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Link Holdings Limited

華星控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8237)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, 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 announcement is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement in this announcement misleading.

* For identification purposes only

INTERIM RESULTS

The Board (the “Board”) of Directors is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2019 (the “Review Period”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2019

	Notes	For six months ended 30 June		For three months ended 30 June	
		2019 (Unaudited) HK\$	2018 (Unaudited) HK\$	2019 (Unaudited) HK\$	2018 (Unaudited) HK\$
Revenue	6	34,227,172	37,073,605	15,827,606	15,736,277
Cost of sales		<u>(8,042,970)</u>	<u>(8,053,699)</u>	<u>(4,038,305)</u>	<u>(3,789,379)</u>
Gross profit		26,184,202	29,019,906	11,789,301	11,946,898
Other income, other gains and losses		193,001	3,248,232	174,940	2,087,234
Selling expenses		(816,144)	(991,791)	(450,998)	(491,316)
Administrative expenses		(18,273,266)	(20,452,630)	(9,690,448)	(11,222,778)
Finance costs	7	(5,938,014)	(5,075,951)	(3,497,749)	(3,239,813)
Gain on changes in fair value of investment properties		8,546,546	3,975,795	8,546,546	3,975,795
Share of results of an associate		<u>(1,238,646)</u>	<u>(1,289,157)</u>	<u>(476,288)</u>	<u>(4,986,269)</u>
Profit/(loss) before income tax expense	8	8,657,679	8,434,404	6,395,304	(1,930,249)
Income tax expense	9	<u>(3,420,539)</u>	<u>(1,963,759)</u>	<u>(2,922,548)</u>	<u>(1,963,759)</u>
Profit/(loss) for the period		5,237,140	6,470,645	3,472,756	(3,894,008)
Other comprehensive income/ (expense) that will not be reclassified to profit or loss:					
Gain on revaluation of properties		1,314,483	172,160	1,314,483	172,160
Tax expense related to gain on revaluation of properties		(223,462)	(29,267)	(223,462)	(29,267)
Share of other comprehensive income of an associate		–	(158,830)	–	(158,830)

	<i>Notes</i>	For six months ended		For three months ended	
		30 June		30 June	
		2019	2018	2019	2018
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Other comprehensive income/(expense) that may be reclassified subsequently to profit or loss:					
Exchange difference on translating foreign operations		2,211,688	(11,881,481)	(5,094,585)	(15,698,794)
Loss on cash flow hedges		(103,238)	–	(103,238)	–
Other comprehensive income/(expense) for the period, net of tax		<u>3,199,471</u>	<u>(11,897,418)</u>	<u>(4,106,802)</u>	<u>(15,714,731)</u>
Total comprehensive income/(expense) for the period		<u>8,436,611</u>	<u>(5,426,773)</u>	<u>(634,046)</u>	<u>(19,608,739)</u>
Profit/(loss) for the period attributable to:					
Owners of the Company		4,769,441	6,269,368	2,968,586	(4,093,248)
Non-controlling interests		467,699	201,277	504,170	199,240
		<u>5,237,140</u>	<u>6,470,645</u>	<u>3,472,756</u>	<u>(3,894,008)</u>
Total comprehensive income/(expense) attributable to:					
Owners of the Company		7,851,541	(5,367,227)	(1,158,768)	(19,600,872)
Non-controlling interests		585,070	(59,546)	524,722	(7,867)
		<u>8,436,611</u>	<u>(5,426,773)</u>	<u>(634,046)</u>	<u>(19,608,739)</u>
Earnings/(losses) per share					
Basic (HK cents per share)	<i>11</i>	<u>0.137</u>	0.180	<u>0.085</u>	<u>(0.117)</u>
Diluted (HK cents per share)		<u>0.134</u>	0.176	<u>0.083</u>	<u>(0.117)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	<i>Notes</i>	At 30 June 2019 (Unaudited) <i>HK\$</i>	At 31 December 2018 (Audited) <i>HK\$</i>
Non-current assets			
Property, plant and equipment	12	470,426,112	442,567,556
Investment properties	12	184,357,087	172,166,917
Prepaid lease payments		76,093,272	76,395,966
Interest in an associate	13	44,800,615	46,066,984
Prepayments for construction		3,096,353	3,108,892
Right-of-use assets		2,005,367	–
Deposits for acquisition of lands		1,607,095	1,418,751
Distressed debt assets classified as receivables	14	22,467,947	41,654,350
		<hr/>	<hr/>
Total non-current assets		804,853,848	783,379,416
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Hotel inventories		214,545	167,975
Distressed debt asset classified as receivables	14	98,121,508	70,223,599
Trade and other receivables	15	7,793,372	8,049,478
Amount due from an associate	13	702,014	702,733
Cash and cash equivalents		111,044,385	165,255,807
		<hr/>	<hr/>
Total current assets		217,875,824	244,399,592
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Trade and other payables	16	70,266,232	76,434,943
Obligations under finance lease		87,480	171,159
Amount due to a non-controlling shareholder of subsidiaries	17	8,815,719	8,448,206
Amount due to a director	17	116,378,981	123,756,917
Interest-bearing bank borrowings		189,093,095	188,081,306
Lease liabilities		1,062,774	–
Provision for taxation		1,936,219	5,427,754
Derivative financial instruments		1,837,857	1,466,587
		<hr/>	<hr/>
Total current liabilities		389,478,357	403,786,872
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net current liabilities		(171,602,533)	(159,387,280)
		<hr/>	<hr/>
Total assets less current liabilities		633,251,315	623,992,136
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

		At 30 June 2019 (Unaudited) HK\$	At 31 December 2018 (Audited) HK\$
Non-current liabilities			
Construction payables	16	8,763,953	8,132,163
Obligations under finance lease		261,326	308,219
Interest-bearing bank borrowings		116,411,620	120,797,387
Lease liabilities		956,269	–
Deferred tax liabilities		25,343,436	22,736,190
Derivative financial instruments		2,208,460	2,455,330
Convertible bonds		21,197,012	19,890,219
		<u>175,142,076</u>	<u>174,319,508</u>
Net assets		<u>458,109,239</u>	<u>449,672,628</u>
Equity			
Share capital		3,490,000	3,490,000
Reserves		448,522,906	440,671,365
		<u>452,012,906</u>	<u>444,161,365</u>
Non-controlling interests		<u>6,096,333</u>	<u>5,511,263</u>
Total equity		<u>458,109,239</u>	<u>449,672,628</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company									Total equity HK\$
	Share capital HK\$	Share premium HK\$ <i>(note a)</i>	Hotel properties revaluation reserve HK\$ <i>(note b)</i>	Other reserve HK\$ <i>(note c)</i>	Translation reserve HK\$ <i>(note d)</i>	Convertible bonds reserve HK\$ <i>(note e)</i>	Retained earnings HK\$	Total HK\$	Non- controlling interests 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 period	-	-	-	-	-	-	6,269,368	6,269,368	201,277	6,470,645
Other comprehensive income										
– Gain on revaluation of properties	-	-	172,160	-	-	-	-	172,160	-	172,160
– Tax expense related to gain on revaluation of properties	-	-	(29,267)	-	-	-	-	(29,267)	-	(29,267)
– Share of other comprehensive income of an associate	-	-	(158,830)	-	-	-	-	(158,830)	-	(158,830)
– Exchange differences arising on translation of foreign operations	-	-	-	-	(11,620,658)	-	-	(11,620,658)	(260,823)	(11,881,481)
Total comprehensive income for the period	-	-	(15,937)	-	(11,620,658)	-	6,269,368	(5,367,227)	(59,546)	(5,426,773)
Share issued to non-controlling shareholder in a subsidiary	-	-	-	-	-	-	-	-	39	39
At 30 June 2018 (Unaudited)	<u>3,490,000</u>	<u>333,122,249</u>	<u>66,655,219</u>	<u>2,014,251</u>	<u>(28,964,192)</u>	<u>10,698,249</u>	<u>78,141,393</u>	<u>465,157,169</u>	<u>5,587,243</u>	<u>470,744,412</u>

Attributable to owners of the Company

	Share capital	Share premium	Hotel properties revaluation reserve	Other reserve	Translation reserve	Convertible bonds reserve	Hedging reserve	Retained earnings	Total	Non-controlling interests	Total equity
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
		(note a)	(note b)	(note c)	(note d)	(note e)	(note f)				
At 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
Profit for the year	-	-	-	-	-	-	-	4,769,441	4,769,441	467,699	5,237,140
Other comprehensive income											
– Gain on revaluation of properties	-	-	1,314,483	-	-	-	-	-	1,314,483	-	1,314,483
– Tax expense related to gain on revaluation of properties	-	-	(223,462)	-	-	-	-	-	(223,462)	-	(223,462)
– Exchange differences arising on translation of foreign operations	-	-	-	-	2,094,317	-	-	-	2,094,317	117,371	2,211,688
– Loss on cash flow hedge	-	-	-	-	-	-	(103,238)	-	(103,238)	-	(103,238)
Total comprehensive income for the period	-	-	1,091,021	-	2,094,317	-	(103,238)	4,769,441	7,851,541	585,070	8,436,611
At 30 June 2019 (Unaudited)	<u>3,490,000</u>	<u>333,122,249</u>	<u>69,067,895</u>	<u>2,014,251</u>	<u>(35,696,066)</u>	<u>10,698,249</u>	<u>(4,071,356)</u>	<u>73,387,684</u>	<u>452,012,906</u>	<u>6,096,333</u>	<u>458,109,239</u>

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 property).
- 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	For six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Net cash flows (used in)/generated from operating activities	(6,029,645)	12,296,920
Cash flows from investing activities		
Interest received	41	3,877
Payments for purchases of property, plant and equipment	(31,141,268)	(759,583)
Proceeds from disposal of property, plant and equipment	–	159,937
Prepayments for construction	–	(2,113,622)
Deposits paid for acquisition of lands	(187,279)	(1,867,596)
Decrease in amount due from an associate	–	12,689,057
Net cash (used in)/generated from investing activities	(31,328,506)	8,112,070
Cash flows generated from financing activities		
Decrease in amount due to a director	(6,369,274)	(11,046,255)
Repayments of finance lease obligation	(128,552)	(139,930)
Payment of lease liabilities	(168,631)	–
Proceeds from borrowings	–	147,903,031
Repayment of borrowings	(5,032,473)	(4,293,610)
Increase in amount due to a non-controlling shareholder of subsidiaries	189,070	480,245
Interest paid	(4,631,221)	(5,102,869)
Net cash (used in)/generated from financing activities	(16,141,081)	127,800,612
Net (decrease)/increase in cash and cash equivalents	(53,499,232)	148,209,602
Cash and cash equivalents at beginning of period	165,255,807	42,759,995
Effect of exchange rate changes on cash and cash equivalents	(712,190)	(495,255)
Cash and cash equivalents at end of period	111,044,385	190,474,342

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL 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 on 35/F. of West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Sheung Wan, Hong Kong. The Company and its subsidiaries (collectively, the “Group”) are principally engaged in investments holding, operation of its hotel business, distressed debt assets management business and properties investment.

2. BASIC OF PREPARATION AND GOING CONCERN ASSUMPTION

(a) Basis of preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 (“IAS 34”) and the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. These condensed consolidated interim financial statements were authorised for issue on 14 August 2019.

These unaudited condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2018 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2019. This is the first set of the Group’s consolidated financial statements in which IFRS 16 has been adopted. Details of any changes in accounting policies are set out in note 3.

The preparation of these unaudited condensed consolidated interim financial statements in compliance with IAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 4.

These unaudited condensed consolidated interim financial statements are presented in Hong Kong Dollars (“HK\$”), unless otherwise stated. These unaudited condensed consolidated interim financial statements contain unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. These unaudited condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (the “IFRSs”) and should be read in conjunction with the 2018 consolidated financial statements.

The financial information relating to year ended 31 December 2018 that is included in these unaudited condensed consolidated interim financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements.

(b) Going concern assumption

At the end of reporting period, its current liabilities exceeded its current assets by HK\$171,602,533. The condensed consolidated interim financial statements have been prepared on a going concern basis as the directors are confident that the Group will be able to meet its financial obligations as they fall due for twelve months from 1 July 2019, on the basis that (a) the director will not request the Group to repay the outstanding amount approximately HK\$116.4 million until the Group is in a position to repay; and (b) the Group's operations can generate sufficient cash flows for twelve months from 1 July 2019.

Accordingly the directors are of the opinion that, in the absence of unforeseen circumstances, the Group will have sufficient financial resources to finance its working capital requirements for the next twelve months from the reporting date and it is appropriate to prepare the condensed consolidated interim financial statements for the period ended 30 June 2019 on a going concern basis notwithstanding the net current liabilities position of the Group.

3. NEW AND AMENDED ACCOUNTING POLICIES

The IASB has issued a number of new or amended IFRSs that are first effective for the current accounting period of the Group:

IFRS 16	Lease
IFRIC-Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, Business Combinations
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 11, Joint Arrangements
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 12, Income Taxes
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 23, Borrowing Costs

The impact of the adoption of IFRS 16 Leases (see note 3(a) below) have been summarised. The other new or amended IFRSs that are effective from 1 January 2019 did not have any material impact on the Group's accounting policies.

(a) IFRS 16 Lease ("IFRS 16")

The IASB has issued a new IFRS, IFRS 16 "Leases", and a number of amendments to IFRSs that are first effective for accounting periods beginning on 1 January 2019.

Except for IFRS 16 "Leases", none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16 replaces IAS 17 "Leases" and the related interpretations, IFRIC 4, Determining whether an arrangement contains a lease, SIC 15, Operating leases-incentives, and SIC 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. *New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

b. *Lessee accounting*

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities are measured at the present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivables;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of purchase option if it is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease reflecting the lessee exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of initial measurement of lease liabilities
- any lease payment made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

There are recognition exemptions for short-term leases and leases of low-value items. Short-term leases are leases with a lease term of 12 months or less at the commencement date. Payments associated with short-term leases and leases of low value items are recognised on a straight-line basis as expenses in profit or loss.

In prior years, rental payable under operating leases were charged to profit or loss on a straight-line basis over the lease term.

c. Lessor accounting

IFRS 16 substantially carries forward the lessor accounting requirements of the superseded IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

d. Transitional impact and practical expedients applied

The Group has transitioned to IFRS 16 in accordance with the modified retrospective approach and, therefore, the information presented for 2018 has not been restated. The right-of-use assets for property lease were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepayments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018.

The reconciliation of operating lease commitment to lease liabilities is set out below:

	<i>HK\$</i>
Operating lease commitment at 31 December 2018	449,820
Less: short-term leases with remaining lease term ending on or before 31 December 2019	(449,820)
Lease liabilities at 1 January 2019	–

The lessee's incremental borrowing rates applied to the lease liabilities on 1 January 2019 were 4.4%.

There are no significant impact on the adoption of IFRS 16 of the Group's condensed consolidated statement of financial position as at 1 January 2019.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group applies the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to contracts that were previously identified as leases under IAS 17.

4. USE OF JUDGEMENTS AND ESTIMATES

- (a) The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.
- (b) In preparing this condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2018 annual financial statements.

5. OPERATING SEGMENT INFORMATION

The Group 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 has 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 administrative cost 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.

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

Segment revenue and results

	Operation of hotel business			Distressed debt asset management	Total HK\$
	Singapore HK\$	Indonesia HK\$	Japan HK\$	The PRC HK\$	
For the six months ended 30 June 2019 (Unaudited)					
External Revenue	23,861,628	–	–	10,365,544	34,227,172
Segment (loss)/profit	(715,520)	7,981,061	(2,082,515)	8,331,743	13,514,769
Corporate income					
– Others					8,952
Central administrative cost (<i>note</i>)					(3,627,396)
Share of results of an associate					(1,238,646)
Profit before income tax expense					8,657,679

Note: Central administrative cost mainly represents legal and professional expenses, directors' remuneration and head office rental expenses.

	Operation of hotel business			Distressed debt asset management	Total HK\$
	Singapore HK\$	Indonesia HK\$	Japan HK\$	The PRC HK\$	
For the six months ended 30 June 2018					
(Unaudited)					
External Revenue	<u>25,295,856</u>	<u>–</u>	<u>–</u>	<u>11,777,749</u>	<u>37,073,605</u>
Segment (loss)/profit	<u>(1,575,066)</u>	<u>3,768,659</u>	<u>2,034,654</u>	<u>11,383,898</u>	15,612,145
Corporate income					
– Others					7,361
Central administrative cost (<i>note</i>)					(5,895,945)
Share of results of an associate					<u>(1,289,157)</u>
Profit before income tax expense					<u>8,434,404</u>

Note: Central administrative cost mainly represents legal and professional expenses, directors' remuneration and head office rental expenses.

Segment results represents the profit/(loss) earned by each segment without allocation of corporate other income, other gains and losses, share of results of an associate and central administrative cost. This is the information reported to the chief operating decision-maker for the purpose of resource allocation and performance assessment.

Segment assets

	At 30 June 2019 (Unaudited) HK\$	At 31 December 2018 (Audited) HK\$
Operation of hotel business		
Singapore	254,041,030	257,785,670
Indonesia	387,848,507	360,934,236
Japan	97,552,129	81,308,830
Distressed debt asset management		
The PRC	<u>121,643,032</u>	<u>112,812,345</u>
Total segment assets	861,084,698	812,841,081
Unallocated	<u>161,644,974</u>	<u>214,937,927</u>
Consolidated assets	<u>1,022,729,672</u>	<u>1,027,779,008</u>

Note: Unallocated assets represent interest in an associate, a deposit for acquisition of lands in Malaysia, corporate's deposits and prepayments, corporate's property, plant and equipment, right-of-use assets and cash and cash equivalents.

Segment liabilities

	At 30 June 2019 (Unaudited) HK\$	At 31 December 2018 (Audited) HK\$
Operation of hotel business		
Singapore	332,626,294	339,698,272
Indonesia	84,721,054	81,629,143
Japan	5,673,191	10,255,272
Distressed debt asset management		
The PRC	<u>1,370,136</u>	<u>1,059,599</u>
Total segment liabilities	424,390,675	432,642,286
Unallocated	<u>140,229,758</u>	<u>145,464,094</u>
Consolidated liabilities	<u>564,620,433</u>	<u>578,106,380</u>

Note: Unallocated liabilities represent accruals of corporate expenses, amount due to a director, lease liabilities and convertible bonds.

(b) Geographical information

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

	At 30 June 2019 (Unaudited) HK\$	At 31 December 2018 (Audited) HK\$
Operation of hotel business		
Singapore	249,492,044	252,849,969
Indonesia	387,848,506	360,934,236
Japan	96,493,598	80,257,367
Distressed debt asset management		
The PRC	22,499,792	41,693,530
Unallocated	<u>48,519,908</u>	<u>47,644,314</u>
	<u>804,853,848</u>	<u>783,379,416</u>

(c) **Disaggregation of revenue**

For the six months ended (Unaudited)

	Hotel business		Distressed debt asset management		Total	
	2019 <i>HK\$</i>	2018 <i>HK\$</i>	2019 <i>HK\$</i>	2018 <i>HK\$</i>	2019 <i>HK\$</i>	2018 <i>HK\$</i>
Primary geographical markets						
Singapore	23,861,628	25,295,856	–	–	23,861,628	25,295,856
PRC	–	–	10,365,544	11,777,749	10,365,544	11,777,749
Total	23,861,628	25,295,856	10,365,544	11,777,749	34,227,172	37,073,605
Major services and timing of revenue recognition						
At a point of time						
Sales of food and beverage	2,355,546	864,441	–	–	2,355,546	864,441
Transferred over time						
Hotel room services	17,839,121	20,571,602	–	–	17,839,121	20,571,602
Others	662,999	760,640	–	–	662,999	760,640
Rental income from hotel properties (<i>note</i>)	3,003,962	3,099,173	–	–	3,003,962	3,099,173
Income from distressed debt assets classified as receivables (<i>note</i>)	–	–	10,365,544	11,777,749	10,365,544	11,777,749
	23,861,628	25,295,856	10,365,544	11,777,749	34,227,172	37,073,605

Note: Rental income from hotel properties and income 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 who contributed more than 10% of the Group's revenue during the periods ended 30 June 2019 and 30 June 2018.

6. REVENUE

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

	For six months ended 30 June		For three months ended 30 June	
	2019	2018	2019	2018
	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$
Income from distressed debt assets classified as receivables	19,359,045	16,799,204	9,978,407	8,682,872
Less: modification loss (note a)	(8,993,501)	(5,021,455)	(5,899,868)	(5,021,455)
	10,365,544	11,777,749	4,078,539	3,661,417
Hotel room	17,839,121	20,571,602	8,830,368	9,404,957
Food and beverage	2,355,546	864,441	1,156,182	703,571
Rental income from hotel properties	3,003,962	3,099,173	1,520,351	1,535,545
Others (note b)	662,999	760,640	242,166	430,787
	34,227,172	37,073,605	15,827,606	15,736,277

Notes:

- The amount arising from adjusting the gross amount of distressed debt assets to reflect the renegotiated or modified estimated cash flow.
- The amount mainly represents laundry and car park services from hotel operations.

7. FINANCE COSTS

	For six months ended 30 June		For three months ended 30 June	
	2019	2018	2019	2018
	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$
Interest on bank borrowings	5,898,211	5,063,713	3,492,841	3,241,238
Bank overdraft interest	3,314	26,799	1,710	–
Finance lease interest	6,418	12,357	3,198	7,251
Convertible bonds	1,308,045	1,153,885	661,371	583,425
Interest on lease liabilities	30,071	–	–	–
Total interest expense on financial liabilities not at fair value through profit or loss	7,246,059	6,256,754	4,159,120	3,831,914
Less: amount capitalised	(1,308,045)	(1,180,803)	(661,371)	(592,101)
	5,938,014	5,075,951	3,497,749	3,239,813

8. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE

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

	For six months ended 30 June		For three months ended 30 June	
	2019	2018	2019	2018
	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$
Staff costs (including directors' remuneration)				
– Wages and salaries	(8,410,212)	(6,290,604)	(4,557,346)	(2,786,763)
– Short-term non-monetary benefits	(793,342)	(568,695)	(415,109)	(311,029)
– Contributions to defined contribution plans	(981,155)	(998,247)	(480,027)	(550,534)
Depreciation of property, plant and equipment				
– Owned	(5,188,797)	(5,762,690)	(2,571,845)	(2,985,083)
– Held under finance leases	(163,947)	(133,387)	(97,754)	(83,714)
Amortisation of prepaid lease payments	(789,954)	(809,103)	(393,607)	(402,537)
Gain on disposal of property, plant and equipment	–	159,937	–	159,937
Singapore property taxes	(1,017,771)	(1,254,994)	(138,315)	(624,742)

9. 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 period ended 30 June 2019 (six months ended 30 June 2018: Nil).

Singapore corporate income tax has been provided on the estimated assessable profits arising in Singapore at the rate of 17% (six months ended 30 June 2018: 17%).

The subsidiaries in Indonesia are subject to 25% on their assessable profits as determined in accordance with the relevant Indonesia income tax rules and regulations (six months ended 30 June 2018: 25%).

The PRC Enterprise Income Tax is calculated at 25% on the estimated assessable profits of a subsidiary operation in the PRC (six months ended 30 June 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 effectively statutory income tax rates of approximately 23% for the year based on the existing legislation, interpretations and practices in respect thereof (six months ended 30 June 2018: 23%). No provision for Japan Profits Tax has been provided as the Group has no estimate assessable profit arising in Japan for the six months ended 30 June 2019 and 2018.

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 major components of the income tax expense for the period are as follows:

	For six months ended 30 June		For three months ended 30 June	
	2019	2018	2019	2018
	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$
Current tax for the period				
– Singapore Corporate Income Tax	(1,283,902)	(969,810)	(785,911)	(969,810)
Deferred tax for the period	(2,136,637)	(993,949)	(2,136,637)	(993,949)
Total income tax expense for the period	<u>(3,420,539)</u>	<u>(1,963,759)</u>	<u>(2,922,548)</u>	<u>(1,963,759)</u>

10. DIVIDEND

The Directors do not recommend payment of any dividend during the period ended 30 June 2019 (six months ended 30 June 2018: Nil).

11. EARNINGS/(LOSSES) PER SHARE

The calculation of the basic and diluted earnings/(losses) per share attributable to owners of the Company is based on the following data:

	For six months ended 30 June		For three months ended 30 June	
	2019	2018	2019	2018
	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$
Earnings/(losses)				
Earnings/(losses) for the purposes of basic earnings/(losses) per share	4,769,441	6,269,368	2,968,586	(4,093,248)
Interest expenses on convertible bonds	–	–	–	–
Earnings/(losses) for the purposes of diluted earnings/(losses) per share	<u>4,769,441</u>	<u>6,269,368</u>	<u>2,968,586</u>	<u>(4,093,248)</u>
	For six months ended 30 June		For three months ended 30 June	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Number of shares:				
Weighted average number of ordinary shares for the purposes of basic earnings/(losses) per share	3,490,000,000	3,490,000,000	3,490,000,000	3,490,000,000
Effect of dilutive potential ordinary shares on convertible bonds	<u>76,600,000</u>	<u>76,600,000</u>	<u>76,600,000</u>	<u>76,600,000</u>
Weighted average number of ordinary shares for the purposes of diluted earnings/(losses) per share	<u>3,566,600,000</u>	<u>3,566,600,000</u>	<u>3,566,600,000</u>	<u>3,566,600,000</u>

Ordinary shares are derived from 3,490,000,000 ordinary shares, being the number of shares in issue during the period ended 30 June 2019 (six months ended 30 June 2018: 3,490,000,000 ordinary shares).

For six months ended 30 June 2019 and 2018, diluted earnings per share assumed the conversion of the Company's outstanding convertible bonds since its conversion would result in decrease in earnings per share.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the six months ended 30 June 2019, the Group acquired property, plant and equipment amounting to HK\$26,026,387, of which amount approximately HK\$20,562,111 representing construction in progress related to development in Bintan Islands, Indonesia and Japan (six months ended 30 June 2018: HK\$7,692,620, of which amount approximately HK\$5,279,531 representing construction in progress related to development in Bintan Islands, Indonesia).

During the six months ended 30 June 2019, a net gain of HK\$1,314,483 and deferred tax expense thereon of HK\$223,462 (six months ended 30 June 2018: a net gain of HK\$172,160 and deferred tax expense thereon of HK\$29,267) in respect of property, plant and equipment have been recognised in other comprehensive income of the condensed consolidated statement of comprehensive income.

The Group transferred the deposits for acquisition of lands to investment properties of approximately IDR10,836 million (equivalent to approximately HK\$6 million) as evidenced by having obtained the legal title of the lands in June 2018. Except for this, no addition of investment properties was made during the periods ended 30 June 2019 and 30 June 2018.

The investment properties of the Group located in Bintan were revalued as at 30 June 2019. The valuations were carried out by Avista Valuation Advisory Limited.

During the six months ended 30 June 2019, a net gain of HK\$8,546,546 and deferred tax expense thereon of HK\$2,136,637 (six months ended 30 June 2018: a net gain of HK\$3,975,795 and deferred tax expense thereon of HK\$993,949) in respect of investment properties have been recognised as changes in fair value in the line item "Gain on changes in fair value of investment properties" on the face of the condensed consolidated statement of comprehensive income.

13. INTEREST IN AN ASSOCIATE

	At 30 June 2019 (Unaudited) HK\$	At 31 December 2018 (Audited) HK\$
Share of net assets of an associate	40,170,003	41,430,587
Goodwill	4,630,612	4,636,397
	<u>44,800,615</u>	<u>46,066,984</u>
Amount due from an associate (<i>note</i>)	<u>702,014</u>	<u>702,733</u>

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

14. DISTRESSED DEBT ASSETS CLASSIFIED AS RECEIVABLES

	At 30 June 2019 HK\$	At 31 December 2018 HK\$
Current	98,121,508	70,223,599
Non-current	22,467,947	41,654,350
	<u>120,589,455</u>	<u>111,877,949</u>

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.

15. TRADE AND OTHER RECEIVABLES

	At 30 June 2019 (Unaudited) HK\$	At 31 December 2018 (Audited) HK\$
Trade receivables	2,757,966	2,589,275
Contract assets	209,826	405,649
Prepayments	3,550,548	3,913,103
Deposits	1,144,186	971,522
Other receivables	130,846	169,929
	<u>7,793,372</u>	<u>8,049,478</u>

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 the reporting period, based on the invoice date, is as follows:

	At 30 June 2019 (Unaudited) HK\$	At 31 December 2018 (Audited) HK\$
Current to 30 days	2,383,893	2,210,652
31 to 60 days	194,150	295,139
61 to 90 days	39,963	25,498
Over 90 days	139,960	57,986
	<u>2,757,966</u>	<u>2,589,275</u>

16. TRADE AND OTHER PAYABLES

	At 30 June 2019 (Unaudited) HK\$	At 31 December 2018 (Audited) HK\$
Current liabilities		
Trade payables (<i>note</i>)	756,164	800,292
Contract liabilities	1,431,976	1,501,490
Receipt in advance	–	–
Accruals and other payables	5,703,270	7,104,117
Construction payables	<u>62,374,822</u>	<u>67,029,044</u>
	<u>70,266,232</u>	<u>76,434,943</u>
Non-current liabilities		
Construction payables	<u>8,763,953</u>	<u>8,132,163</u>

Note: 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 the reporting period, based on the invoice dates, is as follows:

	At 30 June 2019 (Unaudited) HK\$	At 31 December 2018 (Audited) HK\$
Current to 30 days	500,407	517,326
31 to 60 days	–	28,577
Over 90 days	<u>255,757</u>	<u>254,389</u>
	<u>756,164</u>	<u>800,292</u>

17. AMOUNTS DUE TO A NON-CONTROLLING SHAREHOLDER OF SUBSIDIARIES/A DIRECTOR

The amounts due to a non-controlling shareholder of subsidiaries/a director are unsecured, interest-free and repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2019 (the “Review Period”), the Company and the subsidiaries (collectively, the “Group”) continued to stay focus on the operation of Link Hotel in Singapore and devise the master plan of the development of Bintan Assets (as defined in the prospectus of the Company dated 30 June 2014).

Financial highlights

During the Review Period, the Group recorded a revenue of approximately HK\$34.2 million (2018: approximately HK\$37.1 million), accounting for a decrease of approximately HK\$2.9 million or 7.8% as compared to the corresponding period in last year, which was mainly due to the decrease in hotel room revenue and income from distressed debt assets. The net profit decreased from approximately HK\$6.5 million of the corresponding period last year to approximately HK\$5.2 million for the Review Period, representing a decrease of approximately HK\$1.3 million or 20%. Such decline of the Group’s performance was mainly due to the combined net effect of: (i) decrease in gross profit by approximately HK\$2.8 million, (ii) decrease in other income, other gains and losses (net) by approximately HK\$3.1 million, and (iii) increase in income tax expense by approximately HK\$1.5 million; which are partly mitigated by: (iv) decrease in administrative expenses by approximately HK\$2.2 million, and (v) increase in gain on changes in fair value of investment properties by approximately HK\$4.6 million.

For the Review Period, profit attributable to owners of the Company was approximately HK\$4.8 million (2018: approximately HK\$6.3 million). Basic earnings per share was HK0.137 cents (2018: HK0.180 cents). The Board does not recommend the payment of any dividend for the Review Period (2018: Nil).

Business review

The Group commenced operations of its hotel business in Singapore with the opening of Link Hotel in 2007 and the distressed debt assets management business in 2017. There is no material change in the Group’s business during the Review Period. The operation of Link Hotel has been and is expected to continue to be its principal business.

Hotel operation

For the Review Period, hotel room revenue amounted to approximately HK\$17.8 million (2018: approximately HK\$20.6 million) accounting for approximately 52.1% (2018: approximately 55.5%) of the Group’s total revenue. Hotel room revenue represents revenue generated from hotel accommodation in Link Hotel and depends in part on the achieved average room rate and occupancy rate.

The following table sets out the total available room nights, occupancy rate, average room rate and Revenue per Available Room (“RevPAR”) for the Review Period indicated:

	Six months ended 30 June	
	2019	2018
Total available room nights	49,594	49,594
Occupancy rate	61%	64%
Average room rate (HK\$)	533.8	586.7
RevPAR (HK\$)	327.2	376.4

For the Review Period, food and beverage revenue was approximately HK\$2.4 million (2018: approximately HK\$0.9 million), representing approximately 6.9% (2018: approximately 2.3%) of the total revenue. Food and beverage revenue represents the sale of food and beverages in the room service and meeting space of Link Hotel.

The Group leased shop units located at Link Hotel and received rental income from hotel tenants. For the Review Period, rental income from hotel tenants was approximately HK\$3.0 million (2018: approximately HK\$3.1 million) representing approximately 8.8% (2018: approximately 8.4%) of the total revenue.

Bintan Assets

The construction contract for the first stage of the first phase of the Bintan Development Plan was signed in September 2016 (detailed as disclosed in the Company’s announcement dated 29 September 2016). During 2017, the construction plan has been amended for more fitting to the latest theme of the resort. With the finalising of the improvement changes during the Review Period, the construction is expected to complete in second half of 2019.

Distressed debt assets management business

In 2017, 廣西恒和智達資產管理有限公司 (Guangxi Heng He Zhi Da Asset Management Limited[#], (“the Assignee”), a wholly-owned subsidiary of the Company, entered into a debt assignment agreement with 珠海市康明德企業管理服務有限公司 (Zhuhai Shi Kang Ming De Corporate Management Services Limited[#], the “Assignor”, an associate of the Group, pursuant to which the Assignor conditionally agreed to assign, and the Assignee conditionally 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 approximately HK\$125.6 million). The assignment was completed on 29 September 2017. During the Review Period, the income from distressed debt assets was approximately HK\$10.4 million (2018: HK\$11.8 million), accounting for approximately 30.3% of the Group’s total revenue.

Liquidity, financial resources and capital structure

During the Review Period, the Group mainly financed its operations with its own working capital, bank borrowings and advance from a Director. As at 30 June 2019, the Group had net current liabilities of approximately HK\$171.6 million (31 December 2018: net current liabilities of approximately HK\$159.4 million), including cash and cash equivalents of approximately HK\$111.0 million (31 December 2018: approximately HK\$165.3 million) and current portion of interest-bearing bank borrowings of approximately HK\$189.1 million (31 December 2018: approximately HK\$188.1 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. Please refer to note 2(b) to the condensed consolidated interim financial statements for details. The Directors will manage the capital of the Group and are confident 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 incurred not in the ordinary course of business) divided by the Group's total equity and multiplied by 100% as at 30 June 2019 was approximately 71.3% (31 December 2018: approximately 73.1%).

Significant investments

The Group did not acquire or hold any significant investment during the Review Period (2018: Nil).

Material acquisitions and disposals

During the Review Period, the Group did not have any material acquisitions and disposals.

Contingent liabilities

As at 30 June 2019, the Group did not have any material contingent liabilities (31 December 2018: Nil).

Employees and remuneration policies

As at 30 June 2019, the Group had a total of 50 employees (2018: a total of 51). Total staff costs including Directors' remuneration for the Review Period amounts to approximately HK\$10.2 million (2018: approximately HK\$7.9 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 30 June 2019, no options had been granted under the share option scheme.

Foreign currency exposure

Substantially all the transactions of the Group's subsidiaries in Singapore, Indonesia, Japan and the People's Republic of China ("PRC") are carried out in Singapore dollar, Indonesia Rupiah, Japanese Yen and Renminbi respectively, which are the functional currencies of the subsidiaries. Therefore, the risks on 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.

Charges on Group assets

As at 30 June 2019, certain properties of the Group located in Singapore with an aggregate net carrying amount of approximately HK\$177.7 million (31 December 2018: approximately HK\$175.8 million) were used to secure the banking facilities.

Dividends

The Directors do not recommend payment of any dividend in the respect of the Review Period. (2018: Nil).

Segment information

During the Review Period, the Group has four reportable segments on the basis of the geographical locations at Singapore, Indonesia, Japan and the PRC.

Future prospects

The Group adopts an optimistic attitude and is confident in its future growth on its existing business and newly acquired business. Apart from attracting new valuable guests to Link Hotel in Singapore, the Group will continue to focus on the development of the Bintan Land to contribute income to the Group and increase return of the assets and enterprise value, with an aim to be a leader of 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.

Apart from the existing investment in an associate and the distressed debt assets, 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 rapid economic growth from the recent growth in the tourism industry in the PRC and other area in Asia.

Corporate governance code

The Group had complied with the code provisions set out in the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules throughout the Review Period.

Code of conduct regarding securities transactions by directors

The Company adopted the required standard of dealings as set out in Rules 5.48 to Rules 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 specific enquiry to all the Directors, all the Directors confirmed that they had throughout the Review Period complied with the required standard of dealings.

Purchase, sale or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the Review Period.

Audit committee

The Group has an audit committee (the "Audit Committee") which was established for the purposes of reviewing and providing supervision over the Group's financial reporting process, risk management and internal control system of the Company, nominate and monitor external auditors and provide advice and comments to the Directors. The Audit Committee comprises the three independent non-executive Directors. Mr. Chan So Kuen is the chairman of the Audit Committee.

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and the unaudited interim financial results for the Review Period.

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 Review Period and up to and including the date of this interim announcement.

Directors' interests in shares and underlying shares of the Company

As at 30 June 2019, the interests or short positions of the Directors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong) (the "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 will be required to notify the Company and the Stock Exchange pursuant to Rules 5.46 to Rule 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 (<i>Note</i>)	1,900,000,000	54.44%

Note: These shares are registered in the name of Vertic Holdings Limited (“Vertic”), a company beneficially 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.

Long positions in Vertic, an associated corporation of the Company

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

Note: Datuk Siew Pek Tho is the spouse of Ms. Ngan Iek Chan who is the beneficial 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.

Save as disclosed above, as at 30 June 2019, none of the Directors had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (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 5.46 to 5.67 of the GEM Listing Rules.

Substantial shareholders’ interests and short positions in shares and underlying shares of the Company

As at 30 June 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, underlying shares or debentures 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 of the total issued voting shares of the Company
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) Assets 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 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 beneficially 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.
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 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 voting shares 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 30 June 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 the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the issued shares carrying rights to vote in all circumstances at general meetings of any member of the Group.

Interest and short positions of other persons who are required to disclose their interests

Save as disclosed above, as at 30 June 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.

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 interim announcement.

By Order of the Board
Link Holdings Limited
Ngan Iek
Chairman and Executive Director

Hong Kong, 14 August 2019

In this announcement, 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.

As at the date of this announcement, the executive Directors are Mr. Ngan Iek and Datuk Siew Pek Tho; the non-executive Directors are Ms. Ngan Iek Peng, Mr. Luo Guorong and Ms. Zhang Shuo; and the independent non-executive Directors are Mr. Thng Bock Cheng John, Mr. Chan So Kuen and Mr. Lai Yang Chau, Eugene.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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