Link Holdings Limited
華星控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8237)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

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*

ANNUAL RESULTS

The Board of Directors (the "Board") is pleased to announce the consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020 (the "Year"), together with the comparative audited figures for the previous financial year ended 31 December 2019 as set out below. This annual results announcement has been reviewed by the audit committee of the Company (the "Audit Committee").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

		Year ended 31 December	
		2020	2019
	Notes	***HK$***	*HK$*
			(Restated)
Revenue	*5*	**57,615,424**	55,235,432
Cost of sales		**(27,374,663)**	(22,003,856)
Gross profit		**30,240,761**	33,231,576
Loss from distressed debt assets at amortised cost	*5*	**(14,581,039)**	(17,509,423)
Other income	*6*	**6,408,404**	1,431,880
Other gains and losses	*7*	**7,580,756**	(24,853,287)
Selling expenses		**(1,783,181)**	(1,837,137)
Administrative expenses		**(43,049,004)**	(46,401,182)
Finance costs	*8*	**(17,011,424)**	(11,512,364)
Gain on changes in fair value of investment properties		**1,250,511**	7,180,393
Share of results of an associate	*14*	**(13,730,964)**	(4,401,554)
Loss before income tax expense	*9*	**(44,675,180)**	(64,671,098)
Income tax expense	*10*	**(3,627,696)**	(2,949,672)
Loss for the year		**(48,302,876)**	(67,620,770)

	Notes	Year ended 31 December 2020 HK$	2019 HK$ (Restated)
Other comprehensive income that will not be reclassified to profit or loss:			
(Loss)/gain on revaluation of properties		**(21,930,777)**	3,128,096
Tax credit/(expense) related to gain on revaluation of properties		**3,830,929**	(975,620)
Share of other comprehensive income of an associate		**–**	(1,032,352)
Other comprehensive income that may be reclassified subsequently to profit or loss:			
Exchange difference on translating foreign operations		**3,587,656**	8,240,109
Gain/(loss) on cash flow hedges		**136,892**	(440,554)
Other comprehensive income for the year, net of tax		**(14,375,300)**	8,919,679
Total comprehensive income for the year		**(62,678,176)**	(58,701,091)
Loss attributable to:			
Owners of the Company		**(48,207,538)**	(67,533,912)
Non-controlling interests		**(95,338)**	(86,858)
		(48,302,876)	(67,620,770)
Total comprehensive income attributable to:			
Owners of the Company		**(62,527,690)**	(58,815,355)
Non-controlling interests		**(150,486)**	114,264
		(62,678,176)	(58,701,091)
Losses per share	*11*		
– Basic (HK cents per share)		**(1.381)**	(1.935)
– Diluted (HK cents per share)		**(1.381)**	(1.935)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

		At 31 December	
		2020	2019
	Notes	***HK$***	*HK$*
			(Restated)
Non-current assets			
Property, plant and equipment	*13*	**437,816,015**	468,348,847
Right-of-use assets		**76,535,027**	77,579,193
Investment properties	*13*	**185,419,039**	185,777,959
Interest in an associate	*14*	**–**	31,285,205
Prepayments for construction		**873,315**	713,393
Deposit for acquisition of land		**1,664,347**	1,648,344
Deferred tax assets		**–**	772,317
Total non-current assets		**702,307,743**	766,125,258
Current assets			
Hotel inventories		**436,395**	416,133
Repossessed assets		**10,823,641**	10,192,222
Distressed debt assets at amortised cost	*15*	**54,695,537**	67,882,280
Trade and other receivables	*16*	**21,292,146**	10,562,003
Amount due from an associate	*14*	**–**	64,260
Cash and cash equivalents		**39,521,013**	36,685,154
Total current assets		**126,768,732**	125,802,052
Current liabilities			
Trade and other payables	*17*	**62,986,971**	65,489,496
Amount due to a non-controlling shareholder of subsidiaries		**8,680,300**	8,758,913
Amount due to a director		**30,850,065**	59,609,880
Interest-bearing bank and other borrowings		**190,062,483**	189,469,650
Lease liabilities		**599,560**	1,199,213
Provision for taxation		**3,714,754**	3,294,084
Derivative financial instruments		**4,311,676**	2,545,661
Convertible bonds		**32,861,400**	22,547,249
Total current liabilities		**334,067,209**	352,914,146
Net current liabilities		**(207,298,477)**	(227,112,094)
Total assets less current liabilities		**495,009,266**	539,013,164

	Notes	At 31 December **2020** ***HK$***	 2019 *HK$* *(Restated)*
Non-current liabilities			
Other payables	*17*	**8,793,090**	8,872,723
Interest-bearing bank and other borrowings		**109,582,513**	111,597,814
Lease liabilities		**624,023**	666,388
Deferred tax liabilities		**21,912,030**	25,055,722
Derivative financial instruments		**–**	1,848,980
Convertible bonds		**11,461,760**	–
Total non-current liabilities		**152,373,416**	148,041,627
Net assets		**342,635,850**	390,971,537
Equity			
Share capital		**3,490,000**	3,490,000
Reserves		**333,670,809**	381,856,010
Equity attributable to owners of the Company		**337,160,809**	385,346,010
Non-controlling interests		**5,475,041**	5,625,527
Total equity		**342,635,850**	390,971,537

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. The Company's subsidiaries are principally engaged in hotel ownership, operation of hotel services, distressed debt assets management and property investment.

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

The consolidated financial statements have been prepared in accordance with IFRSs (as defined in note 3(a) below). The accounting policies adopted for the year ended 31 December 2020 are consistent with those adopted in the audited consolidated financial statements for the year ended 31 December 2019, except for those that relate to new/revised standards or interpretations that are effective for the first time for accounting periods beginning on or after 1 January 2020.

The Group has adopted all of the new and revised IFRSs which are relevant to its operations and effective for accounting periods beginning on or after 1 January 2020. A summary of the significant accounting policies adopted by the Group is set out in the Notes to the Consolidated Financial Statements (the "Notes") section of the 2020 annual report to be sent to the Shareholders in due course.

Other than the amendments to IAS 39, IFRS 7 and IFRS 9 and amendments to IFRS 3, none of these amended IFRSs has a material impact on the Group's results and financial position for the current or prior period.

The Group has not early applied any new or amended IFRSs that is not yet effective for the current accounting period. 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 International Financial Reporting Standards, 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 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 in the Notes.

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 the Notes.

(c) Going concern assumption

The Novel Coronavirus ("COVID-19") pandemic which began in early 2020 has adversely affected the Group's operations for the year ended 31 December 2020 as the Group has hotel operations in Singapore and Japan and it still has a significant impact on the Group's operation.

The Group incurred a loss of HK$48,302,876 (2019: HK$67,620,770 (restated)) for the year ended 31 December 2020 and as of that date, had net current liabilities of HK$207,298,477 (2019: HK$227,112,094). As of 31 December 2020, the Group had a total interest-bearing bank borrowing of HK$181,818,100 (2019: HK$179,378,400) from a bank which is subject to renewal in March 2022. In addition, as at 31 December 2020, the Group had other financial liabilities of HK$121,372,113 in total which are repayable on demand, including (i) construction payable amounting to HK$48,320,812 (2019: HK$52,052,895), (ii) an amount due to a director amounting to HK$30,850,065 (2019: HK$59,609,880), (iii) the matured convertible bonds due in November 2020 with penalty on default repayment of the convertible bonds in an aggregate amount of HK$32,861,400, (iv) an amount due to a non-controlling shareholder of subsidiaries amounting to HK$8,680,300 (2019: HK$8,758,913), and (v) interest payable of convertible bond amounting to HK$659,536, but only had cash and cash equivalent of HK$39,521,013.

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 18 months from the end of the reporting period taken into account of the followings:

– Maintaining its strategic relationship with the Singapore government to secure the renewal of its contract of leasing the hotel properties in Singapore as quarantine hotels in order to stabilise cash inflows and hotel occupancy rate;

– Expected cash inflows from further collection of distressed debt assets and consideration of the disposal of the repossessed assets;

– The bank borrowings of HK$181,818,100 subject to renewal in March 2022 will be renewed for at least 3 months;

– The Director has undertaken not to request the Group to repay the outstanding amount of HK$30,850,065 until the Group is able to repay;

– Collateralising its investment properties with a fair value of HK$185,419,039 and the freehold lands with hotel property located in Japan with a net book value of HK$48,768,680 as at 31 December 2020 to obtain further source of funds; and

– Negotiating with the contractor to extend the repayment of the construction payable or otherwise revise the repayment schedule.

Assuming the plans and measures in the forecast can be successfully implemented as scheduled, the directors are of the opinion that the Group will have sufficient working capital over the forecast period to finance its operations and fulfil its financial obligations as and when they fall due, including the settlement of the matured convertible bonds due in November 2020. Accordingly, the directors of the Group considered that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group fail to achieve the plans and measures as scheduled, 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. **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, other gains and losses, 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.

The following is an analysis of the Group's revenue and results by reportable segment 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 2020					
External revenue	**43,851,953**	**–**	**13,763,471**	**–**	**57,615,424**
Loss from distressed debt assets at amortised cost	**–**	**–**	**–**	**(14,581,039)**	**(14,581,039)**
Segment profit/(loss)	**7,637,943**	**(934,337)**	**(8,526,737)**	**(17,669,820)**	**(19,492,951)**
Corporate income, gains or losses – Others					**166,842**
Central administrative cost and finance cost					**(14,944,663)**
Gain on disposal of interest in an associate					**10,909,956**
Penalty on default repayment of convertible bonds					**(7,583,400)**
Share of results of an associate					**(13,730,964)**
Loss before income tax expense					**(44,675,180)**

	Operation of hotel business			Distressed debt asset management	
	Singapore	Indonesia	Japan	The PRC	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
					(Restated)
For the year ended 31 December 2019					
External revenue	52,072,444	–	3,162,988	–	55,235,432
Loss from distressed debt assets at amortised cost	–	–	–	(17,509,423)	(17,509,423)
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)
Impairment loss on interest in an associate					(8,723,003)
Share of results of an associate					(4,401,554)
Loss before income tax expense					(64,671,098)

Segment results represents the profit/(loss) earned/(charged) by each segment without allocation of corporate income, corporate finance cost, share of results of an associate, impairment loss on interest in an associate, gain on disposal of interest in an associate, penalty on default repayment of convertible bonds 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.

(b) Disaggregation of revenue

	Hotel business		Distressed debt asset management	
	2020	2019	**2020**	2019
	HK$	*HK$*	***HK$***	*HK$*
Primary geographical markets				
Singapore	**43,851,953**	52,072,444	**–**	–
Japan	**13,763,471**	3,162,988	**–**	–
PRC	**–**	–	**(14,581,039)**	(17,509,423)
Total	**57,615,424**	55,235,432	**(14,581,039)**	(17,509,423)
Major services and timing of revenue recognition				
At a point of time				
Sales of food and beverage	**13,546,843**	6,784,405	**–**	–
Others	**598,768**	52,917	**–**	–
Transferred over time				
Hotel room services	**39,691,023**	41,438,815	**–**	–
Others	**872,622**	1,184,234	**–**	–
Rental income from hotel properties *(note)*	**2,906,168**	5,775,061	**–**	–
Loss from distressed debt assets at amortised cost *(note)*	**–**	–	**(14,581,039)**	(17,509,423)
	57,615,424	55,235,432	**(14,581,039)**	(17,509,423)

Note: Rental income from hotel properties and loss from distressed debt assets at amortised cost 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.

(c) Information about major customers

The hotel buildings located in Singapore has been used as quarantine accommodation for local residents since the second quarter of 2020. The use of these hotel buildings as quarantine accommodation is subject to periodic renewal of the relevant contracts with the Singapore government. For the year ended 31 December 2020, the revenue of HK$23,705,116 is recognised from the contracts signed with Singapore government for using as quarantine accommodation.

5. REVENUE & LOSS FROM DISTRESSED DEBT ASSETS AT AMORTISED COST

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

	Year ended 31 December	
	2020	2019
	HK$	*HK$*
Hotel room	**39,691,023**	41,438,815
Food and beverage	**13,546,843**	6,784,405
Rental income from hotel properties	**2,906,168**	5,775,061
Others *(note a)*	**1,471,390**	1,237,151
	57,615,424	55,235,432

	Year ended 31 December	
	2020	2019
	HK$	*HK$*
(Loss)/income from distressed debt assets at amortised cost	**10,631,769**	22,638,016
Less: modification gain/(loss) *(note b)*	**(25,212,808)**	(40,147,439)
	(14,581,039)	(17,509,423)

Notes:

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

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

6. OTHER INCOME

Other income is analysed as follows:

	Year ended 31 December	
	2020	2019
	HK$	*HK$*
Insurance compensation income	**94,259**	–
Government subsidies and grants *(note)*	**5,121,000**	94,642
Interest income from bank deposits	**1,552**	2,110
Others	**1,191,593**	1,335,128
	6,408,404	1,431,880

Note: The government grants represent Special Employment Credit, Wage Credit Scheme and Government-Paid-Childcare leave received from Singapore Government and Inland Revenue Authority of Singapore and COVID-19-related subsidies paid by Hong Kong government and Japan government during the year. There are no unfulfilled conditions or contingencies attached to these grants.

7. OTHER GAINS AND (LOSSES)

	Year ended 31 December	
	2020	2019
	HK$	*HK$*
		(Restated)
Gain on disposal of property, plant and equipment	**–**	121,131
Gain on disposal of right-of-use assets	**50,750**	–
Gain on disposal of interest in an associate	**10,909,956**	–
Modification gain on bank borrowings	**6,155,897**	–
Penalty on default repayment of convertible bonds	**(7,583,400)**	–
Impairment loss on interest in an associate	**–**	(8,723,003)
Loss allowance for ECLs of distressed debt assets	**(1,886,506)**	(11,000,000)
Write off of property, plant and equipment	**(65,941)**	(5,251,415)
	7,580,756	(24,853,287)

8. FINANCE COSTS

	Year ended 31 December	
	2020	2019
	HK$	*HK$*
Bank overdraft interest	**100,794**	2,848
Interest on bank and other borrowings *(note a)*	**7,899,239**	10,510,455
Interest expenses on lease liabilities	**98,565**	127,750
Interest on convertible bonds	**3,648,065**	2,659,548
Penalty interest on convertible bonds	**657,228**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**12,403,891**	13,300,601
Less: amount capitalised *(note b)*	**–**	(2,940,703)
	12,403,891	10,359,898
Interest rate swap: cash flow hedges	**4,607,533**	1,152,466
	17,011,424	11,512,364

Notes:

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

b. During the year ended 31 December 2020, the construction in progress was substantially suspended and no borrowing costs were capitalised. Borrowing costs capitalised during the year ended 31 December 2019 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 3.84% to expenditure on qualifying assets.

9. LOSS BEFORE INCOME TAX EXPENSE

The Group's loss before income tax expense is arrived at after charging:

	Year ended 31 December	
	2020	2019
	HK$	*HK$*
Staff costs (excluding directors' remuneration		
Wages and salaries	**20,688,858**	17,803,420
Short-term non-monetary benefits	**1,354,699**	2,017,125
Contributions to defined contribution plans	**2,295,501**	1,763,038
	24,339,058	21,583,583
Depreciation of property, plant and equipment (included in administrative expenses)		
– Owned	**14,115,381**	11,881,936
– Right-of-use assets	**2,740,098**	2,487,544
	16,855,479	14,369,480
Auditor's remuneration	**1,300,000**	1,100,000
Bad debt written off	**64,083**	25,695
Legal and professional fees	**4,748,357**	4,039,197
Minimum lease payments under operating leases		
– Short-term lease expenses	**114,929**	578,760
Property taxes	**1,023,359**	2,435,742

10. 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 (2019: nil).

Singapore corporate income tax has been provided on the estimated assessable profit arising in Singapore at the rate of 17% (2019: 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 (2019: 25%).

The PRC Enterprise Income Tax is calculated at 25% on the estimated assessable profits of a subsidiary operating in the PRC (2019: 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 (2019: 33.59%). Japan Profits Tax has been provided on the estimated assessable profit arising in Japan (2019: No provision for Japan Profits Tax has been provided as the Group has no estimated assessable profit arising in Japan)).

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	
	2020	2019
	HK$	*HK$*
Current – Singapore Corporate Income Tax		
– Tax for the year	**(2,903,826)**	(3,270,185)
– Over provision in respect of prior years	**370,478**	457,937
	(2,533,348)	(2,812,248)
Current – Japan Corporate Income Tax		
– Tax for the year	**(5,158)**	–
Deferred tax		
– Current year	**(1,089,190)**	(137,424)
Total income tax expense	**(3,627,696)**	(2,949,672)

11. LOSSES PER SHARE

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

	2020	2019
	HK$	*HK$*
		(Restated)
Losses		
Losses for the purposes of basic losses per share	**(48,207,538)**	(67,533,912)
Interest expenses on convertible bonds	**3,648,065**	–
Losses for the purposes of diluted losses per share	**(44,559,473)**	(67,533,912)
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 2020 (2019: 3,490,000,000 ordinary shares).

For the years ended 31 December 2020 and 2019, diluted losses per share 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.

12. DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2020 (2019: nil).

13. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The Group's property, plant and equipment comprise, among others, construction in progress and hotel buildings.

As at 31 December 2020, 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, plant and equipment upon completion.

The Group's hotel buildings in Singapore and Japan were valued on 31 December 2020 by AVISTA Valuation Advisory Limited ("AVISTA"), an independent qualified professional valuer.

The investment properties of the Group comprised land parcels located in Bintan Islands, Indonesia which are held under medium-term lease and currently at undetermined future use. The valuations of such land parcels were carried out by AVISTA as at 31 December 2020 and 31 December 2019.

14. INTEREST IN AN ASSOCIATE

In 2016, the Group has acquired 42.3% equity interest in Zhuhai Shi Kang Ming De Enterprise Management Service Limited ("Kang Ming De") at a consideration of RMB21,150,000 (equivalent to HK$25,280,595). The subsidiaries of Kang Ming De are principally engaged in management of tourist scenic spots, hotel operation and provision of travel and travel related services.

Due to the travel restrictions implemented by government authority during the COVID-19 pandemic, Kang Ming De's staff were unable to attend the business premises to perform daily operation. They were unable to prepare financial information of Kang Ming De for the year ended 31 December 2019 to the Company. 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, share of other comprehensive income of an associate for the year ended 31 December 2019 and its interest in an associate as at 31 December 2019 as stated in the audited consolidated financial statements of the Company for the year ended 31 December 2019 (the "2019 AFS") were not prepared in accordance with International Accounting Standard 28 "Investments in Associates and Joint Ventures".

During the year ended 31 December 2020, the management of the associate provided the unaudited financial information of the associate for the year ended 31 December 2019 to the Company. Based on the unaudited financial information of associate, the Group applied the equity method to account for its interest in an associate for the year ended 31 December 2019. Accordingly, prior year adjustments have been made and certain comparative amounts as at the year ended 31 December 2019 have been restated to reflect the recognition of the interest in an associate. Details of the prior year adjustments are set out in note 18 to the consolidated financial statements in this annual results announcement.

	At 31 December 2019 HK$ *(Restated)*
Share of net assets of an associate	36,038,146
Goodwill	3,970,062
Impairment loss recognised	(8,723,003)
	31,285,205
Amount due from an associate *(note)*	64,260

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

Given the unsatisfactory and deteriorating operating results of Kang Ming De, the Group has continued to record its share of losses for two years ended 31 December 2019. For the purpose of impairment testing on the interest in Kang Ming De, the recoverable amount has been determined by the value-in-use calculation based on cash flow forecast projections covering a five-year period at a discount rate of 18.4% which is carried out by AVISTA. As the carrying amount of interest in an associate exceeds its recoverable amount, impairment loss of HK$8,723,003 was recognised on the Group's interest in an associate for the year ended 31 December 2019.

As disclosed in the announcement of the Company dated 12 November 2020, the Group and an independent third party ("Purchaser") entered into an equity transfer agreement, pursuant to which the Group conditionally agreed to sell, and the Purchaser conditionally agreed to purchase 42.3% of the equity interests in Kang Ming De at the consideration of RMB25,000,000 (equivalent to HK$29,267,000). On 4 December 2020, the disposal of interest in an associate is completed due to all the conditions precedent of the disposal of Kang Ming De were fulfilled. The Group no longer holds any ordinary shares in Kang Ming De and Kang Mind De ceased to be an associate of the Group. For the year ended 31 December 2020, the Group recorded a gain on disposal of an associate of HK$10,909,956.

15. DISTRESSED DEBT ASSETS AT AMORTISED COST

	At 31 December	
	2020	2019
	HK$	*HK$*
Current	**54,695,537**	67,882,280
Non-current	**–**	–
	54,695,537	67,882,280

For distressed debt assets at amortised cost, 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 the relevant loans. These distressed debt assets at amortised cost 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.

The Directors assessed that the fair value of collateral over the distressed debt are less than the carrying amount of distressed debt assets at amortised cost, and a loss allowance for ECLs of HK$13,673,885 is recognised as at 31 December 2020 (2019: HK$11,000,000).

16. TRADE AND OTHER RECEIVABLES

As at 31 December 2020, trade and other receivables comprised trade receivables of HK$6,338,904 (2019: HK$4,224,434).

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	
	2020	2019
	HK$	*HK$*
Current to 30 days	**5,435,193**	3,811,033
31 to 60 days	**903,629**	325,990
61 to 90 days	**–**	30,227
Over 90 days	**82**	57,184
	6,338,904	4,224,434

17. TRADE AND OTHER PAYABLES

As at 31 December 2020, trade and other payables comprised trade payables of HK$1,559,674 (2019: HK$1,291,087).

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	
	2020	2019
	HK$	*HK$*
Current to 30 days	**1,331,259**	1,104,400
31 to 60 days	**161,912**	–
Over 90 days	**66,503**	186,687
	1,559,674	1,291,087

As at 31 December 2020, other payables comprised construction payables with current portion of HK$48,320,812 (2019: HK$52,052,895) and non-current portion of HK$8,793,090 (2019: HK$8,872,723).

18. PRIOR YEAR ADJUSTMENTS

In prior year ended 31 December 2019, the Group had not accounted for its interest in an associate in accordance with the equity method as set out in the Group's consolidated financial statements in prior year.

During the course of preparation of the consolidated financial statements of the Group for the financial year ended 31 December 2020, the Group's management had obtained Kang Ming De's consolidated financial statements for the year ended 31 December 2019 which were prepared under IFRSs and other financial information for the purpose of equity accounting of the Group. In addition, the Directors of the Company have performed an impairment assessment on the interest in an associate. In accordance with the Group's accounting policies, the impairment assessment of interest in an associate is by comparing the carrying amount to the recoverable amount. The recoverable amount of the interest in an associate as at 31 December 2019 was determined by the Directors of the Company by reference to a valuation report prepared by AVISTA based on a cash flows forecast developed by the management.

Accordingly, prior year adjustments have been made. Details of the restatements made to the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of comprehensive income for the year ended 31 December 2019 are set out below:

(a) Recognition of share of loss of an associate for the year ended 31 December 2019

The effect of the above change on the consolidated financial position as at 31 December 2019 is to decrease the interest in an associate and the closing balance of equity by HK$3,397,505. The effect on the consolidated statement of comprehensive income for the year ended 31 December 2019 are to recognise the share of loss of an associate, decrease the share of other comprehensive income of an associate and increase the exchange difference on translating foreign operations by HK$3,186,185, HK$261,930 and HK$50,610 respectively.

(b) Recognition of impairment of an associate as at 31 December 2019

The effect of the above change on the consolidated financial position as at 31 December 2019 is to decrease the interest in an associate and the closing balance of equity by HK$8,594,972. The effect on the consolidated statement of comprehensive income for the year ended 31 December 2019 are to recognise impairment loss for interest in an associate which is presented in "other gains and losses" and increase the exchange difference on translating foreign operations by HK$8,723,003 and HK$128,031 respectively.

Impact on the consolidated statement of comprehensive income for the year ended 31 December 2019:

	As previously reported *HK$*	Prior year adjustments *HK$*	As restated *HK$*
Other gains and losses	(16,130,284)	(8,723,003)	(24,853,287)
Share of results of an associate	(1,215,369)	(3,186,185)	(4,401,554)
Loss before income tax expense	(52,761,910)	(11,909,188)	(64,671,098)
Loss for the year	(55,711,582)	(11,909,188)	(67,620,770)
Share of other comprehensive income of an associate	(770,422)	(261,930)	(1,032,352)
Exchange difference on translating foreign operations	8,061,468	178,641	8,240,109
Other comprehensive income for the year, net of tax	9,002,968	(83,289)	8,919,679
Total comprehensive income for the year	(46,708,614)	(11,992,477)	(58,701,091)
Loss attributable to:			
Owners of the Company	(55,624,724)	(11,909,188)	(67,533,912)
Non-controlling interests	(86,858)	–	(86,858)
	(55,711,582)	(11,909,188)	(67,620,770)
Total comprehensive income attributable to:			
Owners of the Company	(46,822,878)	(11,992,477)	(58,815,355)
Non-controlling interests	114,264	–	114,264
	(46,708,614)	(11,992,477)	(58,701,091)
Losses per share			
– Basic (HK cents per share)	(1.594)		(1.935)
– Diluted (HK cents per share)	(1.594)		(1.935)

Impact on the consolidated statement of financial position as at 31 December 2019:

	As previously reported *HK$*	Prior year adjustments *HK$*	As restated *HK$*
Non-current assets			
Interest in an associate	43,277,682	(11,992,477)	31,285,205
Total non-current assets	778,117,735	(11,992,477)	766,125,258
Total assets less current liabilities	551,005,641	(11,992,477)	539,013,164
Net assets	402,964,014	(11,992,477)	390,971,537
Total equity	402,964,014	(11,992,477)	390,971,537

19. EFFECT OF COVID-19

The outbreak of the 2019 Novel Coronavirus ("COVID-19") had affected almost all countries of the world, and resulted in border closures, production stoppages, workplace closures, movement controls and other measures imposed by the various governments and brought unprecedented challenges and added uncertainties to the economy. COVID-19 affected the financial performance and position of the industry of hotel business including the room rate and occupancy rate of hotel businesses, construction progress of Bintan resort business, and the fair value of hotel buildings and investment properties. The directors of the Company are continuing to assess the implications of COVID-19 pandemic to the business in which the Group operates. Depending on the duration of the COVID-19 pandemic and continued negative impact on economic activity, the Group might experience further negative results, and liquidity restraints and incur additional impairments on its assets in 2021.

As the global COVID-19 situation remains very fluid as at the date these financial statements were authorised for issuance, the Group cannot reasonably ascertain the full extent of the probable impact of the COVID-19 disruptions on its operating and financial performance for the financial year ending 31 December 2021. If the situation persists beyond management's current expectations, the Group's assets may be subject to further write-downs in the subsequent financial periods.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2020 which included a disclaimer of opinion:

"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, the Novel Coronavirus ("COVID-19") pandemic which began in early 2020 has adversely affected the Group's operations for the year ended 31 December 2020 as the Group has hotel operations in Singapore and Japan and it still has a significant impact on the Group's operations. The Group incurred a loss of HK$48,302,876 during the year ended 31 December 2020 and, as of that date, had net current liabilities of HK$207,298,477. As of 31 December 2020, the Group had an interest-bearing bank borrowing of HK$181,818,100 from a bank which is subject to renewal in March 2022 (Note 29). In addition, as at 31 December 2020, the Group had other financial liabilities of HK$121,372,113 in total which are repayable on demand, but only had cash and cash equivalents of HK$39,521,013.

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 the Group 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 plans and measures 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 plans and measures can be successfully implemented as scheduled. However, in respect of the measure to negotiate with contractors to extend the settlement of construction payable of HK$48,320,812, the directors of the Company have not provided us with information regarding the constructor's consent or intent to granting such extension or revision of repayment schedule. There are no alternative audit procedures that we can perform to obtain sufficient appropriate audit evidence to support such measure can be successfully implemented. 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 have not been reflected in these consolidated financial statements.

We disclaimed our opinion on the Company's consolidated financial statements for the year ended 31 December 2019 ("2019 Consolidated Financial Statements") relating to the going concern basis of preparing the consolidated financial statements. The balances as at 31 December 2019 and the amounts for the year then ended are presented as comparative information in the 2020 Consolidated Financial Statements. We disclaimed our audit opinion on the 2020 Consolidated Financial Statements also for the possible effect of the disclaimer of audit opinion on 2019 Consolidated Financial Statements on the comparability of 2020 figures and 2019 figures in 2020 Consolidated Financial Statements.

Scope limitation on interest in an associate

As disclosed in note 19 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") as at 31 December 2019. During our audit of the Company's 2019 Consolidated Financial Statements, Kang Ming De's staff were unable to attend the business premises to perform daily operation due to travel restrictions implemented by government authority in COVID-19 pandemic. Therefore, we were unable to carry out certain of our audit procedures on the Group's interest in Kang Ming De for the year ended 31 December 2019. In addition, due to the inability of Kang Ming De's staff to attend the business premises, the 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. Accordingly, together with other matter, we modified our opinion on the 2019 Consolidated Financial Statements.

During the year ended 31 December 2020, the Group's management had obtained Kang Ming De's financial information for the year ended 31 December 2019 and made prior year adjustments (the "PYA") in the Company's 2020 Consolidated Financial Statements to (i) revise the Group's share of the results of Kang Ming De of a full year ended on 31 December 2019 by increasing the share of loss of an associate of HK$3,186,185 and decreasing the share of other comprehensive income of an associate of HK$261,930 and recognising an exchange difference arising on translating foreign operations of HK$50,610; (ii) recognise an impairment loss of HK$8,723,003 arising from the impairment assessment of the Group's interest in Kang Ming De as at 31 December 2019, which was classified as other gains and losses in the consolidated statement of comprehensive income and the respective exchange difference arising from translation of HK$128,031; and (iii) decrease the Group's interest in Kang Ming De as at 31 December 2019 by HK$11,992,477. After taking up the PYA, as detailed in note 47 to the consolidated financial statements, the share of loss of associate for the year ended 31 December 2019 was restated to HK$4,401,554, the share of other comprehensive income of an associate was restated to HK$1,032,352, exchange difference on translating foreign operations was restated to HK$8,240,109, other gains and losses was restated to HK$24,853,287 and the interest in an associate as at 1 January 2020 was restated to HK$31,285,205.

As detailed in note 19 to the consolidated financial statements, during the year ended 31 December 2020, the Group disposed of its entire interest in Kang Ming De. Upon the disposal of the interest in Kang Ming De, the Group recognised a gain on disposal of HK$10,909,956 and released the hotel properties revaluation reserve of HK$1,308,384 to accumulated losses. In addition, the Group recognised its share of associate's loss of HK$13,730,964 prior to the disposal of Kang Ming De during the Year.

As Kang Ming De is identified as a significant component of the Group due to its individual financial significance to the Group, accordingly, as part of our audit, we shall perform an audit on the financial information of Kang Ming De which is included in 2020 Consolidated Financial statements. During our audit of the 2020 Consolidated Financial Statements, the Directors of the Company were unable to grant us the access to the books and records and the relevant information of Kang Ming De because Kang Ming De was no longer an associate of the Group and the management of Kang Ming De denied the Group's Directors and our access to the books and records and other information of Kang Ming De. As a result, we were unable to perform an audit on the financial information of Kang Ming De and to determine whether the revisions to 2019 financial statement items (ie the PYA), the Group's share of loss from Kang Ming De for the year ended 31 December 2020 prior to its disposal, the Group's gain on disposal of Kang Ming De and the release of hotel properties revaluation reserve to accumulated losses upon disposal of Kang Ming De were fairly stated.

The limitations on our scope of work on Kang Ming De in our audit of the Group's 2019 Consolidated Financial Statements as summarised in the first paragraph of this section remained unresolved during our current year audit. Therefore, in addition to the limitation on our scope of work in the current year audit as mentioned in the paragraph immediate above, we were unable to determine financial statements items and disclosures relating to Kang Ming De, as restated and presented as comparatives in 2020 Consolidated Financial Statements, including interests in associates of HK$31,285,205, share of loss of an associate of HK$4,401,554, share of other comprehensive expense of an associate of HK$1,032,352 and impairment loss on interests in an associate of HK$8,723,003 included in other gains and losses were fairly stated.

Any adjustments in respect of the opening balance of interests in an associate as at 1 January 2020 found necessary would have consequential effects on (i) the impairment loss on interests in an associate, if any; (ii) the Group's share of other comprehensive income of an associate for the year ended 31 December 2020, if any; (iii) the gain on disposal of an associate; (iv) the transfer of hotel properties revaluation reserve to accumulated losses upon disposal of an associate; and (v) the related disclosures in 2020 Consolidated Financial Statements.

THE COMPANY'S VIEW AND MEASURES TO ADDRESS THE AUDIT QUALIFICATIONS

In respect of the audit qualifications (the "2019 Audit Qualifications") as disclosed in the independent auditor's report for the year ended 31 December 2019, relating to (i) the appropriateness of the assumption regarding the Company's ability to continue as a going concern; and (ii) the scope limitation and disagreement in accounting treatment on the Group's interest in an associate (which was disposed of in November 2020), the Group has been undertaking a number of measures to improve its liquidity and financial position, including but not limited to: (a) the negotiation with the Group's principal lending bank in Singapore for postponement of principal repayment of its credit facilities; (b) the application for government-supported low-interest-rate loans from Japan financial institutions to finance the operation of the Group's spa hotel in Japan; (c) the application for various COVID-19 related subsidies from local governments so as to reduce the operation costs of the Group; and (d) the completion of issue of new convertible bonds with net proceeds raised amounting to approximately HK$25 million.

The issues leading to the 2019 Audit Qualifications relating to the Company's ability to continue as a going concern remained unresolved during the audit of the Group's consolidated financial statements for the year ended 31 December 2020. Hence, the auditor of the Company (the "Auditor") issued disclaimer of opinion on the consolidated financial statements of the Company for the Year (the "2020 Audit Qualifications"), on the basis as set out in the section headed "Basis of disclaimer of opinion" in the independent auditor's report.

In view of the 2020 Audit Qualifications, the Group has discussed with the Auditor prior to the publication of this announcement. In respect of the interest in an associate, as the completion of the disposal of its interest in the associate took place on 4 December 2020, Kang Ming De ceased to be recognised as an associate in the consolidated financial statements of the Company since then, and the Auditors were unable to perform an audit on the financial information of the associate after the disposal. However, given the disposal, the audit qualification on the associate will not be carried forward in respect of the Company's consolidated financial statements for the year ending 31 December 2021.

In order to address the uncertainties which may cast doubt regarding the Group's ability to continue as a going concern, and with a view to removing the 2020 Audit Qualification in the next financial year, the Company had taken and intends to continue to implement the following measures to mitigate the liquidity pressure and to improve its cash flows, including but not limited to:

(1) the Group cooperated with the review by its principal lending bank (the "Lending Bank") on its loans, and passed the annual credit assessment conducted by the Lending Bank in March 2021, and the next credit assessment will be conducted in March 2022;

(2) the Group arranged smooth rollover/renewal of its revolving loans during the period from January to March 2021, and made the interest payment for the revolving loans as requested by the Lending Bank on time;

(3) the Group successfully negotiated with the Lending Bank to partially defer the principal repayments of its instalment loans for the period from February to June 2021;

(4) the Group has been communicating with the contractor for further extension of the repayment of the construction payable and an amicable repayment schedule so as to reduce the liquidity pressure to the Group. Further details will be discussed with the contractor by mid-2021;

(5) the Group's Link Hotel in Singapore obtained government contracts for using the hotel as COVID-19 quarantine accommodation since the second quarter of 2020 and has successfully renewed such contracts upon periodic review by the Singapore government authority. The latest government contract for such usage has been extended to mid-May 2021. The Group will continue to apply for renewal of the contracts with the government should the COVID-19 pandemic subsist, so as to allow the hotel to earn a stable income to sustain its operation;

(6) the Group will continue to apply for COVID-19 related government subsidies applicable to its hotels in Singapore and Japan, including salary subsidies, levy fee for foreign workers and costs of hotel sterilization, which will reduce the operation costs of the Group to a certain extent;

(7) the Group will negotiate with potential purchaser(s) regarding the disposal of its distressed debt assets in order to generate working capital and strengthen the Group's liquidity position; and

(8) the Company will continue its negotiation with the convertible bond holder for an amicable repayment schedule in respect of the convertible bonds which matured in November 2020.

Taking into account the successful and continued implementation of such measures, the management and also the Directors are satisfied that the Group will have sufficient working capital for a period of not less than 12 months from 1 January 2021 to 31 December 2021, and hence it is appropriate to prepare the Group's consolidated financial statements on a going concern basis.

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 development 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 announcement, 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 from hotel operation of approximately HK$57.6 million (2019: approximately HK$55.2 million), accounting for an increase of approximately 4.3% as compared to the last year, which was mainly due to the full-year revenue contribution for the Year from the Group's spa hotel in Japan which opened in September 2019, while such increase was partly offset by the decrease in revenue of the Group's Link Hotel in Singapore due to the adverse effect on hotel business caused by the outbreak of the coronavirus (COVID-19) pandemic in early 2020.

For the Year, loss attributable to owners of the Company was approximately HK$48.2 million (2019: loss of approximately HK$67.5 million (restated after prior year adjustments)), representing a decease in loss by approximately HK$19.3 million or 28.6%. The loss for the Year was mainly due to, among others, (i) the loss from the Group's distressed debt assets (i.e. income from distressed debt assets of amortised cost less modification loss) of approximately HK$14.6 million (2019: loss of approximately HK$17.5 million) and the related expected credit losses of approximately HK$1.9 million (2019: approximately HK$11.0 million); (ii) operating loss of approximately HK$8.5 million (2019: loss of approximately HK$12.1 million) in respect of the Group's spa hotel in Japan amid the COVID-19 pandemic; and (iii) share of loss of an associate of approximately HK$13.7 million (2019: share of loss of approximately HK$4.4 million (restated after prior year adjustments)), despite the operating profit from Link Hotel which was inadequate to cover the Group's corporate administrative expenses and finance costs.

Basic losses per share for the Year was approximately HK cents 1.381 (2019: basic losses per share of approximately HK cents 1.935 (restated after prior year adjustments)).

Hotel operation

For the Year, room revenue amounted to approximately HK$39.7 million (2019: approximately HK$41.4 million), accounting for approximately 68.9% (2019: approximately 75.0%) 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 85.6% of total room revenue for the Year (2019: approximately 96.3%), and depends in part on the achieved average room rate and occupancy rate. Room revenue for the Year also included a minor contribution from the Group's spa hotel in Japan which commenced operation in September 2019.

During the Year, although the normal business of Link Hotel in Singapore was adversely affected by worldwide travel restrictions and lockdown measures due to the COVID-19 pandemic, the hotel has been used as quarantine accommodation for local residents since the second quarter of 2020. As such, the adverse effect was mitigated and the hotel was able to sustain its operation. Nevertheless, the use of Link Hotel as quarantine accommodation is subject to periodic renewal of the relevant contracts with the Singapore government. Should Link Hotel be unable to renew such contracts or the contracts are renewed with less favourable terms due to competition with other local hotel players, while the lockdown measures due to the COVID-19 pandemic subsist and restrict the normal business of the hotel, the income of Link Hotel will be adversely affected going forward.

The following table sets out the total available room nights, occupancy rate, average room rate and Revenue per Available Room ("RevPAR") of the Group's principal hotel, i.e. Link Hotel for the years indicated:

	Year ended 31 December	
	2020	2019
Total available room nights	**100,284**	100,010
Occupancy rate	**75.4%**	65.0%
Average room rate *(HK$)*	**404.0**	555.5
RevPAR *(HK$)*	**304.5**	362.5

For the Year, food and beverage ("F&B") revenue was approximately HK$13.5 million (2019: approximately HK$6.8 million), representing approximately 23.5% (2019: approximately 12.3%) 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 increase in contribution of F&B revenue for the Year was mainly due to the full-year operation of the Group's spa hotel in Japan and the nature of the food-and-place sales package where the revenue from F&B accounted for a considerable portion of the sales amount of the package.

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$2.9 million (2019: approximately HK$5.8 million) representing approximately 5.0% (2019: approximately 10.5%) of the total revenue from hotel business. The decrease in rental income for the Year was mainly due to the fact that certain shop units of Link Hotel in Singapore cannot be leased out when it was used as COVID-19 quarantine accommodation for most of the Year.

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 the Year, due to the tight financial resources and the COVID-19 pandemic, the construction progress was substantially suspended. 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. However, the progress of the construction was delayed as the subsisting COVID-19 pandemic has affected the supply chains of various sectors worldwide, including the supply of construction materials. At the same time, as the tourism industry worldwide shall take time to recover and normalise, aiming at providing a newly furnished resort for tourists' enjoyment shortly after the COVID-19 pandemic, the Board expected that, on the basis of having adequate funding, the completion of the construction of the resort project shall be postponed to the end of 2022.

Distressed debt assets management business

During the Year, the the Group recorded loss from distressed debts assets (net of modification loss) of approximately HK$14.6 million (2019: loss of approximately HK$17.5 million). Due to the outbreak of the COVID-19 pandemic, the execution plan on recovering the distressed debts was substantially suspended during the Year. Besides, due to the nil 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$1.9 million for the Year (2019: approximately HK$11.0 million).

Liquidity, financial resources and capital structure

During the Year, the Group mainly financed its operations with its own working capital and bank and other loans. As at 31 December 2020, the Group had net current liabilities of approximately HK$207.3 million (2019: net current liabilities of approximately HK$227.1 million), including cash and cash equivalents of approximately HK$39.5 million (2019: approximately HK$36.7 million) and short-term interest-bearing bank and other borrowings of approximately HK$190.1 million (2019: approximately HK$189.5 million). As at 31 December 2020, the Group also had non-current interest-bearing bank and other borrowings of approximately HK$109.6 million (2019: approximately HK$111.6 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 net debt to equity ratio calculated based on the Group's total debts (being amounts due to a non-controlling shareholder of subsidiaries and a director, lease liabilities, interest-bearing bank and other borrowings and convertible bonds, less cash and cash equivalents) divided by the Group's total equity and multiplied by 100% as at 31 December 2020 was approximately 101% (2019: approximately 91% (restated after prior year adjustments)).

Apart from the convertible bonds due in November 2020 (the "CB (due 2020)"), the Company issued new convertible bonds in July 2020 (the "CB (due 2025)") with principal amount of approximately HK$25.1 million (please refer the paragraph headed "Issue of securities" below for further details).

During the Year, there was no cancellation or conversion of the CB (due 2020) which matured and was due for redemption on 30 November 2020. Nevertheless, the Company was yet to redeem the CB (due 2020) as at 31 December 2020. Due to the default in repayment, according to the terms of the CB (due 2020), the outstanding principal amount was accredited by 30% and became approximately HK$32.9 million as at 31 December 2020 (2019: approximately HK$25.3 million). As at the date of this announcement, the Company was under negotiation with the holder of the CB (due 2020) for an amicable repayable schedule.

For the CB (due 2025), there was no cancellation, conversion or redemption during the Year, and the outstanding principal amount remained at approximately HK$25.1 million as at 31 December 2020, with maturity date on 17 July 2025.

Issue of securities

On 21 June 2020, the Company and Mr. Ng Meng Chit (the "Subscriber") entered into a subscription agreement (the "Subscription Agreement"), pursuant to which, the Subscriber agreed to subscribe for and the Company agreed to issue the CB (due 2025) in the principal amount of HK$25,128,000 at the initial conversion price (the "Conversion Price") of HK$0.036 per conversion share (the "Conversion Shares"). The closing price of the Shares quoted on the Stock Exchange on the last trading date immediately prior to the date of the Subscription Agreement is HK$0.035. Based on the initial Conversion Price of HK$0.036 per Conversion Share, a total of 698,000,000 Conversion Shares (with aggregate nominal value of HK$698,000) will be allotted and issued upon exercise of the conversion rights attaching to the CB (due 2025) in full. The subscription and issue of the CB (due 2025) were completed on 17 July 2020. The gross proceeds from the issue of the CB (due 2025) is HK$25,128,000. The net proceeds is approximately HK$24,889,000, representing a net issue price of approximately HK$0.0357.

The Group suffered a net loss of approximately HK$67.6 million (restated after prior year adjustments) for the year ended 31 December 2019, and the Group's current liabilities, totalling approximately HK$352.9 million (including the CB (due 2020)), exceeded its current assets by approximately HK$227.1 million as at 31 December 2019. In addition, the Group's hotel business has been adversely affected by the COVID-19 pandemic. Accordingly, the Group has been undertaking a number of measures, including seeking fund raising opportunities, to improve its liquidity and financial position. Hence, taking into account that the net proceeds will mainly be applied for the redemption of the CB (due 2020) and as general working capital of the Group, the Directors considered that the issue of the convertible bonds will help reduce the Group's liabilities and improve its liquidity position. Please refer to the Company's announcement dated 21 June 2020 for further details.

Significant investments

The Group did not acquire or hold any significant investment during the Year (2019: nil).

Material acquisitions and disposals

Save for the disposal of the Group's interests in an associate as disclosed in the Company's announcement dated 12 November 2020, during the Year, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

Contingent liabilities

During the year ended 31 December 2020, the Group was required to make repayment of CB (due 2020) of HK$25,278,000 and corresponding penalty on default repayment and penalty interest of HK$7,583,400 and HK$657,228 respectively. The Group has made the provision as at 31 December 2020. Up to the date of this announcement, the outstanding amount had not yet been repaid. In the opinion of the Directors, no further provision was required to be made for the year ended 31 December 2020.

Other than the disclosure above, as at the end of the reporting period, the management of the Group was not aware of any other material claim which was threatened against the Group.

As at 31 December 2019, the Group did not have any contingent liabilities.

Employees and remuneration policies

As at 31 December 2020, the Group engaged a total of approximately 77 employees (2019: approximately 90). Total staff costs excluding Directors' remuneration for the Year amounted to approximately HK$24.3 million (2019: approximately HK$21.6 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 2020, 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.

Charges on group assets

As at 31 December 2020, certain property, plant and equipment of the Group with net carrying amount of approximately HK$140.9 million (2019: approximately HK$168.9 million) were pledged to secure for the banking facilities.

Dividends

The Directors do not recommend the payment of final dividend for the Year (2019: nil).

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 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 COVID-19 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 market conditions could be progressively relieved upon the upcoming vaccination worldwide, 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 2020

Save for the impact to the Group's business and operations as a result of the COVID-19 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 2020 and up to the date of this announcement. For details, please refer to note 19 to the consolidated financial statements in this annual results announcement.

OTHER INFORMATION

ANNUAL GENERAL MEETING (THE "AGM")

The forthcoming AGM of the Company will be held on Wednesday, 23 June 2021 at 4:00 p.m. The AGM notice will be published and dispatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the shareholders' entitlement to attend and vote at the AGM, the Company's register of members will be closed from Friday, 18 June 2021 to Wednesday, 23 June 2021 (both dates inclusive), during which period no transfer of shares of the Company will be effected. In order to qualify for attending the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 17 June 2021.

AUDIT COMMITTEE

The Audit Committee is responsible for, among others, reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls systems, and providing advice to the Board. 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 met with the external auditor of the Group to review the accounting principles and policies adopted by the Group, and discussed auditing, internal control, risk management and financial reporting matters including the review of this announcement and the consolidated financial statements of the Group for the Year.

SCOPE OF WORK OF EXTERNAL AUDITOR

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this annual results announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2020 prepared in accordance with IFRSs. The work performed by BDO Limited in this respect did not constitute an assurance engagement 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 and consequently no assurance has been expressed by BDO Limited on this annual results announcement.

COMPETING BUSINESS

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 announcement.

CORPORATE GOVERNANCE CODE

During the Year, save that Mr. Ngan Iek, Mr. Lin Jianguo, Mr. Zhao Guoming, Ms. Zhang Shuo, Mr. Thng Bock Cheng John, Mr. Chan So Kuen and Mr. Lai Yang Chau, Eugene, due to their respective other important engagements at the relevant time, did not attend the annual general meeting of the Company held on 23 June 2020, which deviated from code provision A.6.7 of the Corporate Governance Code, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules.

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 Company's listed securities during the Year.

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

Hong Kong, 30 March 2021

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

This announcement will remain on the "Latest Company Announcements" page of the GEM Website at www.hkgem.com for at least 7 days from the date of its posting. This announcement will also be published on the Company's website at www.linkholdingslimited.com.