Link Holdings Limited
華星控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8237

2016
Annual Report

* *For identification purposes only*

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE "GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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.

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

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Ngan Iek *(Chairman)* (redesignated as executive Director on 2 March 2016)
Datuk Siew Pek Tho
Mr. Chen Changzheng
Mr. Wong Ip (resigned on 2 March 2016)

Non-executive Directors

Ms. Ngan Iek Peng
Ms. Feng Xiaoying
Mr. Liu Tianlin

Independent non-executive Directors

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

COMPANY SECRETARY

Mr. Chow Kit Ting (resigned on 4 January 2016)
Mr. Lau Tak Shing, HKICPA (appointed on 25 January 2016)

COMPLIANCE OFFICER

Datuk Siew Pek Tho

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

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

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3503, 35/F
West Tower of
Shun Tak Centre
No.168-200 Connaught Road Central
Sheung Wan, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER

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

COMPLIANCE ADVISER

Guotai Junan Capital Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

AUDITOR

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

STOCK CODE

8237

COMPANY'S WEBSITE

www.linkholdingslimited.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of Link Holdings Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to present the results of the Company for the year ended 31 December 2016 (the "Year").

BUSINESS AND FINANCIAL REVIEW

The Group is principally engaged in operation of hotel services and properties investment.

2016 is an encouraging year to the Group. The completion of the renovation of our Link Hotel in Singapore and the acquisition of 42.3% equity interest of an associate has contributed favourable results to the Group during the Year.

For the Year, the Group recorded a profit of approximately HK$11.9 million, representing an increase of approximately 815% from the year ended 31 December 2015. Significant improvement of the Group's performance was mainly derived from the share of profit from an associate, which is proved to be a wise investment.

During the Year, the development of the Bintan Assets (as defined in the prospectus of the Company dated 30 June 2014 (the "Prospectus")) has started after the entering into of the construction contract. Besides, to capture the rapid economic growth from the recent growth in the tourism industry in People's Republic of China ("PRC") and other area in Asia, the Group intends to expand its business horizon to the Greater China region and other Asian countries. In December 2016, the Group has entered into a conditional sale and purchase agreement to acquire 100% of equity interest of a company located in Japan, which indirectly held a ryokan (Japanese hotel) (as detailed in the announcement of the Company dated 22 December 2016) (the "Japan Acquisition"). The Japan Acquisition, which was completed in January 2017, diversified our business income stream, is expected to be another profit stream to the Group in the future.

PROSPECTS

Looking forward, 2017 will be a year full of opportunities. We will further maximise the Group's overall return on assets and its corporate value, with a goal to becoming a leader in hotel and tourism industry in Southeast Asia that possesses international competitive strengths. The Group adopts an optimistic attitude to cope with challenges and capture opportunities in a positive way, and is confident in its future growth.

CHAIRMAN'S STATEMENT

APPRECIATIONS

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

Ngan Iek
Chairman and Executive Director

31 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

For the Year, the Company continued to stay focus on the operation of Link Hotel in Singapore and devise the master plan of the development of Bintan Assets.

FINANCIAL HIGHLIGHTS

For the Year, the Group recorded a revenue of approximately HK$52.3 million (2015: HK$42 million), accounting for an increase of approximately 24.5% from the year ended 31 December 2015. The performance of the Group was greatly improved by 815% from a net profit of approximately HK$1.3 million in 2015 to approximately HK$11.9 million in 2016. Significant improvement of the Group's performance was mainly derived from the share of profit from an associate, the acquisition of which by the Group was completed in July 2016. Moreover, the gross profit of the Group was also increased due to the increase in total available room nights and room nights sold after the completion of renovation for Link Hotel in Singapore during the Year.

Profit attributable to owners of the Company was approximately HK$10.7 million (2015: loss of approximately HK$2.0 million). Basic earnings per share was approximately HK$0.31 cents (2015: losses per share of approximately HK$0.07 cents). The Board does not recommend the payment of any dividend for the Year (2015: Nil).

BUSINESS REVIEW

The Group commenced operations of its hotel business in Singapore with the opening of Link Hotel in 2007. Except for the completion of acquisition of an associate, there is no material change in business during the Year. The operation of Link Hotel has been and is expected to continue to be its principal business.

Hotel operation

For the Year, room revenue amounted to approximately HK$43.7 million (2015: approximately HK$30.5 million) accounting for 83.6% (2015: 72.8%) of the Group's total revenue. 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 years indicated:

	2016	2015
Total available room nights	**100,284**	55,884
Occupancy rate	**69.6%**	71.3%
Average room rate *(HK$)*	**570.1**	697.4
RevPAR *(HK$)*	**436.1**	497.1

For the Year, F&B revenue was approximately HK$1.3 million (2015: approximately HK$3.0 million), representing 2.5% (2015: 7.0%) of the total revenue. F&B revenue represents the sale of food and beverages in the room service and meeting space of Link Hotel.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group leased shop units located at Link Hotel and received rental income from hotel tenants. For the Year, rental income from hotel tenants was approximately HK$6.2 million (2015: approximately HK$3.8 million) representing 11.9% (2015: 9.1%) of the total revenue.

Other income mainly comprises of interest income amounted to approximately HK$0.79 million (2015: approximately HK$83,000) and Singapore government grants of approximately HK$0.78 million (2015: approximately HK$0.24 million).

Bintan Asset

The Company has completed the acquisition of Bintan Assets in Indonesia during the year ended 31 December 2014 and classified the Bintan Assets as investment properties and rented it to a connected person since then. The tenancy agreement was expired on 31 December 2015 and had not been renewed.

For the year ended 31 December 2015, rental income from investment properties amounted to approximately HK$3.4 million accounting for 8.1% of the Group's total revenue (2016: N/A). 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).

Liquidity, financial resources and capital structure

During the Year, the Group mainly financed its operations with its own working capital and bank loans. As at 31 December 2016, the Group had net current assets of approximately HK$31.9 million (2015: approximately HK$193.1 million), including cash and cash equivalents of approximately HK$187.6 million (2015: approximately HK$326.0 million) and interest-bearing bank borrowing of approximately HK$73.4 million (2015: approximately HK$58.6 million).

The gearing ratio calculated based on our total debts (being interest-bearing bank borrowings and convertible bonds) divided by our total equity and multiplied by 100% as at 31 December 2016 was approximately 47.0% (2015: 48.5%).

No purchase, cancellation, conversion or redemption of the convertible bonds during the Year. As such, the outstanding principal amount of the convertible bonds remained approximately HK$25.3 million (2015: approximately HK$25.3 million) with the maturity date due on 30 November 2020.

At 31 December 2016, out of aggregate gross proceeds of the subscription of the convertible bonds of HK$253 million as disclosed in the circular of the Company dated 6 November 2015 (the "Circular"), the Group has utilised for approximately HK$2.8 million for professional and other related expenses incurred in connection with the subscription of the convertible bonds, approximately HK$100 million as the prepayments for the Bintan Assets and approximately HK$24.7 million for settling the consideration on acquisition of an associate. The remaining net proceeds of HK$125.5 million has not yet been used and is intended to be applied for the development of the Bintan Assets and potential acquisitions as disclosed in the Circular.

Significant investments

The Group did not acquire or hold any significant investment during the Year (2015: Nil).

Material acquisitions and disposals

During the Year, the Group has conducted the following material acquisitions:

a. The Group has entered into an equity transfer agreement (details as disclosed in the Company's announcement dated 1 February 2016) in relation to the acquisition of 42.3% equity interest in Zhuhai Kang Ming De Investment Limited# (珠海市康明德企業管理服務有限公司), a company located at Guangxi Zhuang Autonomous Region in PRC. The transaction has been completed in July 2016.

b. The Group has also entered into an equity transfer agreement (details as disclosed in the Company's announcement dated 11 March 2016) in relation to the acquisition of the paid-up capital of the subsidiary, PT. Hang Huo Investment, and the loan owed by the subsidiary. The transaction has been completed during the Year.

c. The Group has entered into an equity transfer agreement (details as disclosed in the Company's announcement dated 22 December 2016) in relation to the acquisition of 100% equity interest in AK Enterprise Company Limited, a company located in Japan. The transaction has been completed in January 2017.

Contingent liabilities

As at 31 December 2016, the Group did not have any material contingent liabilities (2015: Nil).

Employees and remuneration policies

As at 31 December 2016, the Group engaged a total of 52 employees (2015: a total of 56). Total staff costs excluding Directors' remuneration for the Year amounting to approximately HK$13.9 million (2015: approximately HK$15.1 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 2016, no options had been granted under the share option scheme.

Foreign currency exposure

Substantially all the transactions of the Company's subsidiaries in Singapore and Indonesia are carried out in Singapore dollar and Indonesia Rupiah, respectively, which are the functional currencies of the major subsidiaries. Therefore, the risks on foreign currency risk of Singapore dollar and Indonesia Rupiah are minimal. However, the translation of functional currencies of the subsidiaries in Singapore and Indonesia to presentation currency in Hong Kong dollar might be exposed to foreign currency risk.

Charges on group assets

As at 31 December 2016, certain properties of the Group located in Singapore with an aggregate net carrying amount of approximately HK$180.1 million (2015: approximately HK$185.5 million) were used to secure the banking facilities.

Segment information

During the Year, the Group has two reportable segments on the basis of the geographical locations which are Singapore and Indonesia.

Dividends

The Directors do not recommend payment of any divided in the respect of the Year (2015: Nil).

Use of proceeds in the Placing

Upon listing of the Company's shares on GEM on 7 July 2014, the Group raised net proceeds of approximately HK$97.1 million from the Placing (as defined in the Prospectus).

Pursuant to the announcements of the Company dated 16 June 2015 and 30 June 2015 in relation to the reallocation and change in use of proceeds, the Board has resolved to reallocate and change the use of proceeds from the Placing to pay for the implementation cost of the Bintan Development Plan (as defined in the Prospectus) and for working capital and general corporate purpose of the Group.

The following is a summary of the use of proceeds for the amount of approximately HK$97.1 million after the Placing:

	Intended amount *HK$ (million)*	**Intended usage up to 31 December 2016** *HK$ (million)*	**Actual approximate amount utilised up to 31 December 2016** *HK$ (million)*
Enhancing the performance and upgrading the quality of Link Hotel by undergoing overall renovation	22.8	22.8	22.8
Devising a master plan for the future development of the Bintan Assets and the construction of the beachfront resort according to the preliminary first phase of the master development plan	51.3	51.3	5.8
Identifying and pursuing business diversification opportunities in hotel management and franchising business in Southeast Asian countries	6.0	6.0	2.6
	80.1	80.1	31.2

The Directors plan to use the remaining net proceeds of approximately HK$17.0 million for working capital and other general corporate purpose. As at 31 December 2016, approximately HK$10.8 million have already been utilised for working capital and other general corporate purpose.

The Directors will constantly evaluate the Group's business objectives and may change or modify plans against the changing market condition to attain sustainable business growth of the Group.

All the unutilised balances have been placed in licensed banks in Singapore and Hong Kong.

ENVIRONMENTAL POLICY

Our Group is committed to maintaining an environmental-friendly corporation by minimising environmental impact with electricity saving and resources recycling. Our main operation, Link Hotel and the development of the Bintan Assets adheres strictly to the local environmental policy and raises its highest awareness on environmental protection.

During the Year, to the best of the Directors' knowledge, the Group had not received any complaint from its customers or any other parties in respect of any environmental protection issues, and had not experienced any material environmental incidents arising from its operation and construction activities. During the Year, no material administrative sanctions or penalties were imposed upon the Group operation and construction for the violation of environmental laws or regulations which had an adverse impact on its operations.

Please also refer to the Environmental, Social and Governance Report in this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Singapore and Indonesia while the shares of the Company is listed on GEM in Hong Kong. Our establishment and operations accordingly shall comply with relevant laws and regulations in Singapore, Indonesia and Hong Kong. During the Year and up to the date of this report, we have complied with all the relevant laws and regulations in Singapore, Indonesia and Hong Kong.

RELATIONSHIPS WITH STAKEHOLDERS

Human resources are one of the greatest assets of a successful hotel business. Therefore, our Group strives to motivate our employees with a clear career path and promotion opportunity. Our Group reviews regularly the remuneration package of employees and make necessary adjustments on our remuneration package and incentive to conform to the market standard.

Moreover, our Group understands that it is important to sustain good relationships with our suppliers, customers and bank enterprises. The management team keeps good communication and shares business updates with these business stakeholders.

During the Year, there was no material and significant dispute between our Group and its stakeholders.

KEY RISKS AND UNCERTAINTIES

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

Strategic and business Risk

Strategic risk arises from economic conditions and industrial structures. Performance of our Group's principal business is highly affected by the local tourism market conditions, worldwide economic conditions and government incentive policy in Singapore. The management of our Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

MANAGEMENT DISCUSSION AND ANALYSIS

Operational risk

Operational risk arise from the defect of internal control procedures from daily business operations. Our management team addresses different measures in supervising daily internal control procedures, for instance we strictly adhere to hotel operating procedures and monitor the operation by using written record with signature authority. We adhere to standard reporting framework for tax and financial reporting.

Financial Risk

An analysis of the Group's financial risk management (including foreign currency risk, credit risk, interest rate risk and liquidity risk) are set out in note 38 of the Notes to the consolidated financial statements.

COMPARISON OF BUSINESS STRATEGIES WITH ACTUAL BUSINESS PROGRESS

Enhancing the performance and upgrading the quality of Link Hotel by undergoing overall renovation

The renovation has been completed during the Year. The total cost of the renovation amounted to HK$65.0 million.

Devising a master plan for the future development of the Bintan Assets

The development of the Bintan Land has started after entering into of the construction contract during the Year.

Identifying and pursuing business diversification opportunities in hotel management and franchising business in Southeast Asian countries

The Group is seeking opportunities in hotel management and franchising business in Southeast Asian countries.

Further strengthening our sales and marketing force

Link Hotel has set up a sales and marketing team to promote its brand to potential new guests. For example, Link Hotel has sold its room on the internet by joining some famous travel agencies' online platform. Travellers could easily spot out Link Hotel by typing keywords. It helps to promote the reputation and room sale for Link Hotel.

Continuing to identify sites and/or seek acquisition opportunities to expand our hotel business in Southeast Asian countries

On 30 December 2015, PT Hang Huo International, (the "JV Company") as purchaser, and Tjiagus Thamrin, Siti Maryam Mucti, Verdy Veriady Thamrin, Ira Karmila Tharmin, Yeo Bing Hong, Pretty Ariestawati, Novita, Tri Noviardi Thamrin and Agus Setiawan as vendors entered into an acquisition agreement, pursuant to which the JV Company conditionally agreed to purchase from the vendors 10 parcels of land situated at Gunung Kijang Village, Gunung Kijang District in Bintan, Indonesia at the consideration of S$2,000,000. The Group had paid the refundable earnest money in the sum of S$2,000,000 (equivalent to approximately HK$10,987,400), funded by the internal resources of the Group, to the independent representatives nominated by the vendors in cash, pursuant to the non-legally binding memorandum of understanding entered into between Mr. Tjiagus Thamrin and the Group in January 2015 for the purpose of facilitating further negotiation for the acquisition. The acquisition is expected to be fully completed in 2017.

During the Year, the Group entered into the sale and purchase agreement at the consideration of approximately IDR9.9 billion (equivalent to approximately HK$5.8 million) for the acquisition of lands located in Bintan, Indonesia. The acquisition is expected to be completed in 2017.

Other than disclosed above, the Group continues in seeking acquisition opportunities to expand our hotel business in Southeast Asian countries.

COMPLIANCE ADVISER

As updated and notified by the Company's compliance adviser, Guotai Junan Capital Limited ("Guotai Junan"), except for the professional fees for acting as the compliance adviser and the financial adviser pursuant to the separate agreements entered into between Guotai Junan and the Company, none of Guotai Junan, or its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Company as at 31 December 2016 pursuant to Rule 6A.32 of the GEM Listing Rules.

OUTLOOKS

In view of the uncertain economic prospects for 2016, the Group adopts an optimistic attitude to cope with challenges and capture opportunities in a positive way, and is confident in its future growth. The completion of the renovation of Link Hotel in Singapore brings a brand new image to our valuable guests and attracts more guests around the world, which would lead to the increase in the Group's profit in the future. Meanwhile, the development of the Bintan Land has started after entering into of the construction contract during the Year. The Group will further improve the overall return of its assets and its enterprise value, with an aim to be a leader of vacation and resort industry in Asia with international competitiveness.

The Directors believe that the completion of acquisition of the 42.3% equity interest of a company located in Guangxi Zhuang Autonomous Region represents a milestone for the Group to expand to the Greater China region and would broaden the Group's income streams. The Group will take the opportunity of "One Belt, One Road" and continuously seek potential acquisition in the PRC.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To comply with the requirements set forth in Appendix 20 Environmental, Social and Governance ("**ESG**") Reporting Guide of GEM Listing Rules (the "**ESG Reporting Guide**"), our Group hereby presents this Environmental, Social and Governance report ("**ESG report**") for the Year.

A. ENVIRONMENT

1. Emissions

Our hotel business in Singapore does not constitute any significant impact to the environment and does not generate any material level of greenhouse gas and hazardous waste. Our management closely monitors and aims to minimise the environmental effect to its surroundings.

At the construction site of our Bintan Land, we require our contractor to implement various environmental protection measures including dust control, sewage treatment, noise reduction and solid waste treatment in order to minimise the impact to the environment. From our observation, no material level of greenhouse gas and hazardous waste is noted.

2. Use of Environmental, Natural and Other Resources

The Group committed to minimise the energy and other resources usage and emphasis environmental protection in our daily business operation, such as office and hotel premises. The management team strives to impose various steps and procedures to ensure all resources are efficiently utilised by adhering to "Environmental 4Rs", Reduce, Reuse, Recycle and Replace.

Reduce: We reduce the usage of paper by introducing paperless working environment by frequently using double-sided printing. In addition, we make use of the server storage to reduce space and paper for file storage. Moreover, we commit to reduce the wastage of hotel consumables by providing the hotel consumables to our visitors only based on their request. Furthermore, we reduce the electricity and water consumption by posting internal notice to remind our staff to turn off whenever the electricity and water tap are not in use. The purchasing team of Link Hotel only purchases electrical appliances that bear the energy-efficiency label, such as LED (Light-emitting diode) systems for shopfront signs and lights for indoor places. To induce more natural daylight to our lobby and rooms, glass windows affixed with insulation paste was installed during renovation in 2015.

Reuse: Our Group encourages our staff to reuse plastic bags, paper boxes and bags whenever they are kept in good conditions.

Recycle: Recycled paper was introduced to the staff to reduce the paper usage. The hotel activity engages in recycling and has recently installed recycling bins in public area and backstage, and encourages employees and visitors to go the extra mile for the environment.

Replace: We encourage usage of handkerchief instead of tissue papers and recyclable utensils instead of using plastic utensils. Moreover, low-carbon business travel is encouraged at which we replace our overseas travelling by using teleconference, instant messenger and electronic mail for communications within our group members and business partners. The management encourages staff to make use of public transport instead of driving their own vehicles for local business travelling. For use of the company vehicles, we record the gas usage and strictly monitor the use of the vehicles. Furthermore, we encourage paperless working environment and introduce data server storage.

There were no non-compliance cases noted in relation to environmental laws and regulations for the Year.

B. SOCIAL

1. Employment

Human resources are one of the greatest assets within the hotel industry and the Group regards the personal development of its employees as highly important. We have a well-developed staff policy and employee handbooks for hotel frontline staff which govern the terms, conditions of employment, expectations towards employees' conduct and behaviour, rights and benefits. We ensure that the policy strictly abides to the local market standards, laws and regulations.

The Group provides competitive remuneration package and incentive to attract and motivate the employees. We offer competitive remuneration, incentive, medical benefits, insurance and leave entitlement and we regularly review the remuneration package of employees and make necessary adjustments to conform to the local market standards.

The Group is an equal opportunity employer and encourages diversity regardless of age, gender, marital status and race. Our employees come from different races. Opportunities of training and development, promotion and welfare are equally open to all the employees.

Our management team keeps an eye on the construction team in Bintan Island and consistently discusses with the contractor about the law and regulations that are necessary to be followed regarding workers recruitment and employment.

No violation of employment laws and regulations was noted for the Year.

2. Health and Safety

The Group provides health and safety communications for employees to present the relevant information and raise awareness of occupational health and safety issues. To provide a safe working environment, risk assessments of workstations for all users are performed regularly. Upgrades and maintenance of tools, office and I.T. equipment are performed to cope with the needs and demands of employees. Cleaning of carpets and air conditioning systems are carried out regularly in order to provide a hygienic and healthy working environment to all staff. Employees are also expected to take all practical measures to ensure a safe and healthy working environment, in keeping with their defined responsibilities and applicable laws. The Group greatly concerns with the well-being of its employees, and provides employees with adequate health coverage, staff are entitled to medical insurance benefits.

No violation of employment health and safety regulations was noted for the Year.

3. Development and Training

The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills. The Group provides on-the-job training and development opportunities to our staff members. The training programs cover areas such as managerial skills, hospitality services, service quality control, workplace ethics and training of other areas relevant to the industry.

4. Labour Standards

Use of child and forced labour are strictly prohibited in the Group and we consider human rights is crucial to our healthy working environment. We strictly prohibit using physical punishment, abuse, human trafficking and under-aged employee. Our management monitors our contractor and hotel operations in regards to the above matters.

No violation of labour standards was noted in relation to labour standards for the Year.

5. Supply Chain Management

We have developed long-standing relationships with a number of our suppliers and take great care to ensure that they share our commitment to quality and ethics. We carefully select our caterer and hotel supplies supplier in order to provide our visitors a memorable stays.

Our contractor is a reputable and sizeable construction corporation. We consistently maintain good relationship and updates of the construction progress.

6. Services Responsibility

We are committed to offer a distinctive experience during the visitors' stay at our hotel. Furthermore, our marketing team stay connected with our frequent customers, who are from corporate, shipping company and travel agency through various channels like the Company's website, telephone, direct mail, marketing materials and social media.

Our frontline employees are well-trained to handle customers' complaint and respond immediately to maintain our reputation. Questionnaires are placed at the concierge and hotel rooms for our customers to express their like or dislike. We regard customers' advice and opinion valuable to our service improvement.

Our hotel is highly committed to protect our visitors' personal data privacy and strictly complies with the relevant laws and regulations. We only collect personal data with the customers' consent and only when they are relevant to our hotel operation. We will not disclose or transfer any personal data of our visitors without their consent unless it is required by law. We impose high security measure to our data collection and storage system.

7. Anti-corruption

We impose measures within our operation to address anti-corruption and we strictly comply with relevant laws and regulations. As we set out in our staff handbook, our staff is strictly prohibited to receive gift and concessionary offers from our business associates or any member of the public. Otherwise they should report the case to their respective department heads.

Our management team sets up communication channel and whistle-blowing system in order to keep alert on any case relating to bribery, extortion, fraud and money laundry within our Company.

8. Community Investment

Our Group keeps on emphasising the importance of community investment to our staff and encourages them to participate in social activities and charitable donation during their personal time. We will put as much effort as possible on being a social responsible corporation in the coming future.

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE CODE

During the Year, the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in the Appendix 15 to the GEM Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS

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

BOARD OF DIRECTORS

The Board is responsible for the formulation of strategies and policies, including an oversight of the management. The management of the Company is responsible for the day-to-day operations of the Company. As at 31 December 2016, the Board comprised ten Directors, including three executive Directors, three non-executive Directors ("NEDs") and four independent non-executive Directors ("INEDs").

During the period from 1 January 2016 up to the date of this report, there have been changes in the composition of the Board. As at the date of this report, the Board comprised ten Directors, including three executive Directors, three NEDs and four INEDs. The list of all Directors and the aforesaid changes are set out below:

Executive Directors

Mr. Ngan Iek *(Chairman)* (redesignated as executive Director on 2 March 2016)
Datuk Siew Pek Tho
Mr. Chen Changzheng
Mr. Wong Ip (resigned on 2 March 2016)

Non-executive Directors

Ms. Ngan Iek Peng
Ms. Feng Xiaoying
Mr. Liu Tianlin

Independent non-executive Directors

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

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

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

The Company continuously seeks to enhance the effectiveness of the Board and to maintain the highest standards of corporate governance and recognises and embraces the benefits of diversity in the boardroom. The Board has therefore adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

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

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

During the Year, the Board held four regular board meetings and two general meetings, and the attendance records of these meetings are set out below:

	Attendance (for Board meetings)	Attendance (for general meetings)
Executive Directors		
Mr. Ngan Iek (redesignated as executive Director on 2 March 2016)	4/4	2/2
Datuk Siew Pek Tho	4/4	2/2
Mr. Chen Changzheng	4/4	2/2
Mr. Wong Ip (resigned on 2 March 2016)	N/A	N/A
Non-executive Directors		
Ms. Ngan Iek Peng	4/4	2/2
Ms. Feng Xiaoying	4/4	2/2
Mr. Liu Tianlin	4/4	2/2
Independent non-executive Directors		
Mr. Chan So Kuen	4/4	2/2
Mr. Lai Yang Chau, Eugene	4/4	2/2
Mr. Thng Bock Cheng John	4/4	2/2
Mr. Lu Nim Joel	4/4	2/2

Biographical details of the Directors are set out in the section of "Biographical Details of Directors" on pages 23 to 25. Mr. Ngan Iek, the chairman and executive Director of the Company, is the elder brother of Ms. Ngan Iek Peng, a NED. Datuk Siew Pek Tho, an executive Director, is the brother-in-law of Mr. Ngan Iek and Ms. Ngan Iek Peng. Save as disclosed above, there are no family or other material relationships among members of the Board.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Mr. Ngan Iek as a chairman of the Group, plays a leading role and is responsible for formulating development strategies and overseeing the overall business of the Group. During the year ended 31 December 2016, the Company did not have an officer with the title of chief executive officer ("CEO"). The CEO's duties have been undertaken by the members of the Board. The Board considers that this structure will not impair the balance of power and authority of the Board. It currently comprises three executive Directors, three NEDs and four INEDs.

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

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

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

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

During the Year, the Company has arranged an in-house seminar for the Directors on the topic relating to Directors' duties.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") on 20 June 2014 with written terms of reference in compliance with the requirements as set out in Rule 5.28 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting, risk management and internal control systems of the Company, nominate and monitor external auditors and provide advice and comments to the Directors.

The Audit Committee comprises three INEDs, namely, Mr. Chan So Kuen, Mr. Lai Yang Chau, Eugene and Mr. Thng Bock Cheng John. Mr. Chan So Kuen is the chairman of the Audit Committee. The Audit Committee has met the external auditor of the Group to review the accounting principles and practices adopted by the Group and discussed auditing, internal control, risk management and financial reporting matters including the review of this report and financial statements of the Group for the Year. During the Year, the Audit Committee held four meetings. The attendance record of the Audit Committee meetings during the year ended 31 December 2016 are set out below:

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

During the Year, the Audit Committee reviewed with the management or the auditors of the Company their audit findings, the accounting principles and practices adopted by the Company, legal and regulatory compliance, and financial reporting matters (including quarterly, half-yearly and annual results). The audited consolidated results of the Group for the Year have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "Remuneration Committee") on 20 June 2014 in compliance with Rule 5.34 of the GEM Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group and ensure that none of the Directors determine their own remuneration. At present, the Remuneration Committee consists of five members, namely, Mr. Ngan Iek, Datuk Siew Pek Tho, Mr. Lai Yang Chau, Eugene, Mr. Chan So Kuen and Mr. Thng Bock Cheng John. Mr. Lai Yang Chau, Eugene is the chairman of the Remuneration Committee and majority of the members are independent non-executive Directors.

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

	Attendance
Mr. Lai Yang Chau, Eugene *(Chairman)*	1/1
Mr. Ngan Iek	1/1
Datuk Siew Pek Tho	1/1
Mr. Thng Bock Cheng John	1/1
Mr. Chan So Kuen	1/1

During the Year, the Remuneration Committee has considered and reviewed the existing terms of appointment of the Directors. The Remuneration Committee considers that the existing terms of appointment of the Directors are fair and reasonable.

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

The Company established a nomination and corporate governance committee (the "Nomination and Corporate Governance Committee") on 20 June 2014. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board annually; identify individuals suitably qualified to become Board members; assess the independence of the independent non-executive Directors; and make recommendations to the Board on relevant matters relating to appointment or re-appointment of Directors. Selection of Board members will be based on a range of diversity perspectives, which would include but not limited to gender, age, cultural and education background, professional experience, skills, knowledge and length of service for board diversity. The Nomination Committee will monitor the implementation of the diversity policy from time to time to ensure the effectiveness of the diversity policy. At present, the Nomination and Corporate Governance Committee consists of five members, namely, Mr. Ngan Iek, Datuk Siew Pek Tho, Mr. Chan So Kuen, Mr. Lai Yang Chau, Eugene and Mr. Thng Bock Cheng John. Mr. Ngan Iek is the chairman of the Nomination and Corporate Governance Committee. During the Year, the Nomination and Corporate Governance Committee held one meeting. Details of the attendance of the Nomination Committee meeting are set out below:

	Attendance
Mr. Ngan Iek *(Chairman)*	1/1
Datuk Siew Pek Tho	1/1
Mr. Chan So Kuen	1/1
Mr. Lai Yang Chau, Eugene	1/1
Mr. Thng Bock Cheng John	1/1

During the Year, the Nomination and Corporate Governance Committee has considered and reviewed the policy for the nomination of Directors, the process and criteria to select and recommend candidates for directorship. The Nomination and Corporate governance Committee recommended the Board to approve the proposed sequence for re-election of retiring Directors in 2016 annual general meeting. The Nomination and Corporate Governance Committee has also considered and reviewed the Company's policies and practices on corporate governance. The Nomination and Corporate Governance Committee considers that the existing policy for nomination, selection and recommendation for directorship and the existing polices and practices of corporate governance of the Company are suitable.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board has overall responsibility for the internal control and risk management systems of the Company. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining such systems to safeguard the interests of the shareholders and the assets of the Company. The Board is responsible and reviews annually the effectiveness of the Group's material internal controls, including financial, operational and compliance and risk management controls and risk management systems.

The Company does not have internal audit department. However, management of the Company has performed enquiry, discussion and verification through observation and inspection on the internal control effectiveness. Moreover, regular discussion with the Company's external auditors are made for considering any significant factors which may affect their respective scope of work. Review results has been reported to the Board and areas of improvement, if any, have been identified and put in place any appropriate measures to mitigate the risks. There was no significant incidence of failure in connection with the financial, operational and compliance control during the Year. The Board is of the opinion that the resources for and qualifications of staff of the Company's accounting and financial reporting function are adequate, effective and sufficient.

EXTERNAL AUDITOR'S REMUNERATION

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

The fees charged by the external auditor of the Company in respect of audit services and non-auditing services for the Year amounted to approximately HK$0.87 million (2015: approximately HK$0.51 million) and HK$0.49 million (2015: HK$1.1 million) respectively. The non-audit services included interim review and due diligence service.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

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

On 4 January 2016, Mr. Chow Kit Ting has resigned as the company secretary and on 25 January 2016, Mr. Lau Tak Shing ("Mr. Lau") has been appointed as the company secretary. Mr. Lau undertook over 15 hours of professional training to update his skills and knowledge for the Year.

SHAREHOLDERS' RIGHTS

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

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

INVESTOR RELATIONS

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

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Ngan Iek (**顏奕先生**) ("**Mr. Ngan**"), aged 44, was appointed as our Director on 15 May 2012. He was subsequently redesignated as a non-executive Director and was appointed as the chairman of our Company on 24 February 2014. Further on 2 March 2016, he was redesignated as an executive Director. He is one of the founders of our Group. He is responsible for formulating development strategies and overseeing the overall business of our Group. He is also a member of the remuneration committee and the chairman of the nomination and corporate governance committee. He obtained a Bachelor of Business degree from University of New England in Australia in March 1997.

Mr. Ngan obtained a Master of Business in Accounting and Finance from the University of Technology, Sydney in Australia in May 1998 and a Doctor of Business Administration from the Macau University of Science and Technology in October 2010. Mr. Ngan obtained a registered accountant licence from the Financial Services Bureau of the Government of Macau in June 2000. He became a member of the ninth session of the committee of All-China Youth Federation (中華全國青年聯合會) in January 2004. Mr. Ngan is also a member of the eleventh Fujian Province Committee of the Chinese People's Political Consultative Conference* (中國人民政治協商會議第十一屆福建省委員會會員). Mr. Ngan is (i) the elder brother of Ms. Ngan Iek Peng, our non-executive Director, and Ms. Ngan Iek Chan, the spouse of Datuk Siew Pek Tho, our executive Director; and (ii) the brother-in-law of Datuk Siew Pek Tho.

Datuk Siew Pek Tho (**拿督蕭柏濤**) ("**Datuk Siew**"), aged 44, was appointed as our executive Director on 24 February 2014. Datuk Siew is also the compliance officer and one of the authorised representatives of our Company. He is responsible for overseeing financial management and managing investment projects of our Group. Datuk Siew obtained a Bachelor of Business and a Master of Business in Accounting from the University of Technology, Sydney in Australia in September 1995 and May 1998 respectively. He obtained the certificate of membership from The Institute of Chartered Accountants in Australia in January 1998. Datuk Siew is the brother-in-law of Mr. Ngan Iek, the chairman and executive Director and Ms. Ngan Iek Peng, the non-executive Director.

Mr. Chen Changzheng (**陳長征先生**) ("**Mr. Chen**"), aged 48, was appointed as our executive Director on 24 February 2014. He is responsible for overseeing overall administration, strategic planning and business development of our Group and supervising in the day-to-day management of our Group's business operations. He has been fully in charge of the operation of Link Hotel since 2006. Mr. Chen graduated from Tourism Faculty of Beijing Union University (北京聯合大學), with major in culinary and dining management in July 1991. He won the Promising SME 500 Award in 2013 and the award of the Top 3 HAPA General Manager of the Year (Singapore Series) issued by Hospitality Asia Platinum Awards for the years 2009 to 2011. Mr. Chen is the spouse of Ms. Dong Han Kun, one of our senior management.

NON-EXECUTIVE DIRECTORS

Ms. Ngan Iek Peng (**顏奕萍女士**), aged 39, was appointed as our non-executive Director on 24 February 2014. She is one of the founders of our Group. She is responsible for providing consultation to our Group in respect of our management and business development. Ms. Ngan Iek Peng obtained a Bachelor of Business from University of Technology, Sydney in Australia in September 2001. She then obtained a Master of Business Administration from the Macau University of Science and Technology in August 2009. She is a member of Shanghai Chinese People's Political Consultative Conference Committee* (中國人民政治協商會議上海市委員會). Ms. Ngan Iek Peng is (i) the younger sister of Mr. Ngan Iek, our executive Director, and Ms. Ngan Iek Chan, the spouse of Datuk Siew Pek Tho, our executive Director; and (ii) the sister-in-law of Datuk Siew Pek Tho.

BIOGRAPHICAL DETAILS OF DIRECTORS

Ms. Feng Xiaoying (**封曉瑛女士**), aged 37, was appointed as our non-executive Director on 30 November 2015. She obtained her Bachelor degree in Management from the School of Economics and Management of the Tsinghua University in 2001. She is a Chartered Professional Accountant of Canada and also a Certified Public Accountant of China. She is currently the head of strategic investments of CMI Capital Company Limited ("CMI Capital"). Prior to her current position, she worked at China Minsheng Bank, Deloitte and PricewaterhouseCoopers.

Mr. Liu Tianlin (**劉天凜先生**) ("**Mr. Liu**"), aged 43, was appointed as our non-executive Director on 7 December 2015. He obtained his Bachelor degree in Economics from the Capital University of Economics and Business in 1998, a Master of Science degree in Investment Management from the Lubin School of Business of the Pace University in 2003 and a Master of Science degree in Accounting from the Lubin School of Business of the Pace University in 2005. Mr. Liu is currently the executive director and president of CMI Capital. Prior to his current position, Mr. Liu worked at China Minsheng Bank, Citigroup and Standard Chartered Bank.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Thng Bock Cheng John (**湯木清先生**) ("**Mr. Thng**"), aged 65, was appointed as our independent non-executive Director on 20 June 2014. Mr. Thng worked for Hotel New Otani in Singapore from March 1984 to September 2004. His last position with Hotel New Otani was a general manager where he was responsible for (i) formulating, communicating and administering effective standards of internal control procedures to ensure best practices within the hotel; (ii) implementing policies for an effective operational overview of the hotel; and (iii) implementing divisional performance measurements as an effective management tool in the allocation of the resources of the hotel. From October 2004 to November 2010, he was employed by Rendezvous Hospitality Group Pte. Ltd., a subsidiary of Straits Trading Company in Singapore as the director development Southeast Asia. From August 2011 to present, Mr. Thng was employed by Singa Hospitality Pte. Ltd. as a hotel opening consultant.

Mr. Lai Yang Chau, Eugene (**黎瀛洲先生**) ("**Mr. Lai**"), aged 47, was appointed as our independent non-executive Director on 16 October 2014. He obtained his bachelor of laws degree from University of Hong Kong in 1992, a master of laws degree on Chinese laws from Renmin University of China in 1998, and an EMBA Global Asia degree conferred jointly by Columbia Business School, London Business School and University of Hong Kong in 2012. He has also completed class 2011 of the Senior Executive Program for China, jointly organized by Harvard Business School, Tsinghua University and China Europe International Business School. Mr. Lai is currently a practicing solicitor in Hong Kong and a partner of the Hong Kong office of an international law firm. He has experience in international corporate finance, cross border merger and acquisition, and securities laws in Hong Kong.

Mr. Chan So Kuen (**陳素權先生**) ("**Mr. Chan**"), aged 37, was appointed as our independent non-executive Director on 16 October 2014. He obtained his Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University in 2001. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has over 12 years of experience in accounting, auditing, corporate governance and capital market in Hong Kong and the People's Republic of China. Since February 2014, Mr. Chan has been the chief financial officer and company secretary of Huazhang Technology Holding Limited (Stock Code: 1673), a company listed on the main board of the Stock Exchange.

Mr. Lu Nim Joel (**盧念祖先生**) ("**Mr. Lu**"), aged 58, was appointed as our independent non-executive Director on 1 December 2015. He obtained his Bachelor of Science and Master of Business Administration from the University of Toronto in Canada. Mr. Lu is a Chartered Financial Analyst, and has been licensed as an Executive Officer (EO) by the Hong Kong Monetary Authority and Responsible Officer (RO) by the Securities and Futures Commission respectively in his previous employment. Mr. Lu has been a managing director and the head of investments at Rothschild Wealth Management (Hong Kong) Limited since June 2012 and has retired since August 2016. Mr. Lu is currently a private investor as well as a part-time instructor at the Hong Kong Securities Institute (HKSI). Prior to his last position, Mr. Lu served as a director in the Asset Management Division at Credit Suisse (Hong Kong) Limited and managing director at the Private Bank division of Barclays Bank PLC in Hong Kong.

COMPANY SECRETARY

Mr. Lau Tak Shing (**劉德成先生**) ("**Mr. Lau**"), aged 35, was appointed as our company secretary on 25 January 2016. Mr. Lau obtained his Bachelor's degree of Business Administration with honours in Accountancy from City University of Hong Kong in November 2004. He was admitted as a member of Hong Kong Institute of Certified Public Accountants in March 2009. Mr. Lau has over 10 years' working experience in various sizable certified public accountants firms from May 2004 to January 2016. From January 2012 to January 2016, Mr. Lau worked in the audit department in Deloitte Touche Tohmatsu and his last position was a manager.

REPORT OF THE DIRECTORS

The Directors are pleased to present its report together with the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 37 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year and the state of affairs of the Company and of the Group at 31 December 2016 are set out in the consolidated financial statements on pages 40 to 42.

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

BUSINESS REVIEW

The business review of the Group for the Year is set out in the sections headed "Chairman's Statement" and "Management Discussion & Analysis" on pages 3 to 4 and pages 5 to 11 of this annual report respectively.

USE OF NET PROCEEDS FROM THE COMPANY'S PLACING

As at 31 December 2016, the Company has utilised approximately HK$42 million out of the net proceeds of approximately HK$97.1 million raised from the Placing in accordance with the intended use of proceeds set out in the Prospectus. Details of the intended use and the amount utilised are set out on page 8 of this report.

RESERVES

Movements in the reserves for the year are set out in the consolidated statement of changes in equity on pages 43 to 44 of this report.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2016 calculated under the Company Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$289.5 million (2015: HK$303.8 million).

SHARE CAPITAL

Details of the movement in share capital of the Company during the Year is set out in note 31 to the consolidated financial statements.

CONVERTIBLE BONDS

Details of the movement in convertible bonds of the Company during the Year is set out in note 30 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

Details of the movements in property, plant and equipment and prepaid lease payments during the Year are set out in notes 15 and 17 to the consolidated financial statements respectively.

REPORT OF THE DIRECTORS

INVESTMENT PROPERTIES

The Group has revalued its investment properties as at 31 December 2016. Details of movements during the Year are set out in note 16 to the consolidated financial statements.

INTEREST-BEARING BANK BORROWINGS

Details of the borrowings as at 31 December 2016 are set out in note 27 to the consolidated financial statements.

CHARITABLE CONTRIBUTIONS

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 114 of this report.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the Group's sales to the largest customers and the five largest customers accounted for 12.1% and 35.2% of the Group's turnover respectively. The Group's purchases from the largest suppliers and the five largest suppliers purchases accounted for 24.6% and 49% of the Group's purchases respectively.

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

DIRECTORS

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

Executive Directors

Mr. Ngan Iek (redesignated as executive director on 2 March 2016)
Datuk Siew Pek Tho
Mr. Chen Changzheng
Mr. Wong Ip (resigned on 2 March 2016)

Non-executive Directors

Ms. Ngan Iek Peng
Ms. Feng Xiaoying
Mr. Liu Tianlin

Independent Non-executive Directors

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

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

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

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

The emoluments of the Directors are determined with reference to their duties, responsibilities and the prevailing market conditions.

DIRECTORS' INTERESTS IN CONTRACTS

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

Save as disclosed above, no Director proposed for re-election at 2016 annual general meeting ("AGM") whose contract is not determinable by the Company within three years without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of Directors are set out on pages 23 to 25 of this report.

PRE-EMPTIVE RIGHTS

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2016, the interests or short positions of the Directors in the shares, underlying shares or debentures of the Company and associated corporations (within the meaning of Part XV of the Securities Futures Ordinance (Charter 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register to be kept under which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which is required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which is required to notify the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, is as follows:

Long positions in shares of the Company

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

Note:

These shares are registered in the name of Vertic 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	Position	Approximate percentage of shareholding in the associated corporation
Mr. Ngan Iek	Beneficial owner	500	Long	50%
Ms. Ngan Iek Peng	Beneficial owner	250	Long	25%
Datuk Siew Pek Tho	Interest of spouse *(Note)*	250	Long	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 those disclosed above, as at 31 December 2016, none of the Directors had any interests or short positions in the shares, underlying shares, or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.45 to 5.67 of the GEM Listing Rules.

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

As at 31 December 2016, 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
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%
Minsheng (Shanghai) Assets Management Company Limited# (民生（上海）資產管理有限公司) ("Minsheng Shanghai")	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%

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 Minsheng Shanghai, which is in turned wholly-owned by China Minsheng Investment. Both Minsheng Shanghai and China Minsheng Investment are deemed to be interested in all the Shares held by CMI Hong Kong under Part XV of the SFO.

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

Name of the holder of the convertible bonds	Capacity	Principal amount of the convertible bonds	Number of the total underlying shares	Approximate percentage of the total issued share capital of the Company
CMI Hong Kong	Beneficial owner	HK$25,278,000	76,600,000	2.19%
Minsheng Shanghai	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 Minsheng Shanghai, which is in turned wholly-owned by China Minsheng Investment. Both Minsheng Shanghai and China Minsheng Investment are deemed to be interested in all the underlying shares held by CMI Hong Kong under Part XV of the SFO.

Save as disclosed above, as at 31 December 2016, 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 nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

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

Save as disclosed above, as at 31 December 2016, so far as the Directors are aware, no person or company (not being a director or chief executive of the Company) had any interests and/or short positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO.

COMPETING INTEREST

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

SHARE OPTION SCHEME

The principal terms of the share option scheme (the "Share Option Scheme") are set out as follows:

Purpose

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

Participants

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

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

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

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

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

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

Total number of Shares available for issue

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

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

As at 31 December 2016, the outstanding number of options available for grant under the Share Option Scheme is 349,000,000 options to subscribe for Shares, representing 10% of the number of Shares in issue.

Maximum entitlement of each participants

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

Time of acceptance and exercise of an option

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

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

The subscription price

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

Life of the Share Option Scheme

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

During the Year, no option has been granted and there has been no movement of any options granted (if any) under the share option scheme adopted by the Company on 31 December 2016.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

MATERIAL RELATED PARTY TRANSACTIONS

Details of the related party transactions are disclosed in note 33 to the consolidated financial statements. None of these related party transactions constitute a discloseable connected transaction as defined under the GEM Listing Rules.

CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at any time during the Year or at the end of the Year.

As at 31 December 2016, no contract of significance had been entered into between the Company, or any of its subsidiaries, and the controlling shareholders of the Company or any of its subsidiaries.

DEED OF NON-COMPETITION

The controlling shareholders of the Company entered into a deed of non-competition in favour of the Company dated 20 June 2014 ("Deed of Non-Competition") as set out in the section of Connected Transactions and Relationship with the Controlling Shareholders under the Prospectus. The controlling shareholders confirmed their compliance of all the undertakings provided under the Deed of Non-competition.

TAX RELIEF AND EXEMPTION

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

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules for the Year. The Corporate Governance Report is set out on pages 16 to 22 of this report.

AUDITOR

The financial statements for the Year have been audited by BDO Limited which retires, and being eligible, offers itself for re-appointment at 2016 AGM. A resolution to re-appoint BDO Limited and to authorise the Directors to fix its remuneration will be proposed at 2016 AGM.

On behalf of the Board

Ngan Iek
Chairman and Executive Director
Hong Kong, 31 March 2017

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

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Link Holdings Limited
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Link Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 40 to 112, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties

Refer to note 16 to the consolidated financial statements.

We identified the valuation of the Group's investment properties as a key audit matter due to the significant amounts involved, and that the determination of fair value of investment properties is highly judgmental and requires significant management assumptions, estimations and other inputs, which impact on the carrying value of the Group's investment properties for the current year.

Our response:

Our principal audit procedures in relation to the valuation of investment properties included:

– Assessing the objectivity and competency of the valuer and evaluating their scope of work; and

– Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the business and industry.

Valuation of hotel buildings

Refer to note 15 to the consolidated financial statements.

The valuation of the Group's hotel buildings, which are classified as property, plant and equipment, is significant to our audit because the determination of fair value of hotel buildings is based on several key inputs that require significant management judgments and assumptions including room rate, occupancy rate and discount rate.

Our response:

Our principal audit procedures in relation to valuation of hotel buildings included:

– Assessing the objectivity and competency of valuer and evaluating their scope of work;

– Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the business and industry; and

– Reconciling input data to supporting evidence, such as historical financial information, approved budgets and considering the reasonableness of these budgets.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual reports but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Lee Ka Leung, Daniel
Practising Certificate Number P01220

Hong Kong, 31 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	Year ended 31 December 2016 HK$	2015 HK$
Revenue	7	**52,336,912**	41,961,139
Cost of sales		**(18,945,416)**	(16,605,745)
Gross profit		**33,391,496**	25,355,394
Other income	8	**1,787,551**	708,584
Selling expenses		**(1,990,321)**	(1,909,729)
Administrative expenses		**(33,410,151)**	(32,767,629)
Finance costs	9	**(9,353,084)**	(6,277,119)
Gain on changes in fair value of investment properties		**20,649,800**	14,889,738
Fair value gain on derivative financial instruments		**25,045**	274,571
Share of results of an associate	18	**6,554,223**	-
Profit before income tax (expense)/credit	10	**17,654,559**	273,810
Income tax (expense)/credit	12	**(5,715,950)**	1,023,185
Profit for the year		**11,938,609**	1,296,995
Other comprehensive income that will not be reclassified to profit or loss:			
Gain on revaluation of properties		**1,861,599**	76,818,222
Tax expense related to gain on revaluation of properties		**(316,472)**	(13,059,098)
Share of other comprehensive income of an associate		**595,145**	-
Other comprehensive income that may be reclassified subsequently to profit or loss:			
Exchange difference on translating foreign operations		**(4,513,162)**	(11,437,213)
Other comprehensive income for the year, net of tax		**(2,372,890)**	52,321,911
Total comprehensive income for the year		**9,565,719**	53,618,906
Profit/(Loss) attributable to:			
Owners of the Company		**10,675,733**	(1,979,068)
Non-controlling interests		**1,262,876**	3,276,063
		11,938,609	1,296,995
Total comprehensive income attributable to:			
Owners of the Company		**7,720,166**	50,176,310
Non-controlling interests		**1,845,553**	3,442,596
		9,565,719	53,618,906
Earnings/(Losses) per share			
– Basic and diluted (HK cents per share)	13	**0.31**	(0.07)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	At 31 December 2016 HK$	2015 HK$
Non-current assets			
Property, plant and equipment	*15*	**194,697,115**	192,136,997
Investment properties	*16*	**168,596,836**	142,642,525
Prepaid lease payments	*17*	**74,843,367**	72,397,016
Investment in an associate	*18*	**33,125,020**	–
Prepayments for construction	*19*	**98,293,536**	–
Deposits for acquisition of lands	*20*	**5,825,446**	10,956,600
Deposits paid in connection with the acquisition of an associate		**–**	1,662,721
Total non-current assets		**575,381,320**	419,795,859
Current assets			
Hotel inventories	*21*	**95,653**	103,619
Trade and other receivables	*22*	**4,046,785**	8,081,901
Cash and cash equivalents	*23*	**187,600,277**	325,996,570
Total current assets		**191,742,715**	334,182,090
Current liabilities			
Trade and other payables	*24*	**19,043,712**	31,029,543
Obligations under finance lease	*25*	**175,524**	–
Amount due to non-controlling interests	*26*	**8,464,814**	21,379,555
Amount due to a related company	*26*	**50,000,000**	–
Amount due to a director	*26*	**7,707,457**	29,500,000
Interest-bearing bank borrowings	*27*	**73,425,196**	58,572,830
Provision for taxation		**1,040,461**	377,337
Derivative financial instruments	*28*	**–**	209,934
Total current liabilities		**159,857,164**	141,069,199
Net current assets		**31,885,551**	193,112,891
Total assets less current liabilities		**607,266,871**	612,908,750

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

		At 31 December	
		2016	2015
	Notes	***HK$***	*HK$*
Non-current liabilities			
Obligations under finance lease	*25*	**264,319**	–
Interest-bearing bank borrowings	*27*	**123,273,608**	143,160,547
Deferred tax liabilities	*29*	**16,728,619**	11,559,366
Convertible bonds	*30*	**15,478,362**	13,653,792
Total non-current liabilities		**155,744,908**	168,373,705
Net assets		**451,521,963**	444,535,045
Equity			
Share capital	*31*	**3,490,000**	3,490,000
Reserves		**442,508,678**	432,774,276
		445,998,678	436,264,276
Non-controlling interests		**5,523,285**	8,270,769
Total equity		**451,521,963**	444,535,045

On behalf of the Board

Ngan Iek

Datuk Siew Pek Tho

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company									
	Share capital HK$	Share premium HK$ (Note a)	Hotel properties revaluation reserve HK$ (Note b)	Other reserve HK$ (Note c)	Translation reserve HK$ (Note d)	Convertible bonds reserve HK$ (Note e)	Retained earnings HK$	Total HK$	Non-controlling interests HK$	Total equity HK$
At 1 January 2015	2,800,000	107,645,695	–	15	(14,110,972)	–	52,888,425	149,223,163	4,655,739	153,878,902
(Loss)/Profit for the year	–	–	–	–	–	–	(1,979,068)	(1,979,068)	3,276,063	1,296,995
Other comprehensive income										
– Gain on revaluation of properties	–	–	76,818,222	–	–	–	–	76,818,222	–	76,818,222
– Tax expense related to gain on revaluation of properties	–	–	(13,059,098)	–	–	–	–	(13,059,098)	–	(13,059,098)
– Exchange differences arising on translation of foreign operations	–	–	–	–	(11,603,746)	–	–	(11,603,746)	166,533	(11,437,213)
Total comprehensive income for the year	–	–	63,759,124	–	(11,603,746)	–	(1,979,068)	50,176,310	3,442,596	53,618,906
Shares issued	690,000	227,010,000	–	–	–	–	–	227,700,000	–	227,700,000
Shares issues expenses	–	(1,533,446)	–	–	–	–	–	(1,533,446)	–	(1,533,446)
Shares issued to non-controlling interests in a subsidiary	–	–	–	–	–	–	–	–	172,434	172,434
Issue of convertible bonds	–	–	–	–	–	10,698,249	–	10,698,249	–	10,698,249
At 31 December 2015 and 1 January 2016	**3,490,000**	**333,122,249**	**63,759,124**	**15**	**(25,714,718)**	**10,698,249**	**50,909,357**	**436,264,276**	**8,270,769**	**444,535,045**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**10,675,733**	**10,675,733**	**1,262,876**	**11,938,609**
Other comprehensive income										
– Gain on revaluation of properties	**–**	**–**	**1,861,599**	**–**	**–**	**–**	**–**	**1,861,599**	**–**	**1,861,599**
– Tax expense related to gain on revaluation of properties	**–**	**–**	**(316,472)**	**–**	**–**	**–**	**–**	**(316,472)**	**–**	**(316,472)**
– Share of other comprehensive income of an associate	**–**	**–**	**595,145**	**–**	**–**	**–**	**–**	**595,145**	**–**	**595,145**
– Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**(4,596,547)**	**–**	**–**	**(4,596,547)**	**1,220,528**	**(3,376,019)**
– Effect of change in functional currency	**–**	**–**	**–**	**–**	**260,862**	**–**	**(760,154)**	**(499,292)**	**(637,851)**	**(1,137,143)**
Total comprehensive income for the year	**–**	**–**	**2,140,272**	**–**	**(4,335,685)**	**–**	**9,915,579**	**7,720,166**	**1,845,553**	**9,565,719**
Acquisition of additional interest in a subsidiary	**–**	**–**	**–**	**2,014,236**	**–**	**–**	**–**	**2,014,236**	**(4,593,037)**	**(2,578,801)**
At 31 December 2016	**3,490,000**	**333,122,249**	**65,899,396**	**2,014,251**	**(30,050,403)**	**10,698,249**	**60,824,936**	**445,998,678**	**5,523,285**	**451,521,963**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

Notes:

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

b. 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 a subsidiary acquired.

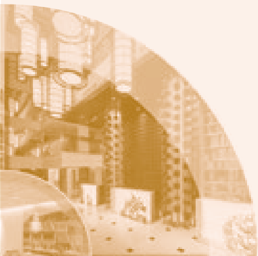
d. Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

e. 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).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 HK$	2015 HK$
Cash flows from operating activities			
Profit before income tax (expense)/credit		**17,654,559**	273,810
Adjustments for:			
Finance cost	9	**9,353,084**	6,277,119
Interest income	8	**(793,998)**	(83,045)
Depreciation of property, plant and equipment	10	**11,269,435**	11,999,748
Gain on changes in fair value of investment properties	10	**(20,649,800)**	(14,889,738)
Fair value gain on derivative financial instruments	10	**(25,045)**	(274,571)
Bad debt written off	10	**27,029**	–
Amortisation of prepaid lease payments	10	**1,436,369**	1,437,461
Share of results of an associate	18	**(6,554,223)**	–
		11,717,410	4,740,784
Decrease in hotel inventories		**5,683**	60,571
Decrease in trade and other receivables		**3,843,651**	1,437,344
(Decrease)/increase in trade and other payables		**(5,523,520)**	1,958,485
Decrease in amount due from a director		**–**	776,037
Cash generated from operations		**10,043,224**	8,973,221
Income taxes refund/(paid)		**95,558**	(4,706,564)
Net cash flows generated from operating activities		**10,138,782**	4,266,657
Cash flows from investing activities			
Settlement of derivative financial instruments	28	**(174,392)**	(2,003,101)
Deposits paid for acquisition of lands		**(5,719,888)**	(10,956,600)
Prepayments for construction		**(96,665,268)**	–
Interest received		**793,998**	83,045
Payments for purchases of property, plant and equipment		**(24,454,047)**	(32,950,811)
Investment in an associate		**(24,664,299)**	–
Deposit paid for acquisition of an associate		**–**	(1,662,721)
Net cash used in investing activities		**(150,883,896)**	(47,490,188)



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 HK$	2015 HK$
Cash flows from financing activities			
Net proceeds from issue of shares		**–**	226,166,554
Acquisition of additional interest in a subsidiary		**(2,578,801)**	–
Proceeds from issue of ordinary shares to non-controlling interests in a subsidiary		**–**	172,434
Net proceeds from issue of convertible bond		**–**	24,201,748
(Decrease)/increase in amount due to a director		**(21,796,620)**	29,500,000
Repayment of finance lease obligation		**(103,484)**	–
Proceeds from borrowings		**13,717,237**	20,126,141
Repayment of borrowings		**(28,207,798)**	(19,291,261)
Increase in amount due to a related company		**50,000,000**	–
(Decrease)/increase in amount due to non-controlling interests		**(12,841,428)**	150,164
Interest paid		**(8,153,125)**	(6,126,615)
Net cash (used in)/generated from financing activities		**(9,964,019)**	274,899,165
Net (decrease)/increase in cash and cash equivalents		**(150,709,133)**	231,675,634
Cash and cash equivalents at beginning of year		**325,996,570**	102,476,136
Effect of exchange rate changes on cash and cash equivalents		**(849,977)**	(8,155,200)
Cash and cash equivalents at end of year		**174,437,460**	325,996,570
Analysis of the balance of cash and cash equivalents:			
Cash on hand and bank balances	*23*	**187,600,277**	325,996,570
Bank overdraft		**(13,162,817)**	–
		174,437,460	325,996,570

MAJOR NON-CASH TRANSACTION

The Group recorded construction payables of HK$12,200,587 to construction contractor as at 31 December 2016 (2015: HK$22,180,952) for additions to property, plant and equipment.

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 Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 37 to the consolidated financial statements.

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 31 March 2017.

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

(a) Adoption of new/revised IFRSs – effective 1 January 2016

IFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception

For the current year, the Group was applied for the first time the above new/revised IASs and amendments which is relevant to and effective to the Group's financial statements for annual period beginning on 1 January 2016. The adoption of these and new/revised IASs amendments and has no material effect on the Group's financial statements.

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

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

The following new/revised IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to IAS 7	Disclosure Initiative[1]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
IFRS 9	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[2]
Amendments to IFRS 15	Revenue from Contracts with Customers[2]
IFRS 16	Leases[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2017

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for annual periods beginning on or after 1 January 2019

4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

Amendments to IAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

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

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

IFRS 9 – Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

IFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in IAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

IFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 supersedes existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

IFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

IFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under IFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

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

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

Amendments to IFRS 15 – Revenue from Contracts with Customers

The amendments to IFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

IFRS 16 – Leases

IFRS 16, which upon the effective date will supersede IAS 17 "Leases"and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in 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.

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

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

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

The Directors anticipated that the application of these new pronouncements will have no material impact on the Group's financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable IFRSs, International Accounting Standards ("IASs") and Interpretations (hereinafter collectively referred to as "IFRSs") issued by the International Accounting Standards Board (the "IASB"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange Listing Rules and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for investment properties, hotel buildings and financial instruments, which are measured at fair values as explained in the accounting policies set out below. The significant accounting policies that have been used in the preparation of these financial statements are disclosed in note 4. Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

(c) Change in accounting policy

In previous years, the Group's buildings were carried in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses. In accordance with IAS 16 Property, Plant and Equipment, leasehold land and buildings can either be accounted for using the cost model or the revaluation model after their initial recognition. The Directors reassessed the appropriateness of this accounting policy during the year and concluded that by using the revaluation model under IAS 16, the consolidated financial statements world provide more appropriate and relevant information about the Group's results and financial position. Consequently, the Group changed its accounting policies of buildings to follow the revaluation model under IAS 16 with effect from 30 June 2015. The change in accounting policy of buildings from the cost model to the revaluation model is accounted for prospectively.

(d) Change in functional currency

The subsidiaries in Indonesia changed their functional currency from Singapore dollar ("SGD") to Indonesian Rupiah ("IDR") with effect from 1 January 2016 to reflect the current and prospective economic substance of the underlying transactions and circumstances of those subsidiaries. As a result of the expiry of rental income contract, there was increasing influence of IDR over those subsidiaries in terms of operating activities and this triggered the change in functional currency. In prior years, the subsidiaries' transactions with their customers were denominated in SGD.

The effect of the change in the functional currency to IDR was applied prospectively in the condensed consolidated financial statements. The Group translated all items into the new functional currency using the exchange rate as at 1 January 2016.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Subsidiaries

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

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

(c) Associates

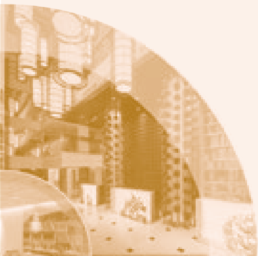
An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

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

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

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

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



4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Property, plant and equipment

Property, plant and equipment are stated at cost or revaluation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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

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

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

Buildings	60 years
Leasehold improvements	10 – 20 years
Computer equipment	5 years
Furniture, fixtures and equipment	5 – 10 years
Motor vehicles	6 years

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

Increase in value arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of properties revaluation reserve. Decreases in value arising on revaluation are first offset against increases on earlier valuations in respect of the same property and thereafter recognised in profit or loss. Any subsequent increases are recognised in profit or loss up to the amount previously charged and thereafter to the properties revaluation reserve.

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

(e) Investment property

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

(f) Prepaid land lease payments

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Leasing

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

The Group as lessor

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

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

The Group as lessee

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

- property, plant and equipment;
- interests in leasehold land held for own use under operating leases;
- investments in subsidiaries; and
- investment in an associate.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Financial Instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Financial Instruments (cont'd)

(iii) Financial liabilities

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

Financial liabilities at amortised cost including trade payables, accruals, other payables, interest-bearing bank borrowings and finance lease payables, are subsequently measured at amortised costs, using the effective interest method. The related interest expense is recognised in profit or loss.

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

Financial liabilities classified as fair value through profit or loss include the derivative financial instruments that are not designated as effective hedging instruments. Financial liabilities at fair value through profit or loss are initially measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

(iv) Effective interest method

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

(v) Equity instruments

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

The Hong Kong Companies Ordinance, Cap. 622, came into operation on 3 March 2014. Under the Ordinance, shares of the Company do not have a nominal value. Consideration received or receivable for the issue of shares on or after 3 March 2014 is credited to share capital. Commissions and expenses are allowed to be deducted from share capital under s. 148 and s. 149 of the Ordinance.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Financial Instruments (cont'd)

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IAS 39.

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

(j) Inventories

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

(k) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, on the following bases:

Hotel room income and food and beverage income are recognised upon the provision of the services and the utilisation by guests of the hotel facilities.

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest income is accrued on time basis on the principal outstanding at the applicable interest rate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Income tax expense

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Foreign currencies

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Cash and cash equivalents

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

(o) Capitalisation of borrowing costs

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

(p) Provisions and contingent liabilities

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

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

(q) Government grants

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Defined contribution plans

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

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

(s) Employee leave entitlements

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

(t) Related parties

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) Related parties (cont'd)

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Convertible bonds

Convertible bonds contain liability and equity components

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

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

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

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

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

(a) Useful lives of property, plant and equipment

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

(b) Estimate of income and deferred tax provisions

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

(c) Provision for impairment of trade receivables

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

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (cont'd)

(d) Fair value measurement

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

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

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

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

The Group measures a number of items at fair value:

- Hotel buildings (note 15);
- Investment properties (note 16); and
- Derivative financial instruments (note 28)

For more detailed information in relation to the fair value measurement of the items above, please refer to the note 38.

(e) Impairment of non-financial assets

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

6. 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 marker considers the business primarily on the basis of the geographical locations. The Group has two reportable segments. The following summary describes the operations in each of the Group's reportable and operating segments:

– Singapore
– Indonesia

(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 year:

Segment revenue and results

	Singapore *HK$*	**Indonesia** *HK$*	**Total** *HK$*
For the year ended 31 December 2016			
External Revenue	**52,336,912**	**–**	**52,336,912**
Segment profit	**848,304**	**20,461,099**	**21,309,403**
Corporate income			
– Others			**845,180**
Central administrative cost			**(11,079,292)**
Fair value gain on derivative financial instruments			**25,045**
Share of results of an associate			**6,554,223**
Profit before income tax expense			**17,654,559**

6. OPERATING SEGMENT INFORMATION (cont'd)

(a) Reportable segments (cont'd)

Segment revenue and results (cont'd)

	Singapore *HK$*	Indonesia *HK$*	Total *HK$*
For the year ended 31 December 2015			
External Revenue	38,575,759	3,385,380	41,961,139
Segment (loss)/profit	(10,444,247)	18,119,127	7,674,880
Corporate income			
– Others			51,579
Central administrative cost			(7,727,220)
Fair value gain on derivative financial instruments			274,571
Profit before income tax credit			273,810

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

6. OPERATING SEGMENT INFORMATION (cont'd)

(a) Reportable segments (cont'd)

Segment assets

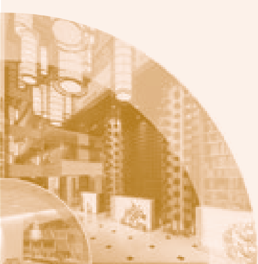
All assets are allocated to reportable segments other than deposits paid in connection with acquisition of an associate, investment in an associate, prepayment of legal and professional fees, corporate's property, plant and equipment and cash and cash equivalent.

	2016	2015
	HK$	*HK$*
Singapore	**263,287,482**	272,083,776
Indonesia	**281,972,355**	153,599,126
Total segment assets	**545,259,837**	425,682,902
Unallocated	**221,864,198**	328,295,047
Consolidated assets	**767,124,035**	753,977,949

Segment liabilities

All liabilities are allocated to reportable segments other than accruals of corporate expenses, amount due to a related company, amount due to a director, derivative financial instruments and convertible bonds.

	2016	2015
	HK$	*HK$*
Singapore	**222,471,701**	229,579,420
Indonesia	**15,707,388**	21,395,420
Total segment liabilities	**238,179,089**	250,974,840
Unallocated	**77,422,983**	58,468,064
Consolidated liabilities	**315,602,072**	309,442,904



6. OPERATING SEGMENT INFORMATION (cont'd)

(a) Reportable segments (cont'd)

Other segment information

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

	Singapore *HK$*	**Indonesia** *HK$*	**Unallocated** *HK$*	**Total** *HK$*
For the year ended 31 December 2016				
Additions to property, plant and equipment	**12,474,375**	**3,856,657**	**–**	**16,331,032**
Depreciation of property, plant and equipment	**(11,168,210)**	**–**	**(101,225)**	**(11,269,435)**
Additions to prepaid lease payments	**–**	**5,481,732**	**–**	**5,481,732**
Amortisation of prepaid lease payments	**(1,436,369)**	**–**	**–**	**(1,436,369)**
Gain on changes in fair value of investment properties	**–**	**20,649,800**	**–**	**20,649,800**
Additions of investment properties	**–**	**11,037,554**	**–**	**11,037,554**
Interest income	**–**	**1,092**	**792,906**	**793,998**
Interest expenses	**(7,868,125)**	**–**	**(1,484,959)**	**(9,353,084)**

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

	Singapore *HK$*	Indonesia *HK$*	Unallocated *HK$*	Total *HK$*
For the year ended 31 December 2015				
Additions to property, plant and equipment	54,646,439	–	485,324	55,131,763
Depreciation of property, plant and equipment	(11,945,123)	–	(54,625)	(11,999,748)
Amortisation of prepaid lease payments	(1,437,461)	–	–	(1,437,461)
Gain on changes in fair value of investment properties	–	14,889,738	–	14,889,738
Interest income	34,390	–	48,655	83,045
Interest expenses	(6,126,615)	–	(150,504)	(6,277,119)

6. OPERATING SEGMENT INFORMATION (cont'd)

(b) Geographical information

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

	Non-current assets As at 31 December	
	2016	2015
	HK$	*HK$*
Singapore	**259,933,673**	264,082,513
Indonesia	**281,972,353**	153,599,126
Unallocated	**33,475,294**	2,114,220
	575,381,320	419,795,859

(c) Information about major customers

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

7. REVENUE

An analysis of the Group's revenue mainly represents the aggregate amount of income from hotel operations and rental income from investment properties. An analysis of revenue is as follows:

	Year ended 31 December	
	2016	2015
	HK$	*HK$*
Hotel room	**43,729,287**	30,542,602
Food and beverage	**1,297,629**	2,950,175
Rental income from hotel properties	**6,228,176**	3,805,276
Rental income from investment properties	**–**	3,385,380
Others *(note)*	**1,081,820**	1,277,706
	52,336,912	41,961,139

Note: The amount mainly represents laundry and car park services.

8. OTHER INCOME

Other income is analysed as follows:

	Year ended 31 December	
	2016	2015
	HK$	*HK$*
Government grants *(note)*	**779,235**	242,046
Interest income from bank deposits	**793,998**	83,045
Others	**214,318**	383,493
	1,787,551	708,584

Note: The government grants represent Special Employment Credit and Productivity and Innovation Credit received from Singapore Government and Inland Revenue Authority of Singapore respectively during the year. There are no unfulfilled conditions or contingencies attached to these grants.

9. FINANCE COSTS

	Year ended 31 December	
	2016	2015
	HK$	*HK$*
Interest on bank borrowings *(note)*	**7,108,931**	5,866,408
Bank overdraft interest	**743,687**	260,207
Related parties' loan interest	**285,000**	–
Finance lease interest	**15,507**	–
Convertible bonds *(note 30)*	**1,827,092**	150,504
Less: Amount capitalised	**(627,133)**	–
	9,353,084	6,277,119

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

10. PROFIT BEFORE INCOME TAX (EXPENSE)/CREDIT

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

	Year ended 31 December	
	2016	2015
	HK$	*HK$*
Staff costs (excluding directors' remuneration *(note 11(a))*)		
Wages and salaries	**11,237,535**	12,311,550
Short-term non-monetary benefits	**944,523**	1,028,580
Contributions to defined contribution plans	**1,743,598**	1,757,556
	13,925,656	15,097,686
Depreciation of property, plant and equipment (included in administrative expenses)		
– Owned	**11,181,228**	11,999,748
– Held under finance leases	**88,207**	–
	11,269,435	11,999,748
Amortisation of prepaid lease payments (included in administrative expenses)	**1,436,369**	1,437,461
Gain on changes in fair value of investment properties	**(20,649,800)**	(14,889,738)
Fair value gain on derivative financial instruments	**(25,045)**	(274,571)
Auditor's remuneration	**870,000**	562,000
Bad debt written off	**27,029**	–
Legal and professional fees	**5,827,306**	3,621,620
Singapore property taxes	**2,461,558**	2,463,428

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

Year ended 31 December 2016

	Siew Pek Tho HK$	Chen Changzheng HK$	Wong Ip HK$ (Note c)	Ngan Iek HK$	Ngan Iek Peng HK$	Thng Bock Cheng John HK$	Chan So Kuen HK$	Lai Yang Chau, Eugene HK$	Feng Xiaoying HK$	Lu Nim Joel HK$	Liu Tianlin HK$	Total HK$
Fees	–	–	–	–	–	180,000	180,000	180,000	–	180,000	–	720,000
Salaries allowances and benefits in kind	–	1,099,410	–	–	–	–	–	–	–	–	–	1,099,410
Contributions to defined contribution plans	–	98,101	–	–	–	–	–	–	–	–	–	98,101
Total	–	1,197,511	–	–	–	180,000	180,000	180,000	–	180,000	–	1,917,511

Year ended 31 December 2015

	Siew Pek Tho HK$	Chen Changzheng HK$	Wong Ip HK$	Ngan Iek HK$	Ngan Iek Peng HK$	Thng Bock Cheng John HK$	Chan So Kuen HK$	Lai Yang Chau, Eugene HK$	Feng Xiaoying HK$ (Note a)	Lu Nim Joel HK$ (Note a)	Liu Tianlin HK$ (Note b)	Total HK$
Fees	–	–	–	–	–	180,000	180,000	180,000	–	15,000	–	555,000
Salaries allowances and benefits in kind	–	1,366,418	–	–	–	–	–	–	–	–	–	1,366,418
Contributions to defined contribution plans	–	71,939	–	–	–	–	–	–	–	–	–	71,939
Total	–	1,438,357	–	–	–	180,000	180,000	180,000	–	15,000	–	1,993,357

Notes:

a. Ms. Feng Xiaoying and Mr. Lu Nim Joel were appointed on 30 November 2015.

b. Mr. Liu Tianlin was appointed on 7 December 2015.

c. Mr. Wong Ip resigned on 2 March 2016.

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

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (cont'd)

(b) Five highest paid employees

The five highest paid individuals whose emoluments were the highest in the Group for the year ended 31 December 2016 included 1 director (2015: 1 director) and their emoluments are reflected in note 11(a). The emoluments of the remaining 4 highest paid individuals (2015: 4) for the year ended 31 December 2016 are as follows:

	Year ended 31 December	
	2016	2015
	HK$	*HK$*
Salaries, allowances and benefits in kind	**1,930,486**	1,552,349
Contributions to defined contribution plans	**97,977**	138,914
	2,028,463	1,691,263

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

	Year ended 31 December	
	2016	2015
	HK$	*HK$*
Nil to HK$1,000,000	**4**	3
HK$1,000,001 to HK$1,500,000	**–**	1
	4	4

During the year ended 31 December 2016, no remuneration was paid by the Group to the directors or any of the five highest paid employees of the Group as an inducement to join or upon joining the Group or as compensation for loss of office (2015: Nil). None of the directors, nor the five highest paid employees has waived or agreed to waive any emoluments during the year (2015: Nil).

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

	Year ended 31 December	
	2016	2015
	HK$	*HK$*
Nil to HK$1,000,000	**3**	3

12. INCOME TAX (EXPENSE)/CREDIT

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 (2015: Nil). Singapore corporate income tax has been provided on the estimated assessable profit arising in Singapore at the rate of 17% (2015: 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 (2015: 10% on its gross rental income and 25% on its assessable profit).

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	
	2016	2015
	HK$	*HK$*
Current – Singapore Corporate Income Tax		
– Tax for the year	**(575,822)**	(211,485)
– Over provision in respect of prior years	**22,322**	–
Current – Indonesia Corporate Income Tax		
– Tax for the year	**–**	(338,538)
	(553,500)	(550,023)
Deferred tax *(note 29)*		
– Current year	**(5,162,450)**	1,573,208
Total income tax (expense)/credit	**(5,715,950)**	1,023,185

12. INCOME TAX (EXPENSE)/CREDIT (cont'd)

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

	Year ended 31 December	
	2016	2015
	HK$	*HK$*
Profit before income tax (expense)/credit	**17,654,559**	273,810
Tax at Singapore Corporate Income Tax rate of 17%	**(3,001,275)**	(46,548)
Effect of different tax rate of subsidiaries operating in other jurisdictions	**(1,670,319)**	1,208,708
Tax effect of expense not deductible for tax purpose	**(2,449,361)**	(516,401)
Tax effect of income not taxable for tax purpose	**179,147**	76,313
Tax effect of share of profit of an associate	**1,114,218**	–
Effect of tax exemptions	**609,357**	375,044
Tax effect of deductible temporary differences not recognised	**1,421,195**	1,091,136
Tax effect of tax loss not recognised	**(1,941,234)**	(1,165,067)
Over provision in prior years	**22,322**	–
Income tax (expense)/credit	**(5,715,950)**	1,023,185

No deferred tax has been recognised in respect of unused tax losses of HK$22,337,700 (2015: HK$10,918,676) due to the predictability of future profit streams. The unused tax loss can be carried forward indefinitely.

13. EARNINGS/(LOSSES) PER SHARE

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

	2016	2015
	HK$	*HK$*
Earnings/(Losses)		
Earnings/(Losses) for the purpose of basic earnings per share	**10,675,733**	(1,979,068)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,490,000,000**	2,860,493,151

Diluted earnings per share are the same as basic earnings per share for the year ended 31 December 2016 as the computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share. (2015: diluted losses per share are the same as basic losses per share as the computation of diluted losses per shares does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in a decrease in losses per share).

14. DIVIDEND

The Directors do not recommend payment of final dividend for the year ended 31 December 2016 (2015: Nil).

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Computer equipment	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Cost							
At 1 January 2015	71,641,356	34,290,363	2,884,463	13,980,832	1,159,495	–	123,956,509
Additions	–	49,192,571	799,028	4,607,673	–	532,491	55,131,763
Written off for the year	(7,783,306)	(7,839,897)	–	(4,657,831)	–	–	(20,281,034)
Surplus arising on revaluation	68,475,372	–	–	–	–	–	68,475,372
Exchange differences	(6,606,437)	(2,209,465)	(179,766)	(895,689)	(74,709)	–	(9,966,066)
At 31 December 2015 and 1 January 2016	125,726,985	73,433,572	3,503,725	13,034,985	1,084,786	532,491	217,316,544
Additions	–	5,449,383	205,754	5,699,832	1,058,515	3,917,548	16,331,032
Transfer	–	608,906	–	–	–	(608,906)	–
Adjustment arising on revaluation	(659,648)	–	–	–	–	–	(659,648)
Exchange differences	(2,725,840)	(1,902,605)	(179,535)	(625,079)	(76,355)	15,524	(5,493,890)
At 31 December 2016	**122,341,497**	**77,589,256**	**3,529,944**	**18,109,738**	**2,066,946**	**3,856,657**	**227,494,038**
Accumulated depreciation							
At 1 January 2015	12,375,012	17,298,362	2,552,994	11,780,573	777,705	–	44,784,646
Depreciation charge for the year	4,434,927	5,435,448	174,161	1,881,354	73,858	–	11,999,748
Disposal	(7,783,306)	(7,839,897)	–	(4,657,831)	–	–	(20,281,034)
Write back on revaluation	(8,342,850)	–	–	–	–	–	(8,342,850)
Exchange differences	(683,783)	(1,271,313)	(163,472)	(809,602)	(52,793)	–	(2,980,963)
At 31 December 2015 and 1 January 2016	–	13,622,600	2,563,683	8,194,494	798,770	–	25,179,547
Depreciation charge for the year	2,521,247	6,516,995	279,076	1,800,937	151,180	–	11,269,435
Write back on revaluation	(2,396,073)	–	–	–	–	–	(2,396,073)
Exchange differences	(125,174)	(617,777)	(162,550)	(325,979)	(24,506)	–	(1,255,986)
At 31 December 2016	**–**	**19,521,818**	**2,680,209**	**9,669,452**	**925,444**	**–**	**32,796,923**
Net book value							
At 31 December 2015	125,726,985	59,810,972	940,042	4,840,491	286,016	532,491	192,136,997
At 31 December 2016	**122,341,497**	**58,067,438**	**849,735**	**8,440,286**	**1,141,502**	**3,856,657**	**194,697,115**

15. PROPERTY, PLANT AND EQUIPMENT (cont'd)

As at 31 December 2016, construction in progress includes all costs related to the construction of the resorts and amenities. The accumulated costs will be transferred to the appropriate property and equipment upon completion.

The Group's buildings was valued on 31 December 2016 by AVISTA Valuation Advisory Limited, a qualified professional valuer not connected to the Group, who holds a recognised and relevant professional qualification and has recent experience in the location and category of property, plant and equipment being valued. The revaluation surplus of HK$1,861,599 (2015: HK$76,818,222) net of applicable deferred income taxes of HK$316,472 (2015: HK$13,059,098) was credited to hotel properties revaluation reserve in the amount of approximately HK$1,545,127 (2015: HK$63,759,124). If the buildings had not been revalued, it would have been included in the consolidated financial statements at historical cost of HK$49,053,770 (2015: HK$51,141,555) as at 31 December 2016.

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

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

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

The Group's buildings are located in the Republic of Singapore under long term lease.

15. PROPERTY, PLANT AND EQUIPMENT (cont'd)

As at 31 December 2016, certain property, plant and equipment with net carrying amount of approximately HK$180,109,280 (2015: HK$185,537,957) were pledged to the bank for banking facilities granted to the Group *(note 27)*.

The carrying amount of the Group's motor vehicle at the amount of HK$922,133 (2015: Nil) is in respect of asset acquired under finance lease *(note 25)*.

16. INVESTMENT PROPERTIES

	2016	2015
	HK$	*HK$*
At 1 January (level 3 recurring fair value)	**142,642,525**	137,012,996
Transferred from deposits for acquisition of lands	**11,037,554**	–
Transferred to prepaid lease payments *(note 17)*	**(5,481,732)**	–
Change in fair value *(note 10)*	**20,649,800**	14,889,738
Exchange differences	**(251,311)**	(9,260,209)
At 31 December (level 3 recurring fair value)	**168,596,836**	142,642,525

	Year ended 31 December	
	2016	2015
	HK$	*HK$*
Rental income *(note 7)*	**–**	3,385,380
Direct operating expenses arising from investment properties that did not generate rental income during the year	**–**	(18,884)
	–	3,366,496

As at 31 December 2016, the Group had no unprovided contractual obligations for future repairs and maintenance (2015: Nil).

The fair value of the Group's investment properties as at 31 December 2016 and 2015 has been arrived at on the basis of a valuation carried out by AVISTA Valuation Advisory Limited, independent qualified professional valuers not connected to the Group. They have relevant professional qualifications and recent experience in the location and category of the investment properties being valued. Change in fair value of investment properties is recognised in line item "Gain on changes in fair value of investment properties" on the face of the consolidated statements of comprehensive income.

As a result of the completion of acquisition of lands during the year, certain parcels of land were transferred to investment properties. The valuations of the vacant parcels of land are determined based on direct comparison approach.

16. INVESTMENT PROPERTIES (cont'd)

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

Significant unobservable inputs

Direct comparison approach (Level 3):	
Market unit rate with adjustment for property location,	**Range**
size, time, accessability, surrounding environment and other relevant factors	
– per square meter	**HK$240 – HK$365**

In estimating the fair value of the properties, the highest and best use of the properties is their current use. During the year ended 31 December 2016, there were no transfers amongst Level 1, Level 2 and Level 3 in the fair value hierarchy (2015: Nil). The directors estimated that the effect on the fair value of investment properties in response to reasonably possible changes in key inputs would be insignificant for the year ended 31 December 2016 and 2015.

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

17. PREPAID LEASE PAYMENTS

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

	At 31 December	
	2016	2015
	HK$	*HK$*
At 1 January	**72,397,016**	78,874,387
Transfer from investment properties *(note 16)*	**5,481,732**	–
Amortisation *(note 10)*	**(1,436,369)**	(1,437,461)
Exchange differences	**(1,599,012)**	(5,039,910)
At 31 December	**74,843,367**	72,397,016

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

Pursuant to a business development plan approved by management on 1 September 2016, the Group had determined the intended use of lands to develop hotels for its own operations. The lands were re-measured at their respective fair values upon transfer.

18. INVESTMENT IN AN ASSOCIATE

	At 31 December 2016 HK$
Share of net assets of an associate	**28,579,386**
Goodwill	**4,545,634**
	33,125,020

Details of the major group companies in the associate as at 31 December 2016 are as follows:

Company names	Place of incorporation	Percentage of ownership interest held by the Group Direct %	Indirect %	Place of operation and principal activities
Zhuhai Kang Ming De Enterprise Management Service Limited ("Kang Ming De")	The People's Republic of China ("PRC")	42.3	–	Investment holding and provision of hotel management services in the PRC
Guangxi Detian Travel Development Group Limited	PRC	–	40.02	Tourist scenic spots waterfall sightseeing and hospitality and catering services in the PRC
Daxin Mingshi Travel Development Company Limited	PRC	–	39.53	Tourist scenic spots bamboo raft adventure and hospitality and catering services in the PRC
Nanning Mingshi Travel Consulting Limited	PRC	–	40.02	Inactive in the PRC
Daxin County Detian Travel Agency Limited	PRC	–	40.02	Travel agency in the PRC
Daxin Minsu Hotel Management Limited	PRC	–	40.02	Hotel operation in the PRC
Guangxi Zhenniu Electronic and Technology Limited	PRC	–	40.02	Provision of travel services in the PRC

18. INVESTMENT IN AN ASSOCIATE (cont'd)

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

	At 31 December 2016 *HK$*
Non-current assets	123,367,380
Current assets	55,580,480
Current liabilities	99,688,415
Non-current liabilities	8,041,515
Net assets	71,217,930
Non-controlling interests	2,184,615
Other reconciliation items	1,469,755
Group's share of the net assets of an associate (excluding non-controlling interests and other reconciliation items)	28,579,386
Included in above accounts are:	
– Cash and cash equivalents	4,785,168
– Current financial liabilities (excluding trade and other payables)	38,274,365
– Non-current liabilities (excluding other payables and provisions)	8,041,515

18. INVESTMENT IN AN ASSOCIATE (cont'd)

	Period from 14 July 2016 (acquisition date) to 31 December 2016
	HK$
Revenue	**74,968,141**
Profit for the period	**16,717,733**
Share of profit to non-controlling interests	**1,223,116**
Included in above accounts are:	
– Depreciation and amortisation	**5,404,524**
– Interest income	**369,162**
– Interest expenses	**434,348**
– Income tax expense	**5,302,075**
Group's share of results of the associate for the period (excluding non-controlling interests)	**6,554,223**

19. PREPAYMENTS FOR CONSTRUCTION

As at 31 December 2016, the prepayments for construction is related to advances made under the construction contract related to development in Bintan Islands, Indonesia.

20. DEPOSITS FOR ACQUISITION OF LANDS

The amount represented the consideration to the independent third parties, pursuant to the sale and purchase agreements for the acquisition of lands located in Bintan Islands, Indonesia.

21. HOTEL INVENTORIES

Hotel inventories comprise food and beverage and other consumables.

22. TRADE AND OTHER RECEIVABLES

	At 31 December 2016 HK$	2015 HK$
Trade receivables *(note a)*	**1,988,722**	2,163,526
Prepayments	**866,552**	757,336
Deposits *(note b)*	**877,283**	4,965,856
Other receivables	**314,228**	195,183
	4,046,785	8,081,901

Notes:

a. 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.

b. As at 31 December 2015, the balance included hotel renovation deposit at the amount of HK$3,999,246.

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 2016 HK$	2015 HK$
Current to 30 days	**1,438,468**	1,086,931
31 to 60 days	**414,600**	572,880
61 to 90 days	**47,698**	213,449
Over 90 days	**87,956**	290,266
	1,988,722	2,163,526

22. TRADE AND OTHER RECEIVABLES (cont'd)

The aged analysis of trade receivables that are net of impairment loss, at the end of reporting period, is as follows:

	At 31 December	
	2016	2015
	HK$	*HK$*
Neither past due nor impaired	**1,438,468**	1,659,811
Within 1 month past due	**414,600**	213,449
1 to 3 months past due	**84,488**	200,373
3 to 12 months past due	**40,516**	79,004
More than 1 year past due	**10,650**	10,889
	1,988,722	2,163,526

Trade receivables that were neither past due nor impaired relate to a large number of diversified independent customers for whom there was no recent history of default.

Trade receivables that were neither past due nor impaired relate to a number of diversified independent customers that have a good track record within the Group. Based on past experience, the directors of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

23. CASH AND CASH EQUIVALENTS

	At 31 December	
	2016	2015
	HK$	*HK$*
Cash at bank and on hand	**187,600,277**	325,996,570

Cash at bank and on hand are denominated in SG$, IDR and HK$.

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

24. TRADE AND OTHER PAYABLES

	At 31 December	
	2016	2015
	HK$	*HK$*
Trade payables *(note)*	**1,029,509**	1,265,502
Receipt in advance	**59,583**	108,586
Accruals and other payables	**5,754,033**	7,474,503
Construction payables	**12,200,587**	22,180,952
	19,043,712	31,029,543

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

	At 31 December	
	2016	2015
	HK$	*HK$*
Current to 30 days	**834,359**	956,836
31 to 60 days	**4,931**	154,233
Over 90 days	**190,219**	154,433
	1,029,509	1,265,502

25. OBLIGATIONS UNDER FINANCE LEASE

The Group leases a motor vehicle. Such asset is classified as finance lease as the rental period amounts to the estimated useful economic life of the asset concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount. The lease term is 3 years.

As at 31 December 2016, the future lease payments under the finance leases are due as follows:

	Minimum lease payments *HK$*	Interest *HK$*	Present value *HK$*
As at 31 December 2016			
Not later than one year	193,856	18,332	175,524
Later than one year but not later than five years	274,521	10,202	264,319
	468,377	28,534	439,843

The present value of future lease payments are analysed as:

	2016 *HK$*
Current liabilities	**175,524**
Non-current liabilities	**264,319**
	439,843

The effective interest rates of the Group's obligations under finance lease liabilities as at 31 December 2016 is 5.21% per annum (2015: Nil).

26. AMOUNTS DUE TO NON-CONTROLLING INTERESTS, A RELATED COMPANY AND A DIRECTOR

	At 31 December	
	2016	2015
	HK$	*HK$*
Amount due to non-controlling interests *(note a)*	**8,464,814**	21,379,555
Amount due to a related company *(note b)*	**50,000,000**	–
Amount due to a director Mr. Ngan Iek *(note c)*	**7,707,457**	29,500,000

Notes:

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

b. Amount due to a related company is unsecured, interest bearing at 7.3% per annum and repayable on demand. The related company is a subsidiary of CMI ("CMI Hong Kong") which has shareholding in the Company with significant influence.

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

27. INTEREST-BEARING BANK BORROWINGS

	At 31 December 2016 HK$	2015 HK$
Current		
Secured		
– bank overdraft	**13,162,817**	–
– bank borrowings due for repayment within one year	**28,113,779**	25,703,030
– bank borrowings which contain a repayment on demand clause	**32,148,600**	32,869,800
	73,425,196	58,572,830
Non-current		
Secured		
– bank borrowings due for repayment after one year	**123,273,608**	143,160,547
	196,698,804	201,733,377

Bank borrowings bear interest from 1.25% to 2.00% (2015: 1.25% to 2.00%) per annum above the bank's Singapore swap offer rate. The effective interest rate ranged from 2.38% to 4.16% (2015: from 2.08% to 4.04%).

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

– the pledge of certain property, plant and equipment of the Group with net carrying amount of approximately HK$180,109,280 (2015: HK$185,537,957) as at 31 December 2016 *(note 15)*;

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

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

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

27. INTEREST-BEARING BANK BORROWINGS (cont'd)

At 31 December 2016, total current and non-current bank borrowings were scheduled to repay as follows:

	At 31 December	
	2016	2015
	HK$	*HK$*
On demand or within one year	**73,425,196**	58,572,830
More than one year, but not exceeding two years	**26,682,104**	25,703,029
More than two years, but not exceeding five years	**71,533,809**	71,734,751
After five years	**25,057,695**	45,722,767
	196,698,804	201,733,377

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

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

The Group regularly monitors its compliance with these covenants and does not consider it probable that the bank will exercise its discretion to demand repayment so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 38. As at 31 December 2016, none of the covenants relating to drawn down facilities had been breached (2015: Nil).

28. DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments represent interest rate swap contracts held by the Group, in which the contracts are 7 years with the maturity date on 14 March 2016.

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

	Contracted fixed interest rate	**Fair value at 31 December 2016**	Fair value at 31 December 2015	**Maturity date**
		HK$	*HK$*	
Swap #1	2.63%	–	84,852	14 March 2016
Swap #2	2.63%	–	125,082	14 March 2016
Total current portion		–	209,934	

At 31 December 2016, all remaining contracts were matured (2015: notional amounts of the outstanding interest rate swap contracts were HK$132.5 million).

The interest rate swap contracts are settled on a monthly basis. The interest rate swaps and the interest payments on the loan occur simultaneously. The floating rate on the interest rate swaps is the Singapore swap offer rate. The Group will settle the difference between the fixed and floating interest rate on a net basis.

The below table reconciled the amount of the derivative financial instruments during the year:

	At 31 December	
	2016	2015
	HK$	*HK$*
At 1 January	**209,934**	2,588,151
Fair value gain on derivative financial instruments during the year *(note 10)*	**(25,045)**	(274,571)
Settlement during the year	**(174,392)**	(2,003,101)
Exchange differences	**(10,497)**	(100,545)
At 31 December	–	209,934

29. DEFERRED TAX LIABILITIES

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

	Property revaluation HK$	Revaluation of investment properties HK$	Accelerated tax depreciation HK$	Tax losses HK$	Total HK$
At 1 January 2015	–	215,708	219,671	–	435,379
Charge/(credit) to profit or loss for the year	–	1,488,974	–	(3,062,182)	(1,573,208)
Charge to other comprehensive income	13,059,098	–	–	–	13,059,098
Exchange differences	(379,578)	(57,177)	(14,154)	89,006	(361,903)
At 31 December 2015 and 1 January 2016	**12,679,520**	**1,647,505**	**205,517**	**(2,973,176)**	**11,559,366**
Charge to profit or loss for the year	**–**	**5,162,450**	**–**	**–**	**5,162,450**
Charge to other comprehensive income	**316,472**	**–**	**–**	**–**	**316,472**
Exchange differences	**(293,917)**	**(76,479)**	**(4,508)**	**65,235**	**(309,669)**
At 31 December 2016	**12,702,075**	**6,733,476**	**201,009**	**(2,907,941)**	**16,728,619**

30. CONVERTIBLE BONDS

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

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

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

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

30. CONVERTIBLE BOND (cont'd)

The Convertible Bonds recognised in the consolidated statement of financial position at the date of issuance on 30 November 2015 were calculated as follows:

	2015 *HK$*
Face value of Convertible Bonds issued	25,278,000
Equity component on initial recognition upon issuance of Convertible Bonds	11,174,000
Capitalised expenses	(475,751)
Equity component of Convertible Bonds as at 30 November	10,698,249
Liability component on initial recognition upon issuance of Convertible Bonds	14,104,000
Capitalised expenses	(600,501)
Liability component of Convertible Bonds as at 30 November	13,503,499

The carrying value of the liability component of the Convertible Bonds recognised in the consolidated statement of financial position at the end of the reporting period is as follows:

	2016 ***HK$***	2015 *HK$*
At 1 January	**13,653,792**	–
Issue of Convertible Bonds	**–**	14,104,000
Capitalised expenses	**–**	(600,501)
Effective interest expense for the year *(note 9)*	**1,827,092**	150,504
Accrual of interest expense on Convertible Bonds	**(2,522)**	(211)
At 31 December	**15,478,362**	13,653,792

The interest expense of Convertible Bonds for the year ended 31 December 2016 is calculated using the effective interest method by applying an effective interest rate of approximately 13.37% to the liability component (2015: 13.37%).

31. SHARE CAPITAL

	At 31 December 2016 HK$	2015 HK$
Authorised:		
50,000,000,000 (2015: 50,000,000,000) ordinary shares of HK$0.001 (2015: HK$0.001) each	**50,000,000**	50,000,000
Issued and fully paid:		
3,490,000,000 (2015: 3,490,000,000) ordinary shares of HK$0.001 (2015: HK$0.001) each	**3,490,000**	3,490,000

The movements in issued share capital were as follows:

	2016		2015	
	Number of shares in issue	**Issued share capital HK$**	Number of shares in issue	Issued share capital HK$
At 1 January	**3,490,000,000**	**3,490,000**	2,800,000,000	2,800,000
Issue of shares to shareholders *(note)*	**–**	**–**	690,000,000	690,000
At 31 December	**3,490,000,000**	**3,490,000**	3,490,000,000	3,490,000

Note: On 8 October 2015, the Company entered into a subscription agreement with CMI Hong Kong. On 30 November 2015, the subscription was completed. The Company issued 690,000,000 subscription shares with par value of HK$0.001 each at the subscription price of HK$0.33 each. The issued share capital of the Company was thus increased from HK$2,800,000 to HK$3,490,000. The excess of subscription proceeds over the nominal value of share capital issued net of the expenses incurred thereon was credited as share premium. The Company intended to apply the net proceeds for development of the Bintan Project.

32. RESERVES

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

	Share premium	Convertible bonds reserve	Accumulated losses	Total
	HK$	*HK$*	*HK$*	*HK$*
At 1 January 2015	107,645,695	–	(27,861,012)	79,784,683
Shares issued *(note 31)*	227,010,000	–	–	227,010,000
Shares issues expenses	(1,533,446)	–	–	(1,533,446)
Convertible bond reserve *(note 30)*	–	10,698,249	–	10,698,249
Loss for the year and total comprehensive income for the year	–	–	(12,208,352)	(12,208,352)
At 31 December 2015 and 1 January 2016	**333,122,249**	**10,698,249**	**(40,069,364)**	**303,751,134**
Loss for the year and total comprehensive income for the year	**–**	**–**	**(14,251,467)**	**(14,251,467)**
At 31 December 2016	**333,122,249**	**10,698,249**	**(54,320,831)**	**289,499,667**

33. RELATED PARTY TRANSACTIONS

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

		Year ended 31 December	
		2016	2015
Names of related party	**Natures of transaction**	***HK$***	*HK$*
China Minsheng Financial Holding Corporation Limited Related company	Interest expenses *(note a)*	**190,000**	–
CM Wealth Holdings Limited Related company	Interest expenses *(note a)*	**95,000**	–
Mr. Tjiagus Thamrin Non-controlling interests	Rental income *(note b)*	**–**	3,385,380

Notes:

a. The related party transactions were carried on terms mutually agreed between the Group and related companies, and conducted in the ordinary and usual course of the Group's business. The related companies are the subsidiaries of CMI Hong Kong which has shareholding in the Company with significant influence.

b. The related party transaction was carried out on terms mutually agreed between the Group and the non-controlling interests, and conducted in the ordinary and usual course of the Group's business.

33. RELATED PARTY TRANSACTIONS (cont'd)

(ii) Compensation of key management personnel of the Group, including directors' remuneration as disclosed in note 11 to the consolidated financial statements is as follows:

	Year ended 31 December	
	2016	2015
	HK$	*HK$*
Salaries, allowances and benefits in kind	**3,070,646**	2,377,953
Contributions to defined contribution plans	**171,647**	139,676
	3,242,293	2,517,629

(iii) Details of the balances with related parties are disclosed in note 26 to the consolidated financial statements.

The Group has not made any provision on impairment for bad or doubtful debts in respect of related parties debtors, nor has any guarantee been given or received during the year ended 31 December 2016 regarding related party balances (2015: Nil).

(iv) During the year ended 31 December 2016, the Group acquired additional 12% paid-up capital of the subsidiary, PT Hang Huo Investment, and the loan owned by the subsidiary to the non-controlling interests at a consideration of SG$2,820,000.

34. OPERATING LEASE ARRANGEMENTS

As lessee

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases of office rental which are payable as follows:

	At 31 December	
	2016	2015
	HK$	*HK$*
Within one year	**469,739**	1,070,902
In the second to fifth years inclusive	**–**	469,739
	469,739	1,540,641

For the year ended 31 December 2016, the minimum leases payments recognised by the Group are HK$1,211,502 (2015: HK$803,355).

As lessor

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

The Group leases certain investment properties under operating lease arrangements for a term of 1.5 years for 2015. The terms of leases generally also require the tenants to pay security deposits.

At 31 December 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	At 31 December	
	2016	2015
	HK$	*HK$*
Within one year	**3,293,701**	2,496,736
In the second to fifth years inclusive	**345,576**	299,582
	3,639,277	2,796,318

35. CAPITAL COMMITMENTS

At 31 December 2016, the Group had the following capital commitments:

	At 31 December	
	2016	2015
	HK$	*HK$*
Authorised, but not contracted for, in respect of		
Property, plant and equipment	–	5,084,602
Contracted, but not provided for, in respect of		
Property, plant and equipment	**33,322,594**	675,436
Investment in a subsidiary *(note)*	**39,000,000**	–

Note: On 22 December 2016, Silver Stone Investments Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, and Mr. Kwok Wai Leng (the "Vendor") entered into a sale and purchase agreement, pursuant to which the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the paid-up capital of AK Enterprise Incorporation Limited and the loan owned by the AK Enterprise Incorporation Limited to the shareholders at a total consideration of HK$39,000,000.

36. CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 31 December 2016 (2015: Nil).

37. INTERESTS IN SUBSIDIARIES

Details of the principal subsidiaries are as follows:

Company name	Place, date of incorporation/ establishment and kind of legal entity	Particulars of issued and fully paid share capital/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities and place of operation
Subsidiaries					
Hang Huo Investment Pte. Ltd.	Republic of Singapore, 4 May 2004, limited liability company	3,000,000 shares of SG$1 per share	–	100	Hotel ownership, Republic of Singapore
Link Hotels International Pte. Ltd.	Republic of Singapore, 21 May 2007, limited liability company	1,000,000 shares of SG$1 per share	–	100	Operation of hotel services, Republic of Singapore
PT Hang Huo Investment	Republic of Indonesia, 27 July 2013, limited liability company	3,000,000 shares of US$1 per share	–	92 (2015: 80)	Accommodation (hotel and cottage) and real estate, Indonesia
PT Hang Huo International	Republic of Indonesia, 29 May 2015, limited liability company	225,000 shares of US$1 per share	–	90	Property investment, Indonesia
Star Adventure Investment Limited	Hong Kong, 9 October 2015, limited liability company	Ordinary share of HK$1	–	100	Investment holding Hong Kong

38. FINANCIAL INSTRUMENTS BY CATEGORY

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

(a) Categories of financial instruments

	At 31 December	
	2016	2015
	HK$	*HK$*
Financial assets		
Loan and receivables:		
Trade receivables	**1,988,722**	2,163,526
Deposits and other receivable	**1,191,511**	5,161,039
Cash and cash equivalents	**187,600,277**	325,996,570
	190,780,510	333,321,135
Financial liabilities		
Financial liability at fair value through profit or loss:		
Derivative financial liabilities	**–**	209,934
Financial liabilities measured at amortised cost:		
Trade payables	**1,029,509**	1,265,502
Accruals and other payables	**17,954,620**	29,655,455
Obligations under finance lease	**439,843**	–
Amount due to non-controlling interests	**8,464,814**	21,379,555
Amount due to a related company	**50,000,000**	–
Amount due to a director	**7,707,457**	29,500,000
Interest-bearing bank borrowings, secured	**196,698,804**	201,733,377
Convertible bonds	**15,478,362**	13,653,792
	297,773,409	297,187,681

38. FINANCIAL INSTRUMENTS BY CATEGORY (cont'd)

(b) Financial risk management and fair value

The Group's principal financial instruments comprise trade and other receivables, cash and cash equivalents, trade and other payables, interest-bearing bank borrowings, obligations under finance lease and convertible bonds. The Group has various other financial assets and liabilities such as balances with a director, non-controlling interests and a related company.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, interest rate risk and liquidity risk. The board of directors regularly review relevant policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group is exposed to foreign currency risk primarily through transactions that are denominated in currencies other than the functional currency of the group entities.

Substantially all the transactions of the Company's major subsidiaries are carried out in SG$ and IDR, which are the functional currencies of the major subsidiaries. Therefore, the risks on foreign currency risk are minimal.

The currencies giving arise to this risk are primarily SG$ and IDR at company level as the Company has amounts due from subsidiaries denominated in SG$ and IDR.

The following table indicates the sensitivity to a reasonably possible change in the exchange rate of currencies, with all other variables held constant, of the Group's other component of equity:

	Year ended 31 December	
	2016	2015
	Effect on other component of equity	Effect on other component of equity
	HK$	*HK$*
SG$ to HK$:		
Appreciates by 5% (2015: 5%)	**2,317,732**	3,394,576
Depreciates by 5% (2015: 5%)	**(2,317,732)**	(3,394,576)
IDR to HK$:		
Appreciates by 1%	**1,136,036**	–
Depreciates by 1%	**(1,136,036)**	–

38. FINANCIAL INSTRUMENTS BY CATEGORY (cont'd)

(b) Financial risk management and fair value (cont'd)

Credit risk

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

In respect of trade receivables, the Group trades only with recognised and credit worthy customers and the receivable balances are monitored on an ongoing basis and on an individual basis. The Group did not have a significant degree of concentration of credit risk on trade receivables. As at 31 December 2016, the trade receivables from the five largest debtors represented 11% (2015: 11%) of the total trade receivables respectively, while the largest debtor represented 7% (2015: 3%) of the total trade receivables respectively. Given the credit worthiness and reputation of the major debtors, management believes the risk arising from concentration is manageable and not significant.

Interest rate risk

The Group's exposure to interest rate risk arises from interest-bearing bank borrowings from financial institutions, Convertible Bonds and amount due to a related company. The Group's policy is to maintain an efficient and optimum cost structure using a combination of fixed and variable rate debts and short and long term borrowings. The Group's results are affected by changes in interest rates due to the impact of such changes on interest expenses from bank borrowings which are at floating interest rates.

The following table demonstrates the sensitivity analysis of the interest-bearing bank borrowings at the end of reporting period if there was 1% change in interest rates, with all other variables held constant, of the Group's profit after income tax:

	Year ended 31 December			
	2016		2015	
	HK$	***HK$***	*HK$*	*HK$*
	+1%	**-1%**	+1%	-1%
(Decrease)/increase in profit after tax for the year	**(321,486)**	**321,486**	(328,698)	328,698

38. FINANCIAL INSTRUMENTS BY CATEGORY (cont'd)

(b) Financial risk management and fair value (cont'd)

Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Company can be required to pay.

2016	Carrying amount *HK$*	Total contractual undiscounted cash flow *HK$*	Within 1 year or on demand *HK$*	More than 1 year but less than 5 years *HK$*	More than 5 years *HK$*
Trade payables	1,029,509	1,029,509	1,029,509	–	–
Accruals and other payables	17,954,620	17,954,620	17,954,620	–	–
Obligations under finance lease	439,843	468,377	193,856	274,521	–
Amount due to non-controlling interests	8,464,814	8,464,814	8,464,814	–	–
Amount due to a related company	50,000,000	50,900,000	50,900,000	–	–
Amount due to a director	7,707,457	7,707,457	7,707,457	–	–
Interest-bearing bank borrowings subject to a repayment on demand clause	45,311,417	45,862,642	45,862,642	–	–
Other interest-bearing bank borrowings	151,387,387	167,945,167	33,237,814	108,900,318	25,807,035
Convertible bonds	15,478,362	15,491,002	5,267	15,485,735	–
Total	297,773,409	315,823,588	165,355,979	124,660,574	25,807,035

38. FINANCIAL INSTRUMENTS BY CATEGORY (cont'd)

(b) Financial risk management and fair value (cont'd)

Liquidity risk (cont'd)

2015	Carrying amount *HK$*	Total contractual undiscounted cash flow *HK$*	Within 1 year or on demand *HK$*	More than 1 year but less than 5 years *HK$*	More than 5 years *HK$*
Trade payables	1,265,502	1,265,502	1,265,502	–	–
Accruals and other payables	29,655,455	29,655,455	29,655,455	–	–
Derivative financial liabilities	209,934	209,934	209,934	–	–
Interest-bearing bank borrowings subject to a repayment on demand clause	32,869,800	33,372,776	33,372,776	–	–
Other interest-bearing bank borrowings	168,863,577	188,865,509	30,982,192	110,185,756	47,697,561
Amount due to a director	29,500,000	29,500,000	29,500,000	–	–
Amount due to non-controlling interests	21,379,555	21,379,555	21,379,555	–	–
Convertible bonds	13,653,792	13,666,432	2,739	13,663,693	–
Total	297,397,615	317,915,163	146,368,153	123,849,449	47,697,561

Specifically, for bank borrowings which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the above analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

The table below summarises the maturity analysis of interest-bearing bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates.

38. FINANCIAL INSTRUMENTS BY CATEGORY (cont'd)

(b) Financial risk management and fair value (cont'd)

Liquidity risk (cont'd)

Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such interest-bearing bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Carrying amount	Total contractual undiscounted cash flow	within 1 year or on demand
	HK$	*HK$*	*HK$*
31 December 2016	**45,311,417**	**45,862,642**	**45,862,642**
31 December 2015	32,869,800	33,372,776	33,372,776

Fair values

The fair value of derivative financial instruments as disclosed in note 28 is based on the management's best estimations. These valuations are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

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

– Level 1: quoted prices (unadjusted) in active markets for identical assets;

– Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

– Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

38. FINANCIAL INSTRUMENTS BY CATEGORY (cont'd)

(b) Financial risk management and fair value (cont'd)

Fair values (cont'd)

The Group's financial instruments in the consolidated statement of financial position is approximately HK$210,000 as at 31 December 2015 are grouped into level 2 of the fair value hierarchy.

During the year ended 31 December 2016, there were no transfers amongst Level 1, Level 2 and Level 3 in the fair value hierarchy (2015: Nil).

Capital management

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing services commensurately with the level of risk.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to equity ratio. For this purpose net debt is defined as obligations under finance lease, balances with related parties, borrowings and convertible bonds less cash and cash equivalents. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The Group's net debt to equity ratio at the end of reporting period was:

	At 31 December	
	2016	2015
	HK$	*HK$*
Obligations under finance lease	**439,843**	–
Amount due to non-controlling interest	**8,464,814**	21,379,555
Amount due to a related company	**50,000,000**	–
Amount due to a director	**7,707,457**	29,500,000
Interest-bearing bank borrowings	**196,698,804**	201,733,377
Convertible bonds	**15,478,362**	13,653,792
Less: Cash and cash equivalents	**(187,600,277)**	(325,996,570)
Net debts *(note)*	**91,189,003**	–
Total equity	**451,521,963**	444,535,045
Net debt to equity ratio	**20%**	0%

Note: Net debt is zero when the amount of cash and cash equivalents is higher than the interest-bearing bank borrowings and convertible bonds.

39. HOLDING COMPANY STATEMENT OF FINANCIAL POSTIION AS AT 31 DECEMBER 2016

	Note	2016 HK$	2015 HK$
Non-current assets			
Property, plant and equipment		**350,274**	451,499
Interests in subsidiaries		**80**	28
Total non-current assets		**350,354**	451,527
Current assets			
Deposits, prepayments and other receivable		**509,621**	635,756
Amounts due from subsidiaries		**187,103,390**	69,554,239
Cash and cash equivalents		**178,098,315**	282,921,044
Total current assets		**365,711,326**	353,111,039
Current liabilities			
Amount due to a subsidiary		**–**	5
Accruals and other payables		**2,243,651**	3,167,635
Amount due to a related company		**50,000,000**	–
Amount due to a director		**5,350,000**	29,500,000
Total current liabilities		**57,593,651**	32,667,640
Net current assets		**308,117,675**	320,443,399
Total assets less current liabilities		**308,468,029**	320,894,926
Non-current liability			
Convertible bonds		**15,478,362**	13,653,792
Net assets		**292,989,667**	307,241,134
Equity			
Share capital		**3,490,000**	3,490,000
Reserves	*32*	**289,499,667**	303,751,134
Total equity		**292,989,667**	307,241,134

On behalf of the Board

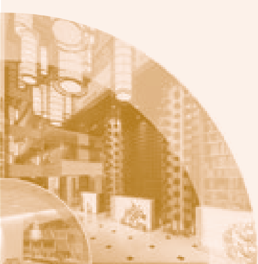
Ngan Iek

Datuk Siew Pek Tho

PARTICULARS OF PROPERTIES

INVESTMENT PROPERTIES IN INDONESIA

Location	Use	Lease expiry	Approximate site area sq.m.	Group's interest %
Land located at Malang Rapat, Gunung Kijang, Bintan, Riau Island, Indonesia	**Commercial**	**2044**	**410,633**	**92**
Land located at Gunung Kijang Village, Gunung Kijang, Bintan, Riau Island, Indonesia	**Commercial**	**2046**	**78,257**	**90**



FINANCIAL SUMMARY

A summary of the results and of the financial position of Link Holdings Limited (the "Company", together with its subsidiaries, the "Group") for the last five financial years, are extracted from the published audited financial statements, is set out below:

	Year ended 31 December				
	2016	2015	2014	2013	2012
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Revenue	**52,336,912**	41,961,139	67,828,429	78,433,094	87,174,172
Profit before income tax expense	**17,654,559**	273,810	1,867,531	28,019,297	34,993,852
Profit/(loss) for the year	**11,938,609**	1,296,995	(1,483,416)	23,378,648	28,496,486
Total comprehensive income for the year	**9,565,719**	53,618,906	(17,066,963)	19,737,062	32,815,235

	As at 31 December				
	2016	2015	2014	2013	2012
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Total assets	**767,124,035**	753,977,949	407,204,053	389,265,839	404,880,282
Total liabilities	**(315,602,072)**	(309,442,904)	(253,325,151)	(270,138,730)	(310,197,405)
Non-controlling interests	**(5,523,285)**	(8,270,769)	(4,655,739)	(4,707,164)	–
	445,998,678	436,264,276	149,223,163	114,419,945	94,682,877

Note:

The summary of the consolidated results of the Group for each of two years ended 31 December 2012 and 2013 and of the assets and liabilities as at 31 December 2012 and 2013 have been extracted from the prospectus of the Company dated 30 June 2014. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years.

The consolidated results of the Group for each of the two years ended 31 December 2015 and 2016 and the consolidated assets and liabilities of the Group as at 31 December 2015 and 2016 are those set out on pages 40 to 42 of this annual report. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years.

The summary above does not form part of the audited financial statements.