12,521,349)	(12,521,349)
At 31 December 2018 and 1 January 2019	**333,122,249**	**10,698,249**	**(73,738,249)**	**270,082,249**
Loss for the year and total comprehensive expense for the year	**–**	**–**	**(31,111,764)**	**(31,111,764)**
At 31 December 2019	**333,122,249**	**10,698,249**	**(104,850,013)**	**238,970,485**

38. RELATED PARTY TRANSACTIONS

(i) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

		Year ended 31 December	
		2019	2018
Names of related party and relationship	**Natures of transaction**	**HK$**	HK$
Kang Ming De, Associate	Management fee paid for distressed debt asset business	**728,733**	927,505

(ii) Compensation of key management personnel of the Group, including directors' remuneration as disclosed in note 12 to the consolidated financial statements is as follows:

	Year ended 31 December	
	2019	2018
	HK$	HK$
Salaries, allowances and benefits in kind	**6,761,768**	7,272,700
Contributions to defined contribution plans	**187,178**	242,075
	6,948,946	7,514,775

(iii) Details of the balances with related parties are disclosed in note 30 to the consolidated financial statements.

39. OPERATING LEASE ARRANGEMENTS

As lessee

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases of office rental which are payable as follows:

	At 31 December
	2018
	HK$
Within one year	449,820
In the second to fifth years inclusive	–
	449,820

For the year ended 31 December 2018, the minimum leases payments recognised by the Group are HK$1,081,743.

The Group is the lessee in respect of a number of office premises which was previously classified as operating leases under IAS 17. From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 4(g), and the details regarding the Group's future lease payments are disclosed in note 17.

39. OPERATING LEASE ARRANGEMENTS (CONT'D)

As lessor

The Group leases certain retail space and areas of its hotel properties under operating lease arrangements, with leases negotiated for terms ranging from 1 to 2 years. The terms of leases generally also require the tenants to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

At 31 December 2019, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	At 31 December	
	2019	2018
	HK$	HK$
Within one year	**5,853,669**	2,411,147
In the second to fifth years inclusive	**4,393,431**	15,530
	10,247,100	2,426,677

40. CAPITAL COMMITMENTS

At 31 December 2019, the Group had the following capital commitments:

	At 31 December	
	2019	2018
	HK$	HK$
Authorised, but not contracted for, in respect of Property, plant and equipment	**59,839,271**	69,119,067
Contracted, but not provided for, in respect of Property, plant and equipment	**15,365,280**	24,129,955

41. CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 31 December 2019 (2018: Nil).

42. NOTES SUPPORTING CASH FLOW STATEMENT

(a) Cash and cash equivalents comprise:

	At 31 December 2019 HK$	2018 HK$
Cash and cash equivalents in the consolidated cash flow statement	**36,685,154**	165,255,807

Significant non-cash transactions are as follows:		
Investment activities		
Accruals of construction payables for additions of property, plant and equipment	–	75,161,207
Transfer from prepayments for construction to property, plant and equipment	**2,325,337**	69,433,329
Transfer the deposits for acquisition of lands to investment properties	–	5,839,482

(b) Reconciliation of liabilities arising from financing activities:

	Lease liabilities *(note 32)* HK$	Amount due to a non-controlling shareholder of subsidiaries *(note 30)* HK$	Amount due to a director *(note 30)* HK$	Interest-bearing bank borrowings, exclude bank overdrafts *(note 31)* HK$	Convertible bonds *(note 35)* HK$	Total HK$
At 1 January 2019	479,378	8,448,206	123,756,917	308,878,693	19,890,219	461,453,413
Changes from cash flows:						
Repayment of bank loans	–	–	–	(10,018,036)	–	(10,018,036)
Advance from/(repayment of)	–	377	(63,271,874)	–	–	(63,271,497)
Repayments of lease liabilities	(803,764)	–	–	–	–	(803,764)
Interest expenses on lease liabilities	(127,750)	–	–	–	–	(127,750)
Interest paid	–	–	–	(11,664,769)	(2,518)	(11,667,287)
Total changes from financing cash flows:	(931,514)	377	(63,271,874)	(21,682,805)	(2,518)	(85,888,334)
Exchange realignment:	2,314	310,330	(875,163)	2,206,807	–	1,644,288
Other changes:						
Interest expenses	127,750	–	–	11,664,769	–	11,792,519
Capitalised borrowing costs	–	–	–	–	2,659,548	2,659,548
Addition of lease liabilities	2,187,673	–	–	–	–	2,187,673
Total other changes	2,315,423	–	–	11,664,769	2,659,548	16,639,740
At 31 December 2019	1,865,601	8,758,913	59,609,880	301,067,464	22,547,249	393,849,107

42. NOTES SUPPORTING CASH FLOW STATEMENT (CONT'D)

(b) Reconciliation of liabilities arising from financing activities: (cont'd)

	Obligations under finance lease *(note 29)* HK$	Amount due to a non-controlling shareholder of subsidiaries *(note 30)* HK$	Amount due to a director *(note 30)* HK$	Interest-bearing bank borrowings, exclude bank overdrafts *(note 31)* HK$	Convertible bonds *(note 35)* HK$	Total HK$
At 1 January 2018	288,427	8,485,210	119,154,366	177,378,276	17,546,020	322,852,299
Changes from cash flows:						
Proceeds from new bank loans	–	–	–	145,586,473	–	145,586,473
Repayment of bank loans	–	–	–	(9,382,188)	–	(9,382,188)
Advance from	–	472,761	6,406,685	–	–	6,879,446
Capital element of finance lease rentals paid	(267,705)	–	–	–	–	(267,705)
Interest element of finance lease rentals paid	(30,840)	–	–	–	–	(30,840)
Interest paid	–	–	–	(10,831,895)	(2,518)	(10,834,413)
Total changes from financing cash flows:	(298,545)	472,761	6,406,685	125,372,390	(2,518)	131,950,773
Exchange realignment:	(6,277)	(509,765)	(1,804,134)	(4,703,868)	–	(7,024,044)
Other changes:						
Interest expenses	–	–	–	8,190,671	–	8,190,671
Capitalised borrowing costs	–	–	–	2,641,224	2,346,717	4,987,941
Acquisition of property, plant and equipment	464,933	–	–	–	–	464,933
Finance charges on obligations under finance lease	30,840	–	–	–	–	30,840
Total other changes	495,773	–	–	10,831,895	2,346,717	13,674,385
At 31 December 2018	479,378	8,448,206	123,756,917	308,878,693	19,890,219	461,453,413

43. INTERESTS IN SUBSIDIARIES

Details of the principal subsidiaries are as follows:

Company name	Place, date of incorporation/ establishment and kind of legal entity	Particulars of issued and fully paid share capital/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities and place of operation
Subsidiaries					
Hang Huo Investment Pte. Ltd.	Republic of Singapore, 4 May 2004, limited liability company	3,000,000 shares of SG$1 per share	–	100	Hotel ownership, Republic of Singapore
Link Hotels International Pte. Ltd.	Republic of Singapore, 21 May 2007, limited liability company	1,000,000 shares of SG$1 per share	–	100	Operation of hotel services, Republic of Singapore
PT Hang Huo Investment	Republic of Indonesia, 27 July 2013, limited liability company	3,000,000 shares of United States dollar ("USD") 1 per share	–	92	Accommodation (hotel and cottage) and real estate, Indonesia
PT Hang Huo International	Republic of Indonesia, 29 May 2015, limited liability company	225,000 shares of USD1 per share	–	90	Property investment, Indonesia
Star Adventure Investment Limited	Hong Kong, 9 October 2015, limited liability company	Ordinary share of HK$1	–	100	Investment holding, Hong Kong
Link Kaga Company Limited	Japan, 30 March 2016, limited liability company	40 shares of JPY50,000 each	–	100	Operation of hotel services, Japan
Guangxi Heng He Zhi Da Asset Management Limited	The PRC, 15 December 2016, limited liability company	USD50,000,000	–	100	Provision of distressed debt assets management services, The PRC

44. NON-CONTROLLING INTERESTS

The total non-controlling interests as at 31 December 2019 is HK$5,625,527 (2018: HK$5,511,263), among which HK$4,828,747 is attributable to PT Hang Huo Investment (2018: HK$4,739,849) and HK$823,607 is for PT Hang Huo International (2018: HK$794,910). The remaining negative balance amounted to HK$26,827 (2018: HK$23,496) is attributable to a non-controlling shareholder of a Malaysia subsidiary.

Set out below are the summarised financial information for the subsidiaries including PT Hang Huo Investment and PT Hang Huo International that have non-controlling interests that are material to the Group, and the information below is the amount before inter-company elimination:

	PT Hang Huo Investment		**PT Hang Huo International**	
	2019	2018	**2019**	2018
	HK$	HK$	**HK$**	HK$
For the year ended 31 December				
Revenue	**–**	–	**–**	–
(Loss)/profit for the year	**(1,018,834)**	1,696,508	**(5,307)**	900,920
Total comprehensive income/(expense)	**1,146,164**	(1,952,545)	**286,970**	442,125
(Loss)/profit allocated to non-controlling interests	**(81,507)**	135,721	**(531)**	90,092
For the year ended 31 December				
Cash flows used in operating activities	**(6,769,356)**	(2,202,787)	**(17,939)**	(43,139)
Cash flows used in investing activities	**(10,965,473)**	(11,016,174)	**–**	(14,660)
Cash flows generated from/(used in) financing activities	**22,307,095**	18,115,278	**–**	(905,057)
Net cash inflows/(outflows)	**4,572,266**	4,896,317	**(17,939)**	(962,856)
As at 31 December				
Current assets	**10,366,022**	5,050,716	**2,297,690**	2,233,725
Non-current assets	**355,472,724**	333,753,344	**19,912,063**	19,189,251
Current liabilities	**(288,808,634)**	(265,653,467)	**(11,674,916)**	(11,260,771)
Non-current liabilities	**(16,670,777)**	(13,902,482)	**(2,298,764)**	(2,213,102)
Net assets	**60,359,335**	59,248,111	**8,236,073**	7,949,103
Accumulated non-controlling interests	**4,828,747**	4,739,849	**823,607**	794,910

45. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

(a) Categories of financial instruments

	At 31 December	
	2019	2018
	HK$	HK$
Financial assets		
Measured at amortised cost:		
Distressed debt assets classified as receivables	**67,882,280**	111,877,949
Trade receivables and contract assets	**3,652,656**	2,994,924
Deposits and other receivable	**3,515,673**	1,141,451
Amount due from an associate	**64,260**	702,733
Cash and cash equivalents	**36,783,723**	165,255,807
Total	**111,898,592**	281,972,864
Financial liabilities		
Financial liabilities measured at amortised cost:		
Trade payables	**1,291,087**	800,292
Accruals and other payables	**70,550,712**	82,265,324
Obligations under finance lease	**–**	479,378
Amount due to a non-controlling shareholder of subsidiaries	**8,758,913**	8,448,206
Amount due to a director	**59,609,880**	123,756,917
Interest-bearing bank borrowings, secured	**301,067,464**	308,878,693
Lease liabilities	**1,865,601**	–
Convertible bonds	**22,547,249**	19,890,219
Total	**465,690,906**	544,519,029
Derivative financial instruments:		
Interest rate swap	**4,394,641**	3,921,917
Total	**470,085,547**	548,440,946

45. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONT'D)

(b) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, contract assets, trade and other receivables, distressed debt assets, amount due from an associate, trade and other payables, bank borrowings, obligations under finance leases, amount due to a non-controlling shareholder of subsidiaries, amount due to a director and convertible bonds.

Due to their short term nature, the carrying value of cash and cash equivalents, trade and other receivables and trade and other payables approximates fair value.

(c) Financial instruments measured at fair value

Fair value hierarchy

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

The derivative financial instruments in the consolidated statements of financial position in accordance with the fair value hierarchy are described below. The hierarchy groups financial liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial liabilities. The fair value hierarchy has the following levels:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group's financial instruments in the consolidated statement of financial position is approximately HK$4,394,641 (2018: HK$3,921,917) as at 31 December 2019 are grouped into level 2 of the fair value hierarchy.

During the years ended 31 December 2019 and 2018, there were no transfers amongst Level 1, Level 2 and Level 3 in the fair value hierarchy.

46. FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to its trade receivables, distressed debt assets classified as receivables, other receivables, cash and cash equivalents. There was no history of default for other receivables. The bank deposits are placed in the banks with high credit-ratings.

Trade receivables and contract assets

In respect of trade receivables, the Group trades only with recognised and credit worthy customers and the receivable balances are monitored on an ongoing basis and on an individual basis. The Group did not have a significant degree of concentration of credit risk on trade receivables. As at 31 December 2019, the trade receivables from the five largest debtors represented 17% (2018: 28%) of the total trade receivables respectively, while the largest debtor represented 6% (2018: 5%) of the total trade receivables respectively. Given the credit worthiness and reputation of the major debtors, management believes the risk arising from concentration is manageable and not significant.

Individual credit evaluations are performed on major customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 days from the date of billing. Normally, the group does not obtain collateral from customers.

The group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the group's different customer bases.

As at 31 December 2019

	Expected credit loss rate (%)	Gross carrying amount (HK$)	Loss allowance (HK$)
Current	–	4,244,298	–
With 1 months past due	3%	325,990	9,780
1 to 3 months past due	3%	55,368	1,661
3 to 12 months past due	7%	32,042	2,243
Total		4,657,698	13,684

46. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

Trade receivables and contract assets (cont'd)

As at 31 December 2018

	Expected credit loss rate (%)	Gross carrying amount (HK$)	Loss allowance (HK$)
Current	–	2,616,301	–
With 1 months past due	3%	295,139	8,854
1 to 3 months past due	3%	41,145	1,234
3 to 12 months past due	7%	42,339	2,964
Total		2,994,924	13,052

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Distressed debt asset classified as receivables

The Group has investments in distressed debt assets classified as receivables which contain certain elements of credit risk. Depending on the status of the obligor of distressed debt asset, the Group decide to pursue cash collections from disposing obligor's pledged assets, credit risk arises in such situation. To minimise the credit risk of distressed debt assets, the Group assesses the value of collateral which can fully covers the credit exposure before purchasing the distressed debt assets. The Group also timely evaluating the recoverability of the distressed debt assets and obtaining legal advice regarding the legal status of the distressed debt assets. During the year ended 31 December 2019, loss allowance for ECLs of distressed debt assets is recognised amounted to HK$11,000,000 (note 24).

46. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay.

2019	Carrying amount HK$	Total contractual undiscounted cash flow HK$	Within 1 year or on demand HK$	More than 1 year but less than 5 years HK$	More than 5 years HK$
Non-derivatives					
Trade payables	1,291,087	1,291,087	1,291,087	–	–
Accruals and other payables	70,550,712	70,550,712	61,677,989	8,872,723	–
Amount due to a non-controlling shareholder of subsidiaries	8,758,913	8,758,913	8,758,913	–	–
Amount due to a director	59,609,880	59,609,880	59,609,880	–	–
Interest-bearing bank borrowings	301,067,464	329,019,117	198,868,324	130,150,793	–
Lease liabilities	1,865,601	1,985,377	1,297,686	687,691	–
Convertible bonds	22,547,249	25,278,000	25,278,000	–	–
Total non-derivatives	465,690,906	496,493,086	356,781,879	139,711,207	–

	Total contractual undiscounted cash flow HK$	Within 1 year or on demand HK$	More than 1 year but less than 5 years HK$
Derivatives			
Interest rate swap – cash flow hedges (inflow)	(27,951,653)	(9,398,673)	(18,552,980)
Interest rate swap – cash flow hedges outflow	33,942,344	11,413,029	22,529,315
Total derivatives	5,990,691	2,014,356	3,976,335

46. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Liquidity risk (cont'd)

2018	Carrying amount HK$	Total contractual undiscounted cash flow HK$	Within 1 year or on demand HK$	More than 1 year but less than 5 years HK$	More than 5 years HK$
Non-derivatives					
Trade payables	800,292	800,292	800,292	–	–
Accruals and other payables	82,265,324	82,265,324	74,133,161	8,132,163	–
Obligations under finance lease	479,378	525,590	190,704	334,886	–
Amount due to a non-controlling shareholder of subsidiaries	8,448,206	8,448,206	8,448,206	–	–
Amount due to a director	123,756,917	123,756,917	123,756,917	–	–
Interest-bearing bank borrowings	308,878,693	346,552,049	197,822,985	148,729,064	–
Convertible bonds	19,890,219	25,278,000	2,528	25,275,472	–
Total non-derivatives	544,519,029	587,626,378	405,154,793	182,471,585	–

	Total contractual undiscounted cash flow HK$	Within 1 year or on demand HK$	More than 1 year but less than 5 years HK$
Derivatives			
Interest rate swap – cash flow hedges (inflow)	(37,673,356)	(9,741,679)	(27,931,677)
Interest rate swap – cash flow hedges outflow	45,408,696	11,715,066	33,693,630
Total derivatives	7,735,340	1,973,387	5,761,953

Specifically, for bank borrowings which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the above analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

46. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. The Group ensures that between its borrowings are effectively on a fixed rate basis, either through the contractual terms of the interest-bearing financial liabilities or through the use of interest rate swaps. The Group's interest rate profile as monitored by management is set out in (ii) below.

(i) Hedges of interest rate risk

Interest rate swaps, denominated in Singapore dollars, have been entered into to achieve an appropriate mix of fixed and floating rate exposure consistent with the Group's policy.

The following table provides information on the interest rate swaps which have been designated as cash flow hedges of the interest rate risk inherent in the Group's variable rate bank borrowings at the end of the reporting period:

	At 31 December	
	2019	2018
	HK$	HK$
Notional amount	**301,067,464**	308,878,693
Carrying amount of derivative financial instruments		
– Liability	**4,394,641**	3,921,917

The swap mature over the next 2 years matching the maturity of the bank borrowings and have fixed effective interest rate at 3.85% per annum.

The Group seeks to hedge the benchmark interest rate component only and applies a hedge ratio of 1:1. The existence of an economic relationship between the interest rate swaps and the variable rate borrowings is determined by matching their critical contract terms, including the reference interest rates, tenors, interest repricing dates, maturity dates, interest payment and/or receipt dates, the notional amounts of the swaps and the outstanding principal amounts of the loans.

The following table provides a reconciliation of the hedging reserve in respect of interest rate risk and shows the effectiveness of the hedging relationships:

	2019	2018
	HK$	HK$
At 1 January	**3,968,118**	–
Effective portion of the cash flow hedge recognised in other comprehensive income	**1,593,020**	3,968,118
Amount recognised to profit or loss	**(1,152,466)**	–
Exchange realignment	**(14,031)**	–
Balance at 31 December	**4,394,641**	3,968,118

The entire balance in the hedging reserve relates to continuing hedges. During the year ended 31 December 2019, the Group has no hedge ineffectiveness recognised in the consolidated statement of profit or loss.

46. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Interest rate risk (cont'd)

(ii) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period, after taking into account the effect of interest rate swaps designated as cash flow hedging instruments (see (i) above).

	Year ended 31 December			
	2019		2018	
	Effective interest rate %	**HK$**	Effective interest rate %	HK$
Fixed rate borrowings:				
Obligations under finance lease	–	–	5.37-5.21	479,378
Bank borrowings	**3.85**	**301,067,464**	3.85	308,878,693
Lease liabilities	**5.75 – 6.69**	**1,865,601**	–	–
Convertible bonds	**13.37**	**22,547,249**	13.37	19,890,219
		325,480,314		329,248,290
Variable rate borrowings:				
Bank overdraft	–	–	–	–
Bank borrowings	–	–	–	–
		–		–
Total borrowings		**325,480,314**		329,248,290
Fixed rate borrowings as a percentage of total borrowings		**100%**		100%

(d) Foreign currency risk

The Group is exposed to foreign currency risk primarily through transactions that are denominated in currencies other than the functional currency of the group entities.

Substantially all the transactions of the Company's major subsidiaries are carried out in SG$, IDR, JPY and RMB, which are the functional currencies of the major subsidiaries. Therefore, the risks on foreign currency risk are minimal.

The currencies giving arise to this risk are primarily SG$, IDR, JPY and RMB at company level as the Company has amounts due from subsidiaries denominated in SG$, IDR, JPY and RMB.

46. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Foreign currency risk (cont'd)

The following table indicates the sensitivity to a reasonably possible change in the exchange rate of currencies, with all other variables held constant, of the Group's other component of equity:

	Year ended 31 December	
	2019	2018
	Effect on other component of equity	Effect on other component of equity
	HK$	HK$
SG$ to HK$:		
Appreciates by 1%	**(324,571)**	(371,160)
Depreciates by 1%	**324,571**	371,160
IDR to HK$:		
Appreciates by 4%	**5,640,575**	4,746,519
Depreciates by 4%	**(5,640,575)**	(4,746,519)
JPY to HK$:		
Appreciates by 1%	**581,938**	312,238
Depreciates by 1%	**(581,938)**	(312,238)
RMB to HK$:		
Appreciates by 2%	**851,707**	1,691,621
Depreciates by 2%	**(851,707)**	(1,691,621)

47. CAPITAL RISK MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing services commensurately with the level of risk.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to equity ratio. For this purpose net debt is defined as obligations under finance lease, balances with a non-controlling shareholder of subsidiaries and a director, bank borrowings, lease liabilities and convertible bonds less cash and cash equivalents. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The Group's net debt to equity ratio at the end of reporting period was:

	At 31 December	
	2019	2018
	HK$	HK$
Obligations under finance lease	**–**	479,378
Amount due to a non-controlling shareholder of subsidiaries	**8,758,913**	8,448,206
Amount due to a director	**59,609,880**	123,756,917
Interest-bearing bank borrowings	**301,067,464**	308,878,693
Lease liabilities	**1,865,601**	–
Convertible bonds	**22,547,249**	19,890,219
Less: cash and cash equivalents	**(36,685,154)**	(165,255,807)
Net debts	**357,163,953**	296,197,606
Total equity	**402,964,014**	449,672,628
Net debt to equity ratio	**89%**	66%

48. EVENTS AFTER THE END OF THE REPORTING PERIOD

Since January 2020, the PRC has reported certain confirmed cases of COVID-19 which became pandemic and affected the global business environment. The outbreak of COVID-19 has led to a slow-down in travelling to Singapore and Japan and has been severely affecting the hospitality business of the Group. The Group's hotels have seen substantial room cancellations as a result of government travel restrictions, quarantines and lockdowns, thus reducing the revenue in the first quarter of 2020. The Group has been focusing on all possible operational cost containment options, as well as deferring capital spend where possible. Based on the information currently available, the management estimates that the Group will sustain an operation loss in the first quarter of 2020, despite measures to contain costs. The Group will keep continuous attention on the situation of the COVID-19 pandemic and react actively to its impact on the financial position and operating results of the Group.

49. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	2019 HK$	2018 HK$
Non-current assets			
Property, plant and equipment		**74,099**	158,579
Right-of-use assets		**1,487,617**	–
Interests in subsidiaries		**39,000,080**	39,000,080
Total non-current assets		**40,561,796**	39,158,659
Current assets			
Deposits, prepayments and other receivable		**2,074,988**	2,032,106
Amounts due from subsidiaries		**255,113,853**	236,320,376
Cash and cash equivalents		**14,626,325**	149,063,496
Total current assets		**271,815,166**	387,415,978
Current liabilities			
Amounts due to subsidiaries		**43,782,521**	37,189,389
Accruals and other payables		**1,279,697**	1,816,957
Amount due to a director		**755,823**	94,105,823
Lease liabilities		**1,107,663**	–
Convertible bonds		**22,547,249**	–
Total current liabilities		**69,472,953**	133,112,169
Net current assets		**202,342,213**	254,303,809
Total assets less current liabilities		**242,904,009**	293,462,468
Non-current liabilities			
Lease liabilities		**443,524**	–
Convertible bonds		**–**	19,890,219
Total non-current liabilities		**443,524**	19,890,219
Net assets		**242,460,485**	273,572,249
Equity			
Share capital		**3,490,000**	3,490,000
Reserves	*37*	**238,970,485**	270,082,249
Total equity		**242,460,485**	273,572,249

On behalf of the Board

Ngan Iek

Datuk Siew Pek Tho

INVESTMENT PROPERTIES IN INDONESIA

Location	Use	Lease expiry	Approximate site area sq.m.	Group's interest %
Land located at Malang Rapat, Gunung Kijang, Bintan, Riau Island, Indonesia (held under medium term leasehold land)	**Commercial**	**2044**	**417,089**	**92**
Land located at Gunung Kijang Village, Gunung Kijang, Bintan, Riau Island, Indonesia (held under medium term leasehold land)	**Commercial**	**2046**	**78,257**	**90**

HOTEL PROPERTIES IN SINGAPORE

Link Hotel

- Location: Nos. 50 & 51, Tiong Bahru Road, Singapore
- Held under long term leasehold land (expiry: 2066)
- Group's interest: 100%

HOTEL PROPERTIES IN JAPAN

Hanatsubaki Spa Hotel

- Location: 922-0138 Ishikawa, Kaga, Yamanaka-onsen Kayanomachi Ha 36, Japan
- Held under freehold land
- Group's interest: 100%

PROPERTIES UNDER CONSTRUCTION IN INDONESIA

Usage: hotel and resort

- Location: Malang Rapat, Gunung Kijang, Bintan, Riau Island, Indonesia
- Held under medium term leasehold land (expiry: 2044)
- Site area: approximately 14,864 sq.m.
- Stage of completion as at 31 December 2019: approximately 73%
- Expected completion: first half of 2021
- Group's interest: 92%

Financial Summary

A summary of the results and of the financial position of Link Holdings Limited (the "Company", together with its subsidiaries, the "Group") for the last five financial years, which are extracted from the published audited financial statements, is set out below:

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$	HK$	HK$	HK$	HK$
Revenue	**37,726,009**	60,628,594	66,017,970	52,336,912	41,961,139
(Loss)/profit before income tax expense	**(52,761,910)**	2,111,346	19,504,567	17,654,559	273,810
(Loss)/profit for the year	**(55,711,582)**	(3,052,772)	11,158,502	11,938,609	1,296,995
Total comprehensive (expense)/income for the year	**(46,708,614)**	(26,498,557)	24,649,183	9,565,719	53,618,906

	As at 31 December				
	2019	2018	2017	2016	2015
	HK$	HK$	HK$	HK$	HK$
Total assets	**903,919,787**	1,027,779,008	866,760,665	767,124,035	753,977,949
Total liabilities	**(500,955,773)**	(578,106,380)	(390,589,519)	(315,602,072)	(309,442,904)
Non-controlling interests	**(5,625,527)**	(5,511,263)	(5,646,750)	(5,523,285)	(8,270,769)
	397,338,487	444,161,365	470,524,396	445,998,678	436,264,276

Note:

The consolidated results of the Group for each of the two years ended 31 December 2018 and 2019 and the consolidated assets and liabilities of the Group as at 31 December 2018 and 2019 are those set out on pages 55 to 57 of this annual report.

The summary above does not form part of the audited financial statements.