Link Holdings Limited
華星控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8237

2018
Annual Report

* For identification purposes only

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

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Ngan Iek *(Chairman)*
Datuk Siew Pek Tho
Mr. Chen Changzheng

Non-executive Directors

Ms. Ngan Iek Peng
Ms. Feng Xiaoying (resigned on 30 July 2018)
Mr. Chen Guogang (resigned on 31 August 2018)
Mr. Luo Guorong (appointed on 8 January 2019)
Ms. Zhang Shuo (appointed on 8 January 2019)

Independent non-executive Directors

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

COMPANY SECRETARY

Mr. Lau Tak Shing, HKICPA

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

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 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

AUDITOR

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

STOCK CODE

8237

COMPANY'S WEBSITE

www.linkholdingslimited.com

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Link Holdings Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to present the results of the Company for the year ended 31 December 2018 (the "Year").

BUSINESS AND FINANCIAL REVIEW

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

For the Year, the Group recorded a loss of approximately HK$3.1 million, representing a decrease of approximately HK$14 million or 127% from the year ended 31 December 2017. It is mainly attributable to the decrease in share of profits of an associate for the Year, as the associate had made an impairment loss on a long outstanding receivables. However, to the best of the Directors' knowledge and concluding from further communications with the associate, the Directors considered that it is an one-off event and the results of the associate will be recovered in 2019.

The development of the Bintan Assets (as defined in the prospectus of the Company dated 30 June 2014 (the "Prospectus")) has started in late 2016. During 2017, the construction plan has been amended for more fitting to the latest theme of the resort. With the finalising of the improvement changes during the Year, the construction is expected to complete in second half of 2019.

Besides, the newly acquired distressed debt assets also contributed favourable results to the Group. The Company will keep working on the distressed debt assets management business and continue seeking potential investments in the future.

PROSPECTS

Looking forward, the Company will further maximise the Group's overall return on assets and its corporate value. The Group adopts an optimistic attitude to cope with any challenges and capture opportunities in a positive way, and is confident in its future growth.

APPRECIATIONS

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

Ngan Iek
Chairman and Executive Director

29 March 2019

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 loss of approximately HK$3.1 million, representing a decrease of approximately HK$14 million or 127% from the year ended 31 December 2017. It is mainly attributable to the decrease in share of profits of an associate for the Year, as the associate had made an impairment loss on a long outstanding receivables. However, to the best of the Directors' knowledge and concluding from further communications with the associate, the Directors considered that it is an one-off event and the results of the associate will be recovered in 2019.

Loss attributable to owners of the Company was approximately HK$3.3 million (2017: profit attributable to owners of the Company was approximately HK$11 million). Basic loss per share was approximately HK$0.093 cents (2017: basic earnings per share was approximately HK$0.32 cents). The Board does not recommend the payment of any dividend for the Year (2017: Nil).

BUSINESS REVIEW

The Group commenced operations of its hotel business in Singapore with the opening of Link Hotel in 2007 and commenced the distressed debt assets management business in 2017. 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$39.8 million (2017: approximately HK$40.7 million) accounting for approximately 65.7% (2017: approximately 61.7%) 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:

	Year ended 31 December	
	2018	2017
Total available room nights	**100,010**	100,010
Occupancy rate	**62.61%**	63.9%
Average room rate *(HK$)*	**577.7**	587.6
RevPAR *(HK$)*	**361.5**	370.6

For the Year, food and beverages ("F&B") revenue was approximately HK$3.3 million (2017: approximately HK$1.4 million), representing approximately 5.5% (2017: approximately 2.1%) of the total revenue. F&B revenue represents the sale of F&B in the room service and meeting space of Link Hotel.

The Group leased shop units located at Link Hotel and received rental income from hotel tenants. For the Year, rental income from hotel tenants was approximately HK$6.1 million (2017: approximately HK$5.6 million) representing approximately 10% (2017: approximately 8.5%) of the total revenue.

For the Year, other income mainly comprised of compensation income to approximately HK$2.7 million (2017: sundry income from hotel guests amounted to approximately HK$0.57 million).

Bintan Assets

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

Distressed debt assets management business

On 25 April 2017, 廣西恒和智達資產管理有限公司 (Guangxi Heng He Zhi Da Asset Management Limited#, "the Assignee"), a wholly-owned subsidiary of the Company, entered into a debt assignment agreement with 珠海市康明德企業管理服務有限公司 (Zhuhai Shi Kang Ming De Corporate Management Services Limited#, the "Assignor"), an associate of the Group, pursuant to which the Assignor conditionally agreed to assign, and the Assignee conditionally agreed to accept, the distressed debt assets and the enforcement right of the collaterals in connection with the non-performing debts, at the cash consideration of RMB108.9 million (equivalent to approximately HK$125.6 million). The assignment was completed on 29 September 2017.

During the Year, the income from distressed debts assets management business was approximately HK$10 million (2017: HK$17.2 million).

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 2018, the Group had net current liabilities of approximately HK$159 million (2017: net current liabilities of approximately HK$100.3 million), including cash and cash equivalents of approximately HK$165 million (2017: approximately HK$60 million) and interest-bearing bank borrowing of approximately HK$188 million (2017: approximately HK$84 million). The Directors have been closely monitoring its working capital and considered appropriate funding such as internal operating fund, unutilised banking facilities and seeking new external funding. Please refer to note 3(c) to the consolidated financial statements for details. The Directors will manage the capital of the Group and are confident that the Group will have sufficient financial resources to finance its working capital requirements.

The gearing ratio calculated based on the Group's total debts (being interest-bearing bank borrowings and convertible bonds) divided by the Group's total equity and multiplied by 100% as at 31 December 2018 was approximately 73.1% (2017: approximately 44.6%).

There is 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 (2017: approximately HK$25.3 million) with the maturity date due on 30 November 2020.

Significant investments

The Group did not acquire or hold any significant investment during the Year (2017: Nil).

Material acquisitions and disposals

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

Contingent liabilities

As at 31 December 2018, the Group did not have any material contingent liabilities (2017: Nil).

Employees and remuneration policies

As at 31 December 2018, the Group engaged a total of 57 employees (2017: a total of 50). Total staff costs excluding Directors' remuneration for the Year amounting to approximately HK$21 million (2017: approximately HK$15 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 2018, no options had been granted under the share option scheme.

Foreign currency exposure

Substantially all the transactions of the Group's subsidiaries in Singapore, Indonesia, Japan and the People's Republic of China ("PRC") are carried out in Singapore dollar, Indonesia Rupiah, Japanese Yen and Renminbi ("RMB") respectively, which are the functional currencies of the subsidiaries. Therefore, foreign currency risk for the respective currencies above are minimal. However, the translation of functional currencies for respective subsidiaries above to presentation currency in Hong Kong dollar might be exposed to foreign currency risk. For the analysis of the Group's foreign currency risk, please refer to note 43(d) of the Notes to the Consolidated Financial Statement.

Charges on group assets

As at 31 December 2018, certain properties of the Group located in Singapore with an aggregate net carrying amount of approximately HK$175.8 million (2017: approximately HK$187.5 million) were used to secure the banking facilities.

Segment information

During the Year, the Group had four reportable segments on the basis of the geographical locations at Singapore, Indonesia, Japan and the PRC.

Dividends

The Directors do not recommend payment of any divided in the respect of the Year (2017: Nil).

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.

For details, please 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, Indonesia, Japan and the PRC 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 the respective countries above 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 the respective countries above 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.

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

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

Financial Risk

An analysis of the Group's financial risk management (including foreign currency risk, credit risk, interest rate risk and liquidity risk) are set out in note 43(b) 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 in 2016 and the total cost of the renovation amounted to approximately 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 in 2016.

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 the Group's 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 29 May 2018, Golden Gate Investments Limited ("Golden Gate"), a subsidiary of the Group, terminated the conditional sale and purchase agreement dated 27 December 2017 in relation to the acquisition of the land, buildings and furniture and machineries erected thereon Bintan Agro Beach Resort for an aggregate consideration of S$29 million (equivalent to approximately HK$168.4 million).

Nonetheless, the Group continues in seeking acquisition opportunities to expand the hotel business in Southeast Asian countries and or the PRC.

OUTLOOKS

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

Apart from the existing investment in an associate and the distressed debt assets, the Group will continue to explore potential projects for expanding its business horizon to the Greater China region and other Asian countries in order to capture the rapid economic growth from the recent growth in the tourism industry in the PRC and other areas in Asia, The Group will further seek potential acquisition opportunities to maximise shareholder's value.

ABOUT THIS REPORT

The Board is honored to present the Group's third Environmental, Social and Governance ("ESG") Report (the "Report") with an aim to elaborate on our approaches, strategies and practices in relation to the sustainability development of the Company.

The reporting period of this Report is from 1 January 2018 to 31 December 2018 (the "Reporting Period"). Unless otherwise stated, this Report mainly focuses on our core business segment, hotel business in Singapore, which accounts for the vast majority of our total revenue during the Reporting Period.

In preparing this Report, we are in stringent compliance with the applicable disclosure requirements of the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") in Appendix 20 to the GEM Listing Rules. Please refer to the section headed "Corporate Governance Report" in the Annual Report for the corporate governance section.

The Report is published in both Chinese and English, available to the public on the Group's official website. Should there be any discrepancy between the two languages versions, the English version shall prevail.

The Board values every feedback from the Group's stakeholders. Please share your feedback to general@linkholdingslimited.com should you have any opinions or suggestions about this Report and the Group's sustainability performance.

LINK SUCCESS WITH SUSTAINABILITY APPROACH

The Group embraces sustainability in operation and planning as long-term success relies on a competitive business strategy and positive relationship with stakeholders. These can only be achieved through taking stakeholders' matters of interest into account while making business decisions. Hence the Group is committed to integrating sustainability in the operation and business strategy while continuing to provide outstanding and safe service to valuable guest and sustain a strong bond with different stakeholders.

As a responsible corporate citizen, the Group has formulated different policies to manage different Sustainability-related issues which include safety and service quality, environmental protection and resource conservation, product quality and responsibility, labour practices, occupational health and safety and supply chain management, to provide a clear guidance for the Group's operations as well as the Group's business partners to fully embrace the value of sustainability within daily operation. The details of policies and associated corporate responsible measures being adopted together with the Group's sustainability performances in each subject area are reported in the corresponding sections.

LINK THE GROUP'S STAKEHOLDERS THROUGH ENGAGEMENT

The Group values its stakeholder as comments and expectations of stakeholders are deciding factor of the Group's success in the long run. To collect feedback from and understand the matters of interests of valuable stakeholders, the Group proactively communicate, both formally and informally as listed below, with stakeholders through different communication channels to strengthen the connection.

Stakeholder	Communication Channels	Matters of Interest
Hotel Guest	Feedback card E-mail Front desk Customer service	Comfort and service Safety Price attractiveness Proximity to tourist attraction
Employees	Briefing and meeting Internal E-mail Staff notice board Employee events	Workplace health and safety Benefits and renumerations Training and opportunities Team cohesiveness
Government	Meeting Site visit	Heritage and culture conservation Value benefiting Singapore tourism Profitability
Local Community	E-mail Service hotline	Economic and job opportunities Noise and other potential Impact
Supplier	E-mail Consultation and meeting	Stable and positive relationship Competitive price offering
Tenants	E-mail Site Visit and meeting	Business volume Discounts and vouchers offer
Booking Agents	E-mail and communication	Competitive price and discounts Relationship management
Investors & Shareholders	Annual report and general meeting Official website	Profitability Market positioning Competition from peers

The information collected throughout the stakeholder engagement process serves as an underlying basis for the structure of this Report and the Group's strategy for long term success. Continuous communication also enables the Group to furnish and sharpen the operation by identifying risks, opportunities, strengths and weakness associated with the Group's operation. Ongoing review over the stakeholder engagement process will be conducted to identify room of improvement for strengthen the bond between the Group and its valuable stakeholders.

LINK THE CULTURAL HERITAGE AND CONSERVATION

Link Hotel – the Cultural Heritage

Officially opened in 2007, Link Hotel serves as one of the biggest boutique hotels in Singapore, providing tourists a unique taste of the old Singapore and tour in one of the most historic public estate areas – Tiong Bahru. In addition, Link Hotel serves as a cultural ambassador in the region, being part of the collective memory of Singapore society.

The two blocks of Link Hotel, Lotus Block and Orchid Block were constructed in 1950s and provided accommodation to the increasing population at the time, while also witnessing the growth and prosperous development of Singapore. Conserving the unique planning and classic British public housing reddish style design, hence they are also known as "red flat", Link Hotel provides guests a comfortable and economic experience of living in the old Singapore.

Bird and Singapore – the Inspiration of Link Hotel

Bird singing is one of the well-known leisure activities for Chinese residents, especially in Tiong Bahru where it was known for a place for bird-lovers to share and interact with each other. Link Hotel is also located near the Bird Corner, where bird lovers and residents used to gather around and share the joy of the leisure activity. As one of the key cultural heritage, the interior design of the Link Hotel integrates the elements of Tiong Bahru's bird-singing tradition.

With the support of Tourism Board of Singapore, the Group is honored to organize the Singapore Bird Singing Competition each year, gathering all the bird lovers, local residents and tourists, to bring back the collective memory of the district as well as bird corner's former popularity.

With the mission to preserve the local tradition and cultures, the Group is committed to promote the tradition and culture of Singapore by providing a unique accommodation experience during the stay in Link Hotel. The Group will also strive to provide a place to residents who grow up in the region by associating with a sense of local inheritance.

Exploring Tiong Bahru – the Beginning of Singapore's Prosperity

Tiong Bahru estate, the oldest public housing estate in Singapore where Link Hotel locates, is a popular tourist destination as the district is a combination of traditional and modern buildings and culture where tourists can learn more about the old Singapore while being inspired by the renovated buildings showcasing the modern Singapore. As the Tiong Bahru district ambassador responsible for promoting the traditional and cultural Singapore, the Group is keen to promoting Tiong Bahru as a tourist attraction by providing comfortable accommodation to tourists from around the globe in one of the most iconic buildings in Tiong Bahru.

To explore the heritage-filled Tiong Bahru district, the Tiong Bahru Heritage Trail provides a decent walk around the district to understand and explore more about the cultural heritage. The Trail which takes around an hour to complete start with the Link Hotel. Simply start the journey after dropping down the luggage!

After a 5 minutes' walk from Link Hotel, you will arrive at the recently renovated Tiong Bahru market, which is another iconic landmark in the district. Retaining the classic design and original structure, the market is not only a place where residents can purchase foods and necessities, but also a canteen offering a great variety of delicious and economic Singaporean foods.

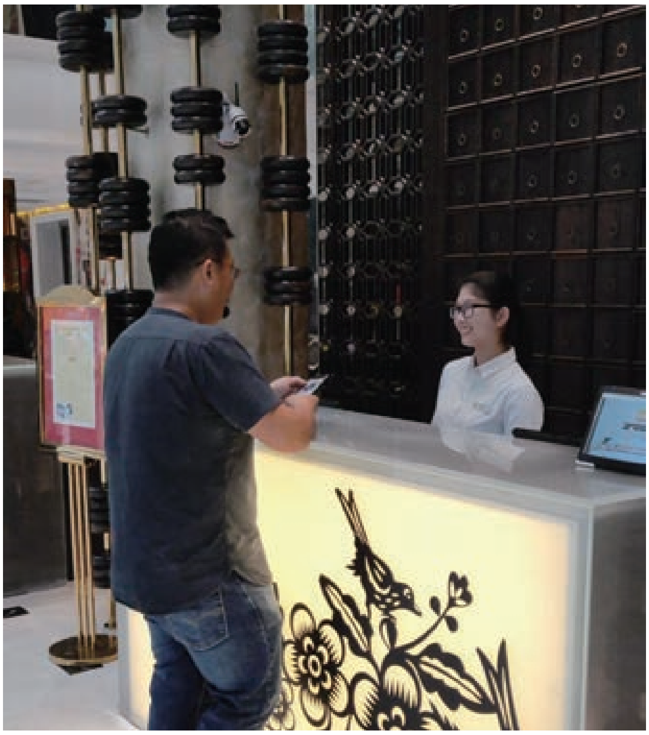
From the Market, you can explore the way of living for Singaporeans. You will be stunned by the variety of foods and goods available in the market. The tidiness and cleanliness of the food court and market will undoubtedly inspire you as a proof of the quality of Singaporeans!

After another 15 minutes' walk, Qi Tian Gong Temple, another icon in Tiong Bahru District where residents have long been worshiping and praying for good luck, will be in your reach. As a culture and history rich society, the Temple provides another glimpse of the traditional Chinese culture which has significantly influenced the Singapore society, in addition to the prosperous side of Singapore! As part of the traditional Chinese Offering an incense and a bow while passing by may bring you a bunch of fortune and luck!

After finishing the walk around Tiong Bahru district, paying a visit to the rooftop bar in Link Hotel will provide you a different perspective to appreciate the elegant District. The Rooftop bar is also filled with traditional Chinese culture decoration, providing visitors a decent and unique leisure time. Indulge yourself in the Rooftop bar decorated with cultural and historic Chinese interiors with the stunning night view of the District.

OUR STAFF – THE LINK BETWEEN GUESTS AND SINGAPORE

In-Depth Singapore Journey begins with staff's Recommendation



Apart from the historic and cultural attractions offered in Tiong Bahru districts around Link Hotel, the modern and prosperous perspectives of the city are to be discovered.

Not sure what to do near Link Hotel? Feel free to engage Link Hotel's enthusiastic front desk staff and ask for advice! With their knowledge and experience benefited by trainings, Link Hotel's knowledgeable staff will be more than willing to share the recommendation with you to explore the dynamic city!

Journey begins with China Town – 15-minutes' walk away from Link Hotel. As one of the early settlements for Chinese people who immigrated to Singapore in early time, China Town is now renowned for the economic and tasty local Singapore foods with a great variety of souvenir shops around the streets. Walking along the colorful buildings under the traditional red lanterns, you may find some suitable souvenirs to share the joy in Singapore!

Don't miss out the Alley between the buildings! Be patient and walk slowly, you may be able to spot some fantastic arts and paintings, showcasing the history of the region!

Singapore is also known as a "Food Paradise" with all kinds of dishes available at attractive price. As recommended by frontdesk staff, chilli crab and cereal shrimp are the dishes that you cannot skip when you travel to Singapore. Consult the frontdesk staff for more recommendations to make the stay more comfortable and enjoyable.

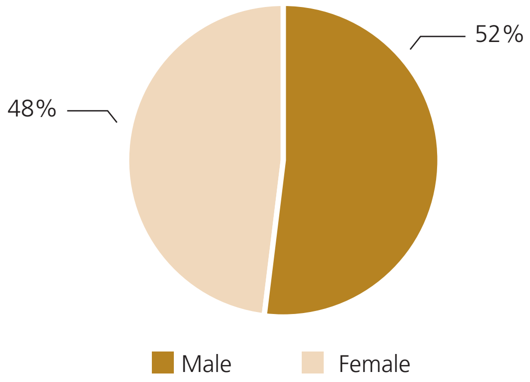
Professional Staff – the Essence of Your Comfortable Stay

The professional and sophisticated team of employees is undoubtedly the Group's greatest asset and the determining factor for providing a comfortable and home-like accommodation to its valuable guests. Adhering to the "People-oriented" business philosophy, the Group is committed to providing its staff a safe and harmonious working environment with attractive welfare and benefits, as well as sufficient training and development opportunities so as to attract and retain its committed team of professionals.

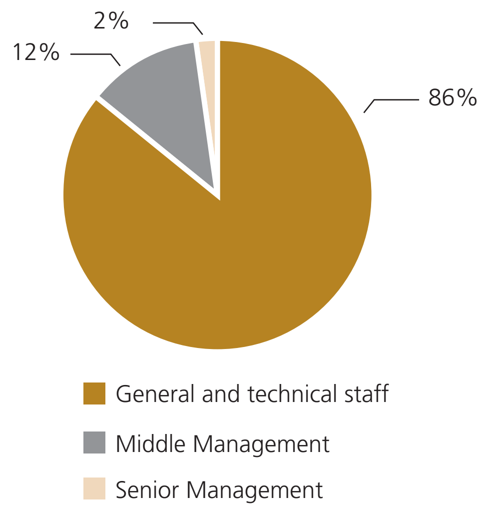
EQUAL EMPLOYER

To create a harmonious working environment where the staff can devote themselves, the Group is committed to promoting equal opportunity and maintaining a work environment that has no room for discrimination of any form, including sex, sexual orientation, race, color, religion, national origin, age, or disability as stated clearly in the Group's human resources policies, fair and transparent employment practices for recruitment, training, compensation, benefits and promotion are encouraged. To ensure staff receive fair treatment, the employment and dismissal policies and practices are established according to The Employment Act of Singapore and are stated clearly in the Employee Handbook.

Gender Diversity



Employee Diversity



To attract and retain the important talents for the success of the Group, attractive renumeration and benefit package in accordance to the requirement stated the Employment Act is provided while constant review will also be conducted to compare with peers in the industry.

Training and Development

Nurturing talent is the core to the Group's sustainable and long-term oriented development, which is also the key to the Group's strength in the increasingly competitive market. A sound and solid training and development system is also important to attract and retain treasurable talents. To unleash the potential of and enhance the performance of talents, the Group attaches paramount importance to the personal development of its staff by providing continuous and all round job-related specific trainings for employees at all levels actively.

Total **157.25 hours**

of training hours are provided

for employees.

Percentage of Male Employees trained in 2018:

95.5%

Percentage of Female Employees trained in 2018:

100%

For new joiners, the Group would organize a thorough orientation training before work commencement to familiar themselves with new working environment, their role and routine process. After the job is commenced, regular on-the-job trainings will be provided to them to allow a more personal and first-hand exposure to details of the job. The more experienced staff including the supervisors, managers and department managers will conduct trainings and share their personal experience on service attitude, teamwork, operational-related skills, hygiene, grooming and telephone-answering skills to ensure the new joiners are able to consistently provide high level service.

To furnish the ability the staff and develop a more comprehensive understanding on how to provide an all-round outstanding experience to the Group's guest, different on-job trainings will be offered to staff who have joined the Group for some time. Meanwhile, on-job training aiming to improve service quality continuously is also provided to ensure top-of-class service is delivered to clients all the time. Job rotation to different department is available for staff to learn more about different components for a remarkable hospitality. In addition, external trainings such as Singapore Workforce Skills Qualifications (WSQ), are also available to staff so as to enhance their capabilities, productivity, and growth.

To review staff performance regularly, the Group adopts the Performance Appraisal system where supervisors will appraise the staff according to the performance and feedbacks from guests and other colleagues. Based on the review, supervisors can provide personal advice on how to improve overall performance so as to enhance competitiveness. The appraisal result will also be used as reference for promotion.

Stated in the Employee Handbook, the promotion policy outlines the opportunities for job promotion. Through opportunities including internal promotion, job rotation, changes of positions, staff can fully utilize their own ability and potential so as to strengthen the Group's competitiveness. The promotion policy also ensures that add decision will be made fairly and unbiasedly.

OCCUPATIONAL HEALTH & SAFETY

Occupational health and safety is material to the Group to retain talents. The Group is committed to creating a health and safety hazard free working environment through taking precautionary and mitigating effort. To identify potential risk in different procedures of work, the department managers will conduct risk assessment regularly to comprehensively assess the different work procedures and identity areas of risk. In addition, the managers will also discuss with frontline staff to understand the difficulties and risks that staff may encounter.

The assessment result will be used as the basis for follow-up actions where further instructions will be given to staff involved in the procedure about the additional measures to be taken to minimize the risk and prevent any injury related to operation. For employees who are exposed to occupation health and safety risk, personal protective equipment such as safety shoes and gloves is required to be wore according to the guidance. During the Reporting Period, there were no fatalities among our employee.

WORK LIFE BALANCE

Work life balance is key to a sustainable and healthy workforce that would commit to the Group. Hence, the Group invests in providing a workplace that embrace employee's well-being and work-life balance is promoted.

The schedule of work is assigned in accordance to Singapore Employment Act with the official working hours per week is 44 hours and one rest day every week. Overtime work can only take place with prior approval from the head of the department while corresponding compensation will be provided in accordance to the provision of the Employment Act. Staff are also entitled to different leaves including statutory holidays, paid annual leave, marriage leave, maternity leave, childcare leave, examination leave, compassionate leave and paternity leave to strike a better balance.

Moreover, the Group also values the health of our staff. Medical insurance is provided to the Group's staff with comprehensive coverage and protection. Specialist-run health talks are also held to provide information and updates related to occupation health. Regular exercise is critical to a healthy lifestyle; hence the staff are entitled to use the gym facilities in the hotel after work hours. The Group also provides free night transport to all employees who begin or finish work between 12:00am and 6:00am.

Strengthening the bond between staff is also an important mission for the Group. Different special festival activities will be organized regularly as a social function for staff to take a break and mingle with other staff. The Group also organizes "Birthday Baby" activities to share the Group's blessing for staff having their birthday in that month.

AVOID CHILD AND FORCED LABOUR

Complying with the Employment Act, the Group strictly prohibits the employment of child labour and forced labour. The Human Resources team serves as the first line of defense through verifying applicants identity documents during the recruitment process to ensure applicants are eligible to work. Regular inspection will also be conducted to ensure no forced or child labour is employed. All suppliers are required to comply with corresponding laws and regulations and avoid employing child and forced labour.

If any suspicious case of child labour or forced labour is noticed with evidence among any suppliers, the Group will take immediate actions by first contacting official departments including the police to protect the right and well-being of the affected persons. Internal discussion with General Manager will be conducted to review and evaluate the contract with the involved suppliers. Non-compliance with relevant laws and regulation may result in termination of contract. During the Reporting Period, no case of child or forced labour is found.

COMFORTABLE AND SAFE ACCOMMODATION

Home Away from Home

Outstanding service quality is critical to Link Hotel's long-term competitiveness and sustainable success and the Group strives to improve and furnish its service to satisfy the valuable guests. The Group differentiates itself by embracing the vision of providing its guests services that feel like "Home Away from Home" by treating valuable guests as family. To make the accommodation experience like home, staff will provide assistance to customers proactively. Apart from providing customised travelling recommendations for guests, staff can also provide catering and storage service upon request. The Group strives to provide top-of-class service to guests with close eyes into details and needs while on-going trainings will be provided to staff to ensure familiarity with the service procedure and standards to be delivered.

In addition, the Group has also established grooming standards for staff that provides a clear guidance on how to perform job duty and provide outstanding service to create a home-like feeling to its guests. The grooming standards include personal hygiene and appearance, smiling and greeting whenever meeting guests in hotel area to create a comfortable and warm stay.

Through proactively communicate with guests like placing the "We Care" Card in every guest room and other communication channels, the Group is to understand guest's needs and expectations to identify areas of improvement. Guest can also provide feedback on staff performance at front desk. All comments will be further handled by the supervisors hence follow-up actions could be taken if necessary.

Guest Safety

Our guest's safety and comfort are of paramount importance to the Group as being one of the most material issues for the Group and its stakeholders. Hence the Group is devoted to providing its guests a safe stay in Singapore.

To protect the safety of our guests and minimize the risk and impact, smoke detectors, automatic sprinkler system and fire extinguishers are installed in accordance to "Fire Safety Act" in Singapore. Meanwhile, regular check and maintenance of the fire and safety equipment is also conducted to ensure the equipment is available in any case of emergency. To ensure all staff are ready to provide assistance in any emergency situation, fire evacuation drill is conducted regularly to allow immediate response from staff.

Privacy Protection

In addition to physical safety, the Group is also committed to protecting customer privacy. Adhering to "Personal Data Protection Act", the Group ensures appropriate technical measures are in place throughout data collection, processing and use of guest's confidential personal data to protect personal data against unauthorized use or access. The guest's confidential personal data is securely kept and can only be accessed by authorized personnel. To increase staff's awareness of protecting confidential data, the Group also provides relevant training to ensure the staff is aware of the requirement.

LINK THE SUSTAINABLE AND RESPONSIBLE OPERATION

Supply Chain Management

To comprehensively improve the Group's sustainability performance, the Group will work beyond on-site operation with its suppliers to enhance the overall performance over the entire value chain of the Group's business. To ensure its suppliers share the same ethical and environmental standard, the Group requires supplier to sign the Supplier Code of Conduct before signing the contract. The Supplier Code of Conducts lists out the Group's expectation and requirement over different aspects including fair and equal employment, environment and compliance issues. Review over supplier's performance would be conducted to ensure the supplier meets the requirement stated in the Supplier Code of Conduct.

To ensure the product the Group procures are environmentally friendly with the environmental impact considered, the Group established a Sustainable Procurement Policy providing guidance while making procurement decision. Different factors, including the price, after-sale service and support, maintenance requirement, packaging materials, will be reviewed during the supplier selection process. Preference will be given to suppliers who have a sound and all-round sustainability or/and quality management system that enables the suppliers to systematically analyze and assess the environmental and social factors.

Anti-corruption

Business integrity is vital to the Group's sustainable growth and development. The Employee Handbook outlines the importance for the employee to embrace and practice integrity in daily operation. In order to establish an ethical corporate culture and practices, the Group has established policies and procedures for preventing corruption and bribery. Disciplinary Procedure has listed the reporting and investigation procedures if any suspectable case is found. Regular review and update over the policies and procedures are conducted to ensure appropriateness and compliance with the law.

During the Reporting Year, there was no concluded legal cases regarding corrupt practices brought against the Group or employees.

LINK THE ENVIRONMENT AND OUR BUSINESS

As a responsible corporation, we care about the future of our next generations, especially when environmental concern is gaining more attention worldwide. Outlined in the Group's environmental policy covering a wide range of environmental responsibilities, including energy conservation, waste reduction and environmental preservation, the Group strives to minimize environmental impact by continuously review its operation and identify potential room of improvement. The Group has been in strict compliance with the relevant environmental laws and regulations, such as National Environment Agency Act (Cap. 195) and Environmental Protection and Management Act (Cap. 94A).

Emissions and waste

Air Emissions	2018	2017
Nitrogen Oxides (NOx)	**0.49 kg**	1.04 kg
Sulphur Oxides (SOx)	**0.01 kg**	0.02 kg
Particulate Matter (PM)	**0.04 kg**	0.08 kg

The reduction in air emissions, including Nitrogen Oxides (NOx), Sulphur Oxides (SOx) and Particulate Matter (PM) can be attributed to the cancellation of shuttle bus service during the Reporting Period.

The major source of emission is the use of vehicle and electricity consumption. Management carried out a thorough check in the process of hotel operations and controlled its emissions in line with relevant laws and regulations with the aim to minimize the environmental impact.

	Total Greenhouses Gases Emission (Scope 1 & Scope 2)
2018	**975 tonnes**
2017	1,105 tonnes

For non-hazardous waste including waste from supplies, general refuse generated in operation, a qualified recycling agency is commissioned to handle recyclable wastes. To comply with the Environmental Public Health Act, all the refuse is disposed within the bin and the bin lid is fully covered at all time. The contractor will also monitor the waste output regularly and advise the number of recycling bins needed so as to comply with the requirement of National Environment Agency.

	Total Non-Hazardous Waste Produced
2018	**178 tonnes**
2017	150 tonnes

Resource Conservation

To further minimize the Group's environmental impact from its operation, the Group devotes to identify opportunities to efficiently use resources, including water, electricity, while and to reduce the amount of waste generated through embracing the principles of recycling and waste reduction.

Air conditioning and lighting are the main contributors to the Group's carbon footprint and energy consumption. To minimize the environmental impact, the Group sets up environmental initiatives to optimize resource conservation including:

- Setting the default air-conditioning temperatures at between 25 and 27°C in summer
- Employing remote energy-saving tuning service to reduce energy spent
- Placing green cards in the guestrooms to inform guests that the hotel will only change towels and bedsheets upon request to reduce the amount of water consumed
- Installing motion sensor on LED stair lights to optimize energy use

	Total Energy Consumption
2018	**2,327 MWh**
2017	2,608 MWh

	Total Water Consumption
2018	**19,910m^3**
2017	16,474m^3

To help conserve the environment, the Group implement the following green practices:

- Encouraging the use of recycled paper if printing and copying is necessary
- Utilizing the use of electronic communications and Office Administration System to minimize the paper usage
- E-Confirmation with guest reservation whenever possible
- Switching off all air-conditioning, lights and electrical appliances in any unoccupied rooms during non-office hour
- Preference will be given to electrical appliances that have energy efficiency label and are efficient

Environmental KPI Summary

	2018	2017	units
Air Emissions			
Nitrogen Oxides (NOx)	0.49	1.04	kg
Sulphur Oxides (SOx)	0.01	0.02	kg
Particulate Matter (PM)	0.04	0.08	kg
Greenhouse Gas Emissions			
Total GHG Emission	974.63	1105.21	tonnes of CO2e
Direct (Scope 1)	2.25	3.88	tonnes of CO2e
Indirect (Scope 2)	972.38	1,101.33	tonnes of CO2e
Total GHG Emission Intensity (Scope 1 & Scope 2)	0.10	0.11	tonnes of CO2e/m^2
Energy			
Total Energy Consumption	2,327.33	2,608.39	MWh
Purchased Electricity	2,319.61	2,595.03	MWh
Unleaded Petrol	7.72	13.36	MWh
Energy Consumption Intensity	0.22	0.25	MWh/m^2
Water			
Total water consumption	19,910.20	16,474.00	m^3
Water consumption Intensity	1.94	1.61	m^3/m^2
Waste[1 2]			
Total non-hazardous waste generated	178.08	151.71	tonnes
Total non-hazardous waste disposed	176.50	151.34	tonnes
Total non-hazardous waste recycled	1.58	0.37	tonnes
Total non-hazardous waste generated Intensity	0.02	0.02	tonnes/m^2

1 Due to the business nature, the Group is not aware of any significant generation of hazardous waste.
2 Due to the business nature, the Group is not aware of any significant generation of packaging material.

SEHK ESG REPORTING GUIDE CONTENT INDEX

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</table>

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 2018, the Board comprised nine Directors, including three executive Directors, three non-executive Directors ("NEDs") and three independent non-executive Directors ("INEDs").

During the period from 1 January 2018 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 nine Directors, including three executive Directors, three NEDs and three INEDs. The list of all Directors and the aforesaid changes are set out below:

Executive Directors

Mr. Ngan Iek *(Chairman)*
Datuk Siew Pek Tho
Mr. Chen Changzheng

Non-executive Directors

Ms. Ngan Iek Peng
Ms. Feng Xiaoying (resigned on 30 July 2018)
Mr. Chen Guogang (resigned on 31 August 2018)
Mr. Luo Guorong (appointed on 8 January 2019)
Ms. Zhang Shuo (appointed on 8 January 2019)

Independent non-executive Directors

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

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

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

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.

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 intervals. Between scheduled meetings, senior management of the Company from time to time meets with Directors to discuss the businesses of the Company. In addition, Directors have full access to information on the Group and independent professional advice whenever deemed necessary by the Directors.

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

	Attendance (for Board meetings)	Attendance (for general meetings)
Executive Directors		
Mr. Ngan Iek	4/4	1/1
Datuk Siew Pek Tho	4/4	1/1
Mr. Chen Changzheng	4/4	1/1
Non-executive Directors		
Ms. Ngan Iek Peng	4/4	1/1
Ms. Feng Xiaoying (resigned on 30 July 2018)	2/4	1/1
Mr. Chen Guogang (resigned on 31 August 2018)	3/4	1/1
Mr. Luo Guorong (appointed on 8 January 2019)	N/A	N/A
Ms. Zhang Shuo (appointed on 8 January 2019)	N/A	N/A
Independent non-executive Directors		
Mr. Chan So Kuen	4/4	1/1
Mr. Lai Yang Chau, Eugene	4/4	1/1
Mr. Thng Bock Cheng John	4/4	1/1

Biographical details of the Directors are set out in the section of "Biographical Details of Directors" on pages 40 to 42. Mr. Ngan Iek, the chairman and executive Director of the Company, is the elder brother of Ms. Ngan Iek Peng, a 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 2018, the Company did not have an officer with the title of chief executive officer. The duties of the chief executive officer have been undertaken by the members of the Board. The Board considers that this structure will not impair the balance of power and authority of the Board. It currently comprises three executive Directors, three NEDs and three INEDs.

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

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 2018 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 INEDs.

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 INEDs; 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 limit 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 2018 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.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

Risk Management Structure

Board of directors

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

Audit Committee

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

Management

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

Independent internal control consultant and auditors

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

Risk Management Process

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

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

Main features of our risk management and internal control systems

Maintain an effective internal control system (operational level)

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

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

On-going risk monitoring (risk management level)

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

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

Independent review

The Group has appointed the IC consultant to conduct an internal control review[1] for the Year, the scope of review has covered the period from 1 January 2018 to 31 December 2018. An internal control review report has been provided to Audit Committee.

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

EXTERNAL AUDITOR'S REMUNERATION

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

The fees charged by the external auditor of the Company in respect of audit services and non-auditing services for the Year amounted to approximately HK$1.08 million (2017: approximately HK$0.98 million) and approximately HK$0.39 million (2017: approximately HK$0.44 million) respectively. The non-audit services included interim review and due diligence service.

COMPANY SECRETARY

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

Our company secretary, Mr. Lau Tak Shing undertook over 15 hours of professional training to update his skills and knowledge for the Year.

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

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 or by fax at (852) 2180 7460.

INVESTOR RELATIONS

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

EXECUTIVE DIRECTORS

Mr. Ngan Iek (顏奕先生) ("Mr. Ngan"), aged 46, was appointed as a Director on 15 May 2012. He was subsequently redesignated as a non-executive Director and was appointed as the chairman of our Company on 24 February 2014. Further on 2 March 2016, he was redesignated as an executive Director. He is one of the founders of the Group. He is responsible for formulating development strategies and overseeing the overall business of the Group. He is also a member of the Remuneration Committee and the chairman of the Nomination and Corporate Governance Committee. He obtained a Bachelor of Business degree from University of New England in Australia in March 1997.

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

Datuk Siew Pek Tho (拿督蕭柏濤) ("Datuk Siew"), aged 46, was appointed as an executive Director on 24 February 2014. Datuk Siew is also the compliance officer and one of the authorised representatives of our Company. He is responsible for overseeing financial management and managing investment projects of the Group. Datuk Siew obtained a Bachelor of Business and a Master of Business in Accounting from the University of Technology, Sydney in Australia in September 1995 and May 1998 respectively. He obtained the certificate of membership from The Institute of Chartered Accountants in Australia in January 1998. Datuk Siew is the brother-in-law of Mr. Ngan Iek, the chairman and executive Director and Ms. Ngan Iek Peng, a non-executive Director.

Mr. Chen Changzheng (陳長征先生) ("Mr. Chen"), aged 50, was appointed as an executive Director on 24 February 2014. He is responsible for overseeing overall administration, strategic planning and business development of the Group and supervising in the day-to-day management of the 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 the senior management.

NON-EXECUTIVE DIRECTORS

Ms. Ngan Iek Peng (顏奕萍女士), aged 41, was appointed as a non-executive Director on 24 February 2014. She is one of the founders of the Group. She is responsible for providing consultation to the Group in respect of the 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, an executive Director, and Ms. Ngan Iek Chan, the spouse of Datuk Siew Pek Tho, an executive Director; and (ii) the sister-in-law of Datuk Siew Pek Tho.

Mr. Luo Guorong (羅國榮先生) ("Mr. Luo"), aged 42, was appointed as a non-executive Director on 8 January 2019. He obtained his Bachelor degree in accountancy from the School of Management of the Wuhan University of Technology in the PRC in 1999. Mr. Luo graduated from Xiamen University with a Master and a Doctor degree in Accounting in 2002 and 2005 respectively. Mr. Luo is a Certified Public Accountant of China and a non-practicing member of the Chinese Institute of Certified Public Accountants. Mr. Luo is currently the director of investment management department of China Minsheng Asia Asset Management Company Limited# (中民投亞洲資產管理有限公司, "CMI Asia"). Prior to his current position, he worked in China Minsheng Investment Corporation Limited# (中國民生投資股份有限公司), China Everbright Bank and the China Banking Regulatory Commission. Since March 2019, Mr. Luo has been a non-executive director of China HealthCare Group Limited (stock code: 383), a company whose shares are listed on the Main Board of the Stock Exchange.

Ms. Zhang Shuo (張碩女士) ("Ms. Zhang"), aged 32, was appointed as a non-executive Director on 8 January 2019. She obtained her Bachelor of Laws degree from the East China Normal University (華東師範大學) in the PRC in 2009 and a Master of Laws degree from the Xiamen University (廈門大學) in the PRC in 2012. Ms. Zhang is currently a senior counsel of CMI Asia. Prior to joining CMI Asia in 2007, Ms. Zhang was a solicitor in JunHe LLP and she possesses extensive legal and compliance experience in corporate investment and financing, asset restructure, cross-border mergers and acquisitions, foreign investment, fund establishment and operation. Since February 2019, Ms. Zhang has been an executive director of New Universe Environmental Group Limited (stock code: 438), a company whose shares are listed on the Main Board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Thng Bock Cheng John (湯木清先生) ("Mr. Thng"), aged 67, was appointed as an independent non-executive Director on 20 June 2014. Mr. Thng worked for Hotel New Otani in Singapore from March 1984 to September 2004. His last position with Hotel New Otani was a general manager where he was responsible for (i) formulating, communicating and administering effective standards of internal control procedures to ensure best practices within the hotel; (ii) implementing policies for an effective operational overview of the hotel; and (iii) implementing divisional performance measurements as an effective management tool in the allocation of the resources of the hotel. From October 2004 to November 2010, he was employed by Rendezvous Hospitality Group Pte. Ltd., a subsidiary of Straits Trading Company in Singapore as the director 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 49, was appointed as an independent non-executive Director on 16 October 2014. He obtained a bachelor of laws degree from the University of Hong Kong in 1992, a master of laws degree on Chinese laws from Renmin University of China in 1998, and an EMBA-Global Asia degree conferred jointly by Columbia University, London Business School and the University of Hong Kong in 2012. He has also completed Senior Executive Program for China (class 2011), jointly organised by Harvard Business School, Tsinghua University and China Europe International Business School. Mr. Lai is currently a practicing solicitor in Hong Kong. He has experience in international corporate finance, cross border merger and acquisition, and securities laws in Hong Kong.

Mr. Lai is currently one of the joint company secretary of Sinopec Kantons Holdings Limited (stock code: 934), the company secretary of Strong Petrochemical Holdings Limited (stock code: 852), the company secretary of AB Builders Group Limited (stock code: 1615) and one of the joint company secretary of Hengxin Technology Ltd. (stock code: 1085) whose shares are listed on the main board of the Stock Exchange.

Mr. Chan So Kuen (陳素權先生) ("Mr. Chan"), aged 39, was appointed as an independent non-executive Director on 16 October 2014. He obtained his Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University in 2001. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has over 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. Since April 2017, Mr. Chan has been an independent non-executive director of Yangzhou Guangling District Taihe Rural Micro-finance Company Limited (stock code: 8252), a joint stock limited liability company established in the PRC whose H shares are currently listed on GEM.

COMPANY SECRETARY

Mr. Lau Tak Shing (劉德成先生) ("Mr. Lau"), aged 37, was appointed as the 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.

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 40 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 as at 31 December 2018 are set out in the consolidated financial statements on pages 56 to 58.

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

BUSINESS REVIEW

The business review of the Group for the Year is set out in the sections headed "Chairman's Statement" and "Management Discussion & Analysis" on page 3 and pages 4 to 10 of this annual report respectively.

RESERVES

Movements in the reserves for the year are set out in the consolidated statement of changes in equity on pages 59 to 60 of this report.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2018 calculated under the Company Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$444.2 million (2017: HK$470.5 million).

SHARE CAPITAL

Details of the movement in share capital of the Company during the Year is set out in note 33 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 32 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

Details of the movements in property, plant and equipment and prepaid lease payments during the Year are set out in notes 16 and 18 to the consolidated financial statements respectively.

INVESTMENT PROPERTIES

The Group has revalued its investment properties as at 31 December 2018. Details of movements during the Year are set out in note 17 to the consolidated financial statements.

INTEREST-BEARING BANK BORROWINGS

Details of the borrowings as at 31 December 2018 are set out in note 29 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 152 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 21% and 36% of the Group's turnover respectively. The Group's purchases from the largest suppliers and the five largest suppliers purchases accounted for 13% and 21% 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 *(Chairman)*
Datuk Siew Pek Tho
Mr. Chen Changzheng

Non-executive Directors

Ms. Ngan Iek Peng
Ms. Feng Xiaoying (resigned on 30 July 2018)
Mr. Chen Guogang (resigned on 31 August 2018)
Mr. Luo Guorong (appointed on 8 January 2019)
Ms. Zhang Shuo (appointed on 8 January 2019)

Independent Non-executive Directors

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

CONTRACTS, TRANSACTIONS AND ARRANGEMENTS OF SIGNIFICANCE

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

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

Save as disclosed above, no Director proposed for re-election at 2018 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 40 to 42 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 Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders unless otherwise required by the Stock Exchange.

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2018, the interests or short positions of the Directors in the shares, underlying shares or debentures of the Company and associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Charter 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register to be kept under which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which is required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which is required to 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 2018, 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 2018, 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%
China Minsheng Asia Assets Management Company Limited (Formerly known as Minsheng (Shanghai) Assets Management Company Limited# 中民投亞洲資產管理有限公司 (前稱民生（上海）資產管理有限公司) ("CMI Asia")	Interest of controlled corporation	690,000,000 *(Note 3)*	19.77%
China Minsheng Investment Corporation Limited# (中國民生投資股份有限公司) ("China Minsheng Investment")	Interest of controlled corporation	690,000,000 *(Note 3)*	19.77%
China Orient Asset Management Corporation ("China Orient")	Beneficial owner	310,000,000 *(Note 4)*	8.88%

Notes:

1. Vertic is a company beneficially owned as to 50% by Mr. Ngan Iek, 25% by Ms. Ngan Iek Chan and 25% by Ms. Ngan Iek Peng. Mr. Ngan Iek is the elder brother of Ms. Ngan Iek Chan and Ms. Ngan Iek Peng.

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

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

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

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

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

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

Save as disclosed above, as at 31 December 2018, 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 2018, so far as the Directors are aware, no person or company (not being a director or chief executive of the Company) had any interests and/or short positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO.

COMPETING INTEREST

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

SHARE OPTION SCHEME

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

Purpose

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

Participants

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

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

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

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

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

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

Total number of Shares available for issue

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

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

As at 31 December 2018, the outstanding number of options available for grant under the Share Option Scheme is 349,000,000 options to subscribe for Shares, representing 10% of the number of Shares in issue.

Maximum entitlement of each participants

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

Time of acceptance and exercise of an option

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

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

The subscription price

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

Life of the Share Option Scheme

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

MATERIAL RELATED PARTY TRANSACTIONS

Details of the related party transactions are disclosed in note 35 to the consolidated financial statements. None of these related party transactions constitute a discloseable connected transaction as defined under the GEM Listing Rules.

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 31 to 39 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 2018 AGM. A resolution to re-appoint BDO Limited and to authorise the Directors to fix its remuneration will be proposed at 2018 AGM.

On behalf of the Board

Ngan Iek
Chairman and Executive Director
Hong Kong, 29 March 2019

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

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

OPINION

We have audited the consolidated financial statements of Link Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 56 to 150, which comprise the consolidated statement of financial position as at 31 December 2018, 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 presents fairly, in all material respects, of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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.

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 hotel buildings and investment properties

Refer to notes 16 & 17 to the consolidated financial statements.

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

Our response:

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

– Assessing the objectivity and competency of the 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.

KEY AUDIT MATTERS (cont'd)

Impairment of interest in an associate

Refer to note 19 to the consolidated financial statements.

We identified the impairment review of interest in an associate as a key audit matter due to the significance of the Group's interest in an associate in the context of the Group's consolidated financial statements as a whole, combined with the judgements involved in management's impairment assessment of the interest in an associate.

The associate is principally engaged in tourist scenic spots operation, hospitality and catering services in Mainland China. The business performance of the associate was not as good as expected during the year and changes with an adverse effect have taken place in a scenic spot which the associate operates. It was considered as an impairment indicator of the interest in an associate.

Management estimated the recoverable amount of the interest in an associate, being higher of value in use or fair value less costs of disposal. The value in use is determined based on the discounted cash flows projections. Significant judgements are required to determine the key assumptions used in the discounted cash flow models, such as revenue growth, unit price and discount rate. Independent external valuer was also involved in certain value in use assessments, where management considered necessary. Based on the results of the impairment assessment, no impairment of interest in an associate is considered.

Our response:

Our principal audit procedures in assessing the management's judgement for the impairment assessment of the Group's interest in an associate included:

– Evaluating the competence, capabilities and objectivity of the independent external valuers;

– With the support of our in-house valuation expert, we assessed the appropriateness of the valuation methodology and the reasonableness of the key assumptions adopted in the cash flow projections;

– Assessing the reasonableness of key inputs and assumptions used by management in their discounted cash flows projection; and comparing cash flow projections to supporting evidence, and evaluation of the reasonableness with reference to the future prospects of the associate as well as our knowledge of the industry and business; and

– Performing sensitivity analysis on the key assumptions adopted in the impairment assessments to understand the impact of reasonable changes in assumptions on the estimated recoverable amounts.

Carrying value of purchased distressed debt assets classified as receivables

Refer to note 23 to the consolidated financial statements.

The carrying value of purchased distressed debt assets classified as receivables is mainly dependent on the forecast collections and the rate of return that determines the net realisable value of the distressed assets. We focussed on this area as a key audit matter due to amount involved being material; the inherent subjectivity of the key assumptions and the difficulties in reliably measuring these assumptions which included the estimated rate of return and forecast cash collections.

Our response:

Our principal audit procedures in relation to the carrying value of purchased distressed debt assets included:

– Testing the mathematical accuracy of the model used to calculate the carrying value of purchased distressed debt assets;

– Checking and validating the determined rate of return over the life of the distressed debt assets; and

– Assessing and challenging the key forward looking assumptions including forecast cash collections.

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.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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 directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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

Our 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 directors, 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, 29 March 2019

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Notes	Year ended 31 December 2018 HK$	2017 HK$
Revenue	7	**60,628,594**	66,017,970
Cost of sales		**(15,513,071)**	(17,420,382)
Gross profit		**45,115,523**	48,597,588
Other income	8	**3,551,575**	769,277
Other gains and losses	9	**(138,863)**	–
Selling expenses		**(2,197,330)**	(1,629,216)
Administrative expenses		**(40,880,624)**	(35,096,206)
Finance costs	10	**(8,221,511)**	(6,467,893)
Gain on changes in fair value of investment properties	17	**5,393,060**	2,137,386
Share of results of an associate	19	**(510,484)**	11,193,631
Profit before income tax expense	11	**2,111,346**	19,504,567
Income tax expense	13	**(5,164,118)**	(8,346,065)
(Loss)/profit for the year		**(3,052,772)**	11,158,502
Other comprehensive income/(expense) that will not be reclassified to profit or loss:			
Gain on revaluation of properties		**395,239**	4,625
Tax expense related to gain on revaluation of properties		**(67,191)**	(786)
Share of other comprehensive income of an associate		**977,670**	767,921
Other comprehensive (expense)/income that may be reclassified subsequently to profit or loss:			
Exchange difference on translating foreign operations		**(20,783,385)**	12,718,921
Loss on cash flow hedges		**(3,968,118)**	–
Other comprehensive (expense)/income for the year, net of tax		**(23,445,785)**	13,490,681
Total comprehensive (expense)/income for the year		**(26,498,557)**	24,649,183
(Loss)/profit attributable to:			
Owners of the Company		**(3,253,782)**	11,047,089
Non-controlling interests		**201,010**	111,413
		(3,052,772)	11,158,502
Total comprehensive (expense)/income attributable to:			
Owners of the Company		**(26,363,031)**	24,525,718
Non-controlling interests		**(135,526)**	123,465
		(26,498,557)	24,649,183
(Losses)/earnings per share	14		
– Basic (HK cents per share)		**(0.093)**	0.317
– Diluted (HK cents per share)		**(0.093)**	0.310

	Notes	At 31 December 2018 HK$	2017 HK$
Non-current assets			
Property, plant and equipment	16	**442,567,556**	270,592,920
Investment properties	17	**172,166,917**	171,116,397
Prepaid lease payments	18	**76,395,966**	79,587,028
Interest in an associate	19	**46,066,984**	48,102,571
Prepayments for construction	20	**3,108,892**	75,157,291
Deposits for acquisition of lands	21	**1,418,751**	5,839,482
Distressed debt assets classified as receivables	23	**41,654,350**	75,762,165
Total non-current assets		**783,379,416**	726,157,854
Current assets			
Hotel inventories	22	**167,975**	140,863
Distressed debt assets classified as receivables	23	**70,223,599**	52,495,298
Trade and other receivables	24	**8,049,478**	5,489,845
Amount due from an associate	19	**702,733**	22,458,524
Cash and cash equivalents	25	**165,255,807**	60,018,281
Total current assets		**244,399,592**	140,602,811
Current liabilities			
Trade and other payables	26	**76,434,943**	23,399,473
Obligations under finance lease	27	**171,159**	201,514
Amount due to a non-controlling shareholder of subsidiaries	28	**8,448,206**	8,485,210
Amount due to a director	28	**123,756,917**	119,154,366
Interest-bearing bank borrowings	29	**188,081,306**	83,983,124
Provision for taxation		**5,427,754**	5,720,586
Derivative financial instruments	31	**1,466,587**	–
Total current liabilities		**403,786,872**	240,944,273
Net current liabilities		**(159,387,280)**	(100,341,462)
Total assets less current liabilities		**623,992,136**	625,816,392

	Notes	At 31 December 2018 HK$	2017 HK$
Non-current liabilities			
Other payables	*26*	**8,132,163**	–
Obligations under finance lease	*27*	**308,219**	86,913
Interest-bearing bank borrowings	*29*	**120,797,387**	110,653,438
Deferred tax liabilities	*30*	**22,736,190**	21,358,875
Derivative financial instruments	*31*	**2,455,330**	–
Convertible bonds	*32*	**19,890,219**	17,546,020
Total non-current liabilities		**174,319,508**	149,645,246
Net assets		**449,672,628**	476,171,146
Equity			
Share capital	*33*	**3,490,000**	3,490,000
Reserves		**440,671,365**	467,034,396
		444,161,365	470,524,396
Non-controlling interests		**5,511,263**	5,646,750
Total equity		**449,672,628**	476,171,146

On behalf of the Board

Ngan Iek

Datuk Siew Pek Tho

	Attributable to owners of the Company										
	Share capital HK$	Share premium HK$ (Note a)	Hotel properties revaluation reserve HK$ (Note b)	Other reserve HK$ (Note c)	Translation reserve HK$ (Note d)	Convertible bonds reserve HK$ (Note e)	Hedging reserve HK$ (Note f)	Retained earnings HK$	Total HK$	Non-controlling interests HK$	Total equity HK$
At 1 January 2017	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
Profit for the year	–	–	–	–	–	–	–	11,047,089	11,047,089	111,413	11,158,502
Other comprehensive income/(expense)											
– Gain on revaluation of properties	–	–	4,625	–	–	–	–	–	4,625	–	4,625
– Tax expense related to gain on revaluation of properties	–	–	(786)	–	–	–	–	–	(786)	–	(786)
– Share of other comprehensive income of an associate	–	–	767,921	–	–	–	–	–	767,921	–	767,921
– Exchange differences arising on translation of foreign operations	–	–	–	–	12,706,869	–	–	–	12,706,869	12,052	12,718,921
Total comprehensive income for the year	–	–	771,760	–	12,706,869	–	–	11,047,089	24,525,718	123,465	24,649,183
At 31 December 2017 and 1 January 2018	**3,490,000**	**333,122,249**	**66,671,156**	**2,014,251**	**(17,343,534)**	**10,698,249**	**–**	**71,872,025**	**470,524,396**	**5,646,750**	**476,171,146**
(Loss)/profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,253,782)**	**(3,253,782)**	**201,010**	**(3,052,772)**
Other comprehensive income/(expense)											
– Gain on revaluation of properties	**–**	**–**	**395,239**	**–**	**–**	**–**	**–**	**–**	**395,239**	**–**	**395,239**
– Tax expense related to gain on revaluation of properties	**–**	**–**	**(67,191)**	**–**	**–**	**–**	**–**	**–**	**(67,191)**	**–**	**(67,191)**
– Share of other comprehensive income of an associate	**–**	**–**	**977,670**	**–**	**–**	**–**	**–**	**–**	**977,670**	**–**	**977,670**
– Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**(20,446,849)**	**–**	**–**	**–**	**(20,446,849)**	**(336,536)**	**(20,783,385)**
– Loss on cash flow hedges	**–**	**–**	**–**	**–**	**–**	**–**	**(3,968,118)**	**–**	**(3,968,118)**	**–**	**(3,968,118)**
Total comprehensive income/(expense) for the year	**–**	**–**	**1,305,718**	**–**	**(20,446,849)**	**–**	**(3,968,118)**	**(3,253,782)**	**(26,363,031)**	**(135,526)**	**(26,498,557)**
– Shares issued to a non-controlling shareholder in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**39**	**39**
At 31 December 2018	**3,490,000**	**333,122,249**	**67,976,874**	**2,014,251**	**(37,790,383)**	**10,698,249**	**(3,968,118)**	**68,618,243**	**444,161,365**	**5,511,263**	**449,672,628**

Notes:

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

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

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

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

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

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

	Notes	2018 HK$	2017 HK$
Cash flows from operating activities			
Profit before income tax expense		**2,111,346**	19,504,567
Adjustments for:			
Finance cost	10	**8,221,511**	6,467,893
Interest income	8	**(211,657)**	(39,436)
Depreciation of property, plant and equipment	11	**10,810,082**	11,127,667
Gain on disposal of property, plant and equipment	9	**(156,915)**	–
Write off of property, plant and equipment	9	**295,778**	–
Gain on changes in fair value of investment properties	17	**(5,393,060)**	(2,137,386)
Bad debt written off	11	**203,231**	11,638
Amortisation of prepaid lease payments	11	**1,589,774**	1,554,880
Share of results of an associate	19	**510,484**	(11,193,631)
Interest income arising from distressed debt assets	7	**(9,953,539)**	(17,170,802)
		8,027,035	8,125,390
Increase in hotel inventories		**(29,938)**	(35,257)
Cash receipts from distressed debt assets		**20,098,320**	2,305,879
Increase in trade and other receivables		**(2,742,645)**	(1,193,844)
(Decrease)/increase in trade and other payables		**(11,186,320)**	4,362,704
Net cash generated from operations		**14,166,452**	13,564,872
Income taxes paid		**(3,282,604)**	(284,144)
Net cash flows generated from operating activities		**10,883,848**	13,280,728
Cash flows from investing activities			
Interest received		**211,657**	39,436
Payments for purchases of property, plant and equipment		**(40,502,098)**	(39,692,931)
Proceeds from disposal of property, plant and equipment		**3,115,787**	–
Payments for acquisition of investment properties		**(382,939)**	–
Prepayments for construction		**(2,424,337)**	(4,643,020)
Deposits paid for acquisition of lands		**(1,671,577)**	–
Acquisition of distressed debt assets		**–**	(125,555,116)
Decrease/(increase) in amount due from an associate		**21,420,282**	(4,266,113)
Net cash used in investing activities		**(20,233,225)**	(174,117,744)

	Notes	2018 HK$	2017 HK$
Cash flows from financing activities			
Increase in amount due to a director		**6,406,685**	109,023,006
Repayment of finance lease obligation		**(267,705)**	(185,086)
Proceeds from borrowings		**145,586,473**	9,073,032
Repayment of borrowings		**(9,382,188)**	(31,201,290)
Decrease in amount due to a related company		**–**	(50,000,000)
Increase in amount due to a non-controlling shareholder of subsidiaries		**472,761**	–
Interest paid		**(10,865,253)**	(6,776,803)
Net cash generated from financing activities		**131,950,773**	29,932,859
Net increase/(decrease) in cash and cash equivalents		**122,601,396**	(130,904,157)
Cash and cash equivalents at beginning of year		**42,759,995**	174,437,460
Effect of exchange rate changes on cash and cash equivalents		**(105,584)**	(773,308)
Cash and cash equivalents at end of year		**165,255,807**	42,759,995
Analysis of the balance of cash and cash equivalents:			
Cash on hand and bank balances	*25*	**165,255,807**	60,018,281
Bank overdraft	*29*	**–**	(17,258,286)
		165,255,807	42,759,995

1. CORPORATE INFORMATION

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

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

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

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 40 to the consolidated financial statements.

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 29 March 2019.

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

(a) Adoption of new/revised IFRSs – effective 1 January 2018

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to IFRS 1, First-time adoption of International Financial Reporting Standards
Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to IAS 28, Investments in Associates and Joint Ventures
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 15	Revenue from Contracts with Customers (Clarifications to IFRS 15)
Amendments to IFRS 40	Transfers of Investment Property
IFRIC – Int 22	Foreign Currency Transactions and Advance Consideration

Annual Improvements to IFRSs 2014-2016 Cycle – Amendments to IFRS 1, First-time adoption of International Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

The adoption of these amendments has no impact on these financial statements as the periods to which the transition provision exemptions related have passed.

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

(a) Adoption of new/revised IFRSs – effective 1 January 2018 (cont'd)

Annual Improvements to IFRSs 2014-2016 Cycle – Amendments to IAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The adoption of these amendments has no impact on these financial statements as the Group is not a venture capital organisation.

Amendments to IFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

A. IFRS 9 – Financial Instruments

(i) Classification and measurement of financial instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of IFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the condensed consolidated interim 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. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of IFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the Group's classification and measurement of financial assets is set out below.

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

(a) Adoption of new/revised IFRSs – effective 1 January 2018 (cont'd)

A. IFRS 9 – Financial Instruments (cont'd)

(i) Classification and measurement of financial instruments (cont'd)

Under IFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with IFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under IFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under IFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

(a) Adoption of new/revised IFRSs – effective 1 January 2018 (cont'd)

A. *IFRS 9 – Financial Instruments (cont'd)*

(i) Classification and measurement of financial instruments (cont'd)

The transition to IFRS 9 did not have any material impact on the opening balance of retained earnings as of 1 January 2018.

The following accounting policies would be applied to the Group's financial assets as follows:

Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

The following table summarises the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Carrying amount as at 31 December 2017 under IAS 39 HK$	Carrying amount as at 1 January 2018 under IFRS 9 HK$
Distressed debt assets classified as receivables	Loans and receivables	Amortised cost	128,257,463	128,257,463
Trade and other receivables	Loans and receivables	Amortised cost	5,489,845	5,489,845
Amount due from an associate	Loans and receivables	Amortised cost	22,458,524	22,458,524
Cash and cash equivalents	Loans and receivables	Amortised cost	60,018,281	60,018,281

(ii) Impairment of financial assets

The adoption of IFRS 9 has changed the Group's impairment model by replacing the IAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". IFRS 9 requires the Group to recognised ECL for trade receivables, financial assets at amortised costs and contract assets earlier than IAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under IFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

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

(a) Adoption of new/revised IFRSs – effective 1 January 2018 (cont'd)

A. IFRS 9 – Financial Instruments (cont'd)

(ii) Impairment of financial assets (cont'd)

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

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

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 3 months past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 3 months past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investment at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the assets.

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

(a) Adoption of new/revised IFRSs – effective 1 January 2018 (cont'd)

A. *IFRS 9 – Financial Instruments (cont'd)*

(ii) Impairment of financial assets (cont'd)

Impact of the ECL model – Impairment of trade receivables and contract assets

As mentioned above, the Group applies the IFRS 9 simplified approach to measure ECLs which adopts a life time ECLs for all trade receivables and contract asset. To measure the ECLs, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets have substantially the same risk as the trade receivables. The loss allowance as at 1 January 2018 was determined as follows for trade receivables and contract assets as follows:

	Expected credit loss rate (%)	Gross carrying amount (HK$)	Loss allowance (HK$)
Current	–	968,277	–
With 1 months past due	3%	419,901	12,597
1 to 3 months past due	3%	66,595	1,998
3 to 12 months past due	7%	34,717	2,430
Total		1,489,490	17,025

Impact of the ECL model – Impairment of other receivables and amount due from an associate

The Group applies general approach to measure ECL on other receivables. The increase in ECL for other receivables upon the transaction to IFRS 9 as at 1 January 2018 was immaterial. Amount due from an associate are considered to be low credit risk when it has a low risk of default and the associate has a strong capacity to meet its contractual cash flow obligations in the near term.

Impact of the ECL model – Impairment of distressed debt asset classified as receivables

The Group shall only recognise the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for purchased credit-impaired financial assets. Favourable changes in lifetime ECLs are recognised as an impairment gain, even if the favourable changes are more than the amount, if any, previously recognised in profit or loss as impairment loss. The changes in economic and political environment has direct impact to the value and the liquidity of collateral. When assessing the lifetime ECLs, the changes in economic and political has been taken into account as a forward-looking factor. The Director concluded that the probability weighted result is immaterial to the Group.

Impact of the ECL model – cash and cash equivalent

Cash and cash equivalents are considered to have low credit risk. The loss allowances recognised were limited to 12 months ECLs and considered immaterial to the Group.

The Directors considered that the impairment under ECLs model for both trade receivables and contract assets as at 1 January 2018 is immaterial and no adjustment was made to the retained earnings as at 1 January 2018 (see note (iv) below for transitional provision).

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

(a) Adoption of new/revised IFRSs – effective 1 January 2018 (cont'd)

A. *IFRS 9 – Financial Instruments (cont'd)*

(iii) Hedge accounting

Hedge accounting under IFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships at 1 January 2018.

(iv) Transition

The Group has applied the transitional provision in IFRS 9 such that IFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018 if have. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

B. *IFRS 15 – Revenue from Contracts with Customers*

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. IFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted IFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

	IAS 18 carrying amount 31 Dec 2017 HK$	Reclassification HK$	IFRS 15 carrying amount 1 Jan 2018 HK$
Trade receivables	1,489,490	(61,369)	1,428,121
Contract assets	–	61,369	61,369
Receipt in advance	6,223,815	(218,862)	6,004,953
Contract liabilities	–	218,862	218,862

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below.

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

(a) Adoption of new/revised IFRSs – effective 1 January 2018 (cont'd)

B. IFRS 15 – Revenue from Contracts with Customers (cont'd)

(i) Hotel room services

The Group has determined that for contracts with hotel guests for the hotel room services, there may be one or two performance obligations, which include the provision of hotel room services and provision of free breakfast. For the hotel room services, the group has determined that the customers simultaneously receive and consume the benefits of the Group's performance and thus the group concludes that the service should be recognised overtime.

For the performance obligation related to the free breakfast, the Group determines that the customers obtain control of the breakfast when it was delivered to the customers. Revenue is thus recognised when the customers finished their breakfast. Invoices are issued when the hotel guests checked out and the payment was required to settle at the same time.

Uninvoiced amounts and the amounts receipt in advance regarding the hotel room services are presented as contract assets and contract liabilities respectively.

IFRS 15 did not result in significant impact on the Group's accounting policies. However, upon the adoption of IFRS 15, the Group has to make reclassification from trade receivables and receipt in advance to contract assets and contract liabilities respectively.

Contract assets recognised in relation to hotel room contracts were previously presented as part of trade and other receivables (HK$61,369 as at 1 January 2018).

Contract liabilities in relation to the Group's obligation to provide services to hotel guests for which the Group has received consideration from the hotel guests. The amount was previously presented as receipt in advance (HK$218,862 as at 1 January 2018).

(ii) Sales of food and beverage

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

IFRS 15 did not result in significant impact on the Group's account policies.

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

(a) Adoption of new/revised IFRSs – effective 1 January 2018 (cont'd)

Amendments IFRS 15 – Revenue from Contracts with Customers (Clarifications to IFRS 15)

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

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted IFRS 15 and took up the clarifications in this, its first year.

Amendments to IAS 40, Investment Property – Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

The adoption of these amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously assessed transfers.

IFRIC-Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

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. The Group's current intention is to apply these changes on the date they become effective.

IFRS 16	Leases[1]
IFRIC-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, Business Combinations[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 11, Joint Arrangements[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 12, Income Taxes[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 23, Borrowing Costs[1]
IFRS 17	Insurance Contracts[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

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.

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 16 – Leases (cont'd)

The Group plans to elect to use the modified retrospective approach for the adoption of IFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in note 36, at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to HK$449,820 for properties, the majority of which is payable either between 1 and 2 years after the reporting date. Upon the initial adoption of IFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted.

Amendments to IFRS 9 – Prepayment Features with Negative Compensation

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

Amendments to IAS 28

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

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

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

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

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

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

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

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)

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

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

IFRS 17 – Insurance Contracts

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

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

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

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

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

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

3. BASIS OF PREPARATION (cont'd)

(b) Basis of measurement (cont'd)

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

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

(c) Going concern assumption

At the end of reporting period, its current liabilities exceeded its current assets by HK$159,387,280. The consolidated financial statements have been prepared on a going concern basis as the Directors are confident that the Group will be able to meet its financial obligations as they fall due for twelve months from 31 December 2018, on the basis that (a) the Group has confidence that the application for the extension of the existing revolving loans of approximately HK$178 million will be approved and extended for more than twelve months; (b) the Director will not request the Group to repay the outstanding amount approximately HK$124 million until the Group is in a position to repay; (c) the Group's operations can generate sufficient cash flows for twelve months from 31 December 2018; and (d) the Group has available facilities up to approximately HK$73 million as at 31 December 2018.

Accordingly the Directors are of the opinion that, in the absence of unforeseen circumstances, the Group will have sufficient financial resources to finance its working capital requirements for the next twelve months from the reporting date and it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2018 on a going concern basis notwithstanding the net current liabilities position of the Group.

(d) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Business combination and basis of consolidation (cont'd)

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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Associates

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

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

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

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

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

(d) Property, plant and equipment

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

Buildings	60 years
Leasehold improvements	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.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Investment property

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

(f) Prepaid land lease payments

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

(g) Leasing

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

The Group as lessor

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

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

The Group as lessee

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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 (other than hotel buildings);
- interests in leasehold land held for own use under operating leases;
- investments in subsidiaries;
- interest in an associate;
- prepayments for construction; and
- hotel inventories.

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

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

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

(i) Financial Instruments (accounting policies applied from 1 January 2018)

(i) Financial assets

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Financial Instruments (accounting policies applied from 1 January 2018) (cont'd)

(i) Financial assets (cont'd)

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

Debt instruments

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

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

(ii) Impairment loss on financial assets

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Financial Instruments (accounting policies applied from 1 January 2018) (cont'd)

(ii) Impairment loss on financial assets (cont'd)

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

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

(iii) Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Financial Instruments (accounting policies applied from 1 January 2018) (cont'd)

(iii) Financial liabilities (cont'd)

Financial liabilities at amortised cost

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

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

(iv) Convertible bonds

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Financial Instruments (accounting policies applied from 1 January 2018) (cont'd)

(v) Effective interest method

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

(vi) Equity instruments

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

(vii) Derecognition

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

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

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

(j) Financial Instruments (accounting policies applied until 31 December 2017)

The group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the group's previous accounting policy.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Financial Instruments (accounting policies applied until 31 December 2017) (cont'd)

(i) Financial assets (cont'd)

Loans and receivables

These assets 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 debtors financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For 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.

(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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Financial Instruments (accounting policies applied until 31 December 2017) (cont'd)

(iv) Convertible bonds

Convertible loan notes issued by the Group 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 proceeds of the issue of the convertible loan notes 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 loan notes 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 loan notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible loan notes 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 loan notes 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 loan notes 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 loan notes using the effective interest method.

(v) Effective interest method

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

(vi) Equity instruments

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

(vii) Derecognition

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

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Financial Instruments (accounting policies applied until 31 December 2017) (cont'd)

(vii) Derecognition (cont'd)

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

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

(k) Derivatives and hedging activities

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

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions. The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 31. Movements in the hedging reserve in shareholders' equity are shown in note 31 to the consolidated financial statement. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Derivatives and hedging activities (cont'd)

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

(l) Inventories

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

(m) Cash and cash equivalents

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

(n) Revenue recognition (accounting policies applied from 1 January 2018)

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Revenue recognition (accounting policies applied from 1 January 2018) (cont'd)

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

Hotel room service

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

Sales of food and beverage

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

Rental income

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

Income from distressed debt assets

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

Interest income

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

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Revenue recognition (accounting policies applied until 31 December 2017)

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.

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

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.

(p) Contract assets and liabilities (accounting policies applied from 1 January 2018)

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

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

(q) Income tax

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Income tax (cont'd)

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

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

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

(r) Foreign currencies

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Foreign currencies (cont'd)

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

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

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

(s) Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution retirement plan

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

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Employee benefits (cont'd)

(iii) Termination benefits

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

(iv) Employee leave entitlements

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

(t) Share-based payments

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

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

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

(u) Capitalisation of borrowing costs

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

(v) Provisions and contingent liabilities

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

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(v) Provisions and contingent liabilities (cont'd)

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

(w) Government grants

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

(x) Related parties

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(x) Related parties (cont'd)

(b) (cont'd)

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

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

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

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

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

(a) Useful lives of property, plant and equipment

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

(b) Estimate of income and deferred tax provisions

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

(c) Provision for impairment of trade receivables

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

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

(d) Measurement of distressed debt assets classified as receivables

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

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

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

(e) Fair value measurement

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

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

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

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

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

(e) Fair value measurement (cont'd)

The Group measures a number of items at fair value:

- Hotel buildings (note 16);
- Investment properties (note 17); and
- Derivative financial instruments (note 31)

For more detailed information in relation to the fair value measurement of the items above, please refer to the note 42 (c).

(f) Impairment of interest in an associate

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

For investments where impairment indicators exist, management estimated the recoverable amounts of the investments, being higher of fair value less costs of disposal and value in use. The value in use of the underlying businesses is determined based on the discounted cash flow projections. Significant judgements are required to determine the key assumptions used in the discounted cash flow models, such as revenue growth, unit price and discount rates. Independent external valuers were also involved in the fair value and value in use assessments, where appropriate. Based on the result of the impairment assessment, impairment losses was recognised and details are set out in note 19.

(g) Impairment of non-financial assets

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

(h) Going concern and liquidity

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

6. OPERATING SEGMENT INFORMATION

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

– Operation of hotel business in Singapore, Indonesia and Japan

– Distressed debt asset management in PRC

(a) Reportable segments

Management assesses the performance of the operating segments based on the measure of segment results which represents the net of revenues, incomes and gains, costs and expenditures directly attributable to each operating segment. Central 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

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

6. OPERATING SEGMENT INFORMATION (cont'd)

(a) Reportable segments (cont'd)

Segment revenue and results (cont'd)

	Operation of hotel business			Distressed debt asset management	
	Singapore HK$	Indonesia HK$	Japan HK$	The PRC HK$	Total HK$
For the year ended 31 December 2017					
External Revenue	48,847,168	–	–	17,170,802	66,017,970
Segment profit/(loss)	2,271,235	1,814,181	(2,840,502)	15,958,959	17,203,873
Corporate income					
– Others					685
Central administrative cost					(8,823,622)
Corporate finance cost					(70,000)
Share of results of an associate					11,193,631
Profit before income tax expense					19,504,567

Segment results represents the profit/(loss) earned/(charged) by each segment without allocation of corporate income, which includes other income, corporate finance cost, share of results of an associate and central administrative cost. Central administrative cost mainly included legal and professional fees, 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 interest in an associate, a deposit for acquisition of lands in Malaysia, corporate's deposits and prepayments, corporate's property, plant and equipment and cash and cash equivalents.

	2018 HK$	2017 HK$
Operation of hotel business		
Singapore	**257,785,670**	273,772,128
Indonesia	**360,934,236**	291,616,753
Japan	**81,308,830**	40,207,191
Distressed debt asset management		
The PRC	**112,812,345**	150,756,580
Total segment assets	**812,841,081**	756,352,652
Unallocated	**214,937,927**	110,408,013
Consolidated assets	**1,027,779,008**	866,760,665

Segment liabilities

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

	2018 HK$	2017 HK$
Operation of hotel business		
Singapore	**339,698,272**	224,187,195
Indonesia	**81,629,143**	16,273,567
Japan	**10,255,272**	2,032,635
Distressed debt asset management		
The PRC	**1,059,599**	8,047,411
Total segment liabilities	**432,642,286**	250,540,808
Unallocated	**145,464,094**	140,048,711
Consolidated liabilities	**578,106,380**	390,589,519

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:

	Operation of hotel business			Distressed debt asset management		
	Singapore HK$	Indonesia HK$	Japan HK$	The PRC HK$	Unallocated HK$	Total HK$
For the year ended 31 December 2018						
Additions to property, plant and equipment	1,354,967	143,582,814	40,580,741	31,675	4,999,311	190,549,508
Write off of property, plant and equipment	(295,778)	–	–	–	–	(295,778)
Gain on disposal of property, plant and equipment	156,915	–	–	–	–	156,915
Depreciation of property, plant and equipment	(10,699,786)	–	–	(8,457)	(101,839)	(10,810,082)
Amortisation of prepaid lease payments	(1,480,609)	(109,165)	–	–	–	(1,589,774)
Gain on changes in fair value of investment properties	–	5,393,060	–	–	–	5,393,060
Interest income	–	204,806	10	–	6,841	211,657
Interest expenses	(8,020,477)	–	–	(201,034)	–	(8,221,511)

6. OPERATING SEGMENT INFORMATION (cont'd)

(a) Reportable segments (cont'd)

Other segment information (cont'd)

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

	Operation of hotel business			Distressed debt asset management		
	Singapore HK$	Indonesia HK$	Japan HK$	The PRC HK$	Unallocated HK$	Total HK$
For the year ended 31 December 2017						
Additions to property, plant and equipment	377,255	30,658,724	39,289,875	18,446	–	70,344,300
Depreciation of property, plant and equipment	(11,025,058)	–	–	(1,384)	(101,225)	(11,127,667)
Amortisation of prepaid lease payments	(1,439,424)	(115,456)	–	–	–	(1,554,880)
Gain on changes in fair value of investment properties	–	2,137,386	–	–	–	2,137,386
Interest income	6,370	33,052	12	–	2	39,436
Interest expenses	(6,397,893)	–	–	–	(70,000)	(6,467,893)

6. OPERATING SEGMENT INFORMATION (cont'd)

(b) Geographical information

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

	Non-current assets As at 31 December	
	2018	2017
	HK$	HK$
Operation of hotel business		
Singapore	**252,849,969**	271,140,218
Indonesia	**360,934,236**	291,616,753
Japan	**80,257,367**	39,269,324
Distressed debt asset management		
The PRC	**41,693,530**	75,779,939
Unallocated	**47,644,314**	48,351,620
	783,379,416	726,157,854

6. OPERATING SEGMENT INFORMATION (cont'd)

(c) Disaggregation of revenue

	Hotel business		Distressed debt asset management		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$	HK$	**HK$**	HK$	**HK$**	HK$
Primary geographical markets						
Singapore	**50,675,055**	48,847,168	**–**	–	**50,675,055**	48,847,168
PRC	**–**	–	**9,953,539**	17,170,802	**9,953,539**	17,170,802
Total	**50,675,055**	48,847,168	**9,953,539**	17,170,802	**60,628,594**	66,017,970
Major services and timing of revenue recognition						
At a point of time						
Sales of food and beverage	**3,337,927**	1,387,712	**–**	–	**3,337,927**	1,387,712
Others	**56,497**	67,134	**–**	–	**56,497**	67,134
Transferred over time						
Hotel room services	**39,820,959**	40,711,072	**–**	–	**39,820,959**	40,711,072
Others	**1,377,369**	1,035,334	**–**	–	**1,377,369**	1,035,334
Rental income from hotel properties *(note)*	**6,082,303**	5,645,916	**–**	–	**6,082,303**	5,645,916
Income from distressed debt assets classified as receivables *(note)*	**–**	–	**9,953,539**	17,170,802	**9,953,539**	17,170,802
	50,675,055	48,847,168	**9,953,539**	17,170,802	**60,628,594**	66,017,970

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

(d) Information about major customers

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

7. REVENUE

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

	Year ended 31 December	
	2018	2017
	HK$	HK$
Income from distressed debt assets classified as receivables	**33,336,005**	17,170,802
Less: modification loss *(note a)*	**(23,382,466)**	–
	9,953,539	17,170,802
Hotel room	**39,820,959**	40,711,072
Food and beverage	**3,337,927**	1,387,712
Rental income from hotel properties	**6,082,303**	5,645,916
Others *(note b)*	**1,433,866**	1,102,468
	60,628,594	66,017,970

Notes:

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

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

8. OTHER INCOME

Other income is analysed as follows:

	Year ended 31 December	
	2018	2017
	HK$	HK$
Insurance compensation income	**2,707,876**	159,087
Government grants *(note)*	**180,521**	155,477
Interest income from bank deposits	**211,657**	39,436
Others	**451,521**	415,277
	3,551,575	769,277

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. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2018	2017
	HK$	HK$
Gain on disposal of property, plant and equipment	**156,915**	–
Write off of property, plant and equipment	**(295,778)**	–
	(138,863)	–

10. FINANCE COSTS

	Year ended 31 December	
	2018	2017
	HK$	HK$
Interest on bank borrowings *(note a)*	**10,808,958**	5,719,330
Bank overdraft interest	**22,937**	965,616
Interest on loan from related parties	**–**	70,000
Finance lease interest	**30,840**	19,329
Convertible bonds *(note 32)*	**2,346,717**	2,070,186
Total interest expense on financial liabilities not at fair value through profit or loss	**13,209,452**	8,844,461
Less: amount capitalised *(note b)*	**(4,987,941)**	(2,376,568)
	8,221,511	6,467,893

Notes:

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

b. Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 3.41%(2017: 3.49%) to expenditure on qualifying assets.

11. PROFIT BEFORE INCOME TAX EXPENSE

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

	Year ended 31 December	
	2018	2017
	HK$	HK$
Staff costs (excluding directors' remuneration *(note 12(a))*)		
Wages and salaries	**17,724,128**	12,032,016
Short-term non-monetary benefits	**1,292,281**	1,133,596
Contributions to defined contribution plans	**1,960,455**	1,829,635
	20,976,864	14,995,247
Depreciation of property, plant and equipment		
(included in administrative expenses)		
– Owned	**10,513,797**	10,932,313
– Held under finance leases	**296,285**	195,354
	10,810,082	11,127,667
Amortisation of prepaid lease payments		
(included in administrative expenses)	**1,589,774**	1,554,880
Auditor's remuneration	**1,080,000**	980,000
Bad debt written off	**203,231**	11,638
Legal and professional fees	**5,027,048**	5,226,897
Singapore property taxes	**2,049,774**	2,360,963

12. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

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

	Year ended 31 December 2017											
	Ngan Iek HK$	Siew Pek Tho HK$	Chen Changzheng HK$	Ngan Iek Peng HK$	Thng Bock Cheng John HK$	Chan So Kuen HK$	Lai Yang Chau, Eugene HK$	Chen Guogang HK$ *(Note a)*	Feng Xiaoying HK$	Lu Nim Joel HK$ *(Note c)*	Liu Tianlin HK$ *(Note d)*	Total HK$
Fees	–	–	–	–	180,000	180,000	180,000	–	–	105,000	–	645,000
Salaries, allowances and benefits in kind	–	–	1,017,000	–	–	–	–	–	–	–	–	1,017,000
Contributions to defined contribution plans	–	–	81,360	–	–	–	–	–	–	–	–	81,360
Total	–	–	1,098,360	–	180,000	180,000	180,000	–	–	105,000	–	1,743,360

Notes:

a. Mr. Chen Guogang was appointed on 9 May 2017 and resigned on 31 August 2018.
b. Ms. Feng Xiaoying resigned on 30 July 2018.
c. Mr. Lu Nim Joel resigned on 31 July 2017.
d. Mr. Liu Tianlin resigned on 9 May 2017.

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

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

(b) Five highest paid employees

The five highest paid individuals whose emoluments were the highest in the Group for the year ended 31 December 2018 included 2 directors (2017: 1 director) and their emoluments are reflected in note 12(a). The emoluments of the remaining 3 highest paid individuals (2017: 4) for the year ended 31 December 2018 are as follows:

	Year ended 31 December	
	2018	2017
	HK$	HK$
Salaries, allowances and benefits in kind	**2,721,367**	2,129,410
Contributions to defined contribution plans	**18,000**	135,360
	2,739,367	2,264,770

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

	Year ended 31 December	
	2018	2017
Nil to HK$1,000,000	**3**	4

During the year ended 31 December 2018, 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 (2017: Nil). None of the directors, nor the five highest paid employees has waived or agreed to waive any emoluments during the year (2017: Nil).

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

	Year ended 31 December	
	2018	2017
Nil to HK$1,000,000	**5**	2

13. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2017: Nil).

Singapore corporate income tax has been provided on the estimated assessable profit arising in Singapore at the rate of 17% (2017: 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 (2017: 25%).

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

Subsidiary operating in Japan is subject to national corporate income tax, inhabitant tax, and enterprise tax (hereinafter collectively referred to as "Japan Profits Tax") in Japan, which, in aggregate, resulted in effective statutory income tax rates of approximately 23% for the year based on the existing legislation, interpretations and practices in respect thereof (2017: 23%). No provision for Japan Profits Tax has been provided as the Group has no estimate assessable profit arising in Japan for the year ended 31 December 2018.

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

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

	Year ended 31 December	
	2018	2017
	HK$	HK$
Current – Singapore Corporate Income Tax		
– Tax for the year	**(2,765,254)**	(2,314,983)
– Under provision in respect of prior years	**(355,988)**	(619,382)
Current – The PRC Enterprise Income Tax		
– Tax for the year	**–**	(1,810,989)
	(3,121,242)	(4,745,354)
Deferred tax *(note 30)*		
– Current year	**(2,042,876)**	(3,600,711)
Total income tax expense	**(5,164,118)**	(8,346,065)

13. INCOME TAX EXPENSE (cont'd)

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

	Year ended 31 December	
	2018	2017
	HK$	HK$
Profit before income tax expense	**2,111,346**	19,504,567
Tax at Singapore Corporate Income Tax rate of 17%	**(358,929)**	(3,315,776)
Effect of different tax rate of subsidiaries operating in other jurisdictions	**(739,492)**	(1,245,390)
Tax effect of expense not deductible for tax purpose	**(2,219,194)**	(5,399,097)
Tax effect of income not taxable for tax purpose	**19,523**	113
Tax effect of share of result of an associate	**(84,230)**	1,846,949
Effect of tax exemptions	**339,227**	250,963
Tax effect of deductible temporary differences not recognised	**(1,765,035)**	851,977
Tax effect of tax loss not recognised	**–**	(716,423)
Under provision in prior years	**(355,988)**	(619,381)
Income tax expense	**(5,164,118)**	(8,346,065)

At 31 December 2017, no deferred tax has been recognised in respect of unused tax losses of HK$2,833,500 due to the predictability of future profit streams. The unused tax loss can be carried forward indefinitely (2018: Nil).

14. (LOSSES)/EARNINGS PER SHARE

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

	2018 HK$	2017 HK$
(Losses)/earnings		
(Losses)/earnings for the purposes of basic (losses)/earnings per share	**(3,253,782)**	11,047,089
Interest expenses on convertible bonds	**–**	–
Earnings for the purposes of diluted earnings per share	**(3,253,782)**	11,047,089
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**3,490,000,000**	3,490,000,000
Effect of dilutive potential ordinary shares on convertible bonds	**N/A**	76,600,000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**3,490,000,000**	3,566,600,000

Ordinary shares are derived from 3,490,000,000 ordinary shares, being the number of shares in issue during the year ended 31 December 2018 (2017: 3,490,000,000 ordinary shares).

For the year ended 31 December 2018, diluted losses are the same as basic losses per share as the impact of the potential dilutive ordinary shares outstanding has an anti-dilutive effect on the basic losses per share (2017: diluted earnings per share assumed the conversion of the Company's outstanding convertible bonds since its conversion would result in a decrease in earnings per share).

15. DIVIDEND

The Directors do not recommend payment of final dividend for the year ended 31 December 2018 (2017: Nil).

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold lands	Hotel buildings	Leasehold improvements	Computer equipment	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Cost								
At 1 January 2017	–	122,341,497	77,589,256	3,529,944	18,109,738	2,066,946	3,856,657	227,494,038
Additions	9,837,169	–	–	263,026	58,423	74,252	60,111,430	70,344,300
Adjustment arising on revaluation	–	(2,648,621)	–	–	–	–	–	(2,648,621)
Exchange differences	(1,432)	11,159,537	7,038,357	331,151	1,646,944	191,126	(329,649)	20,036,034
At 31 December 2017 and 1 January 2018	9,835,737	130,852,413	84,627,613	4,124,121	19,815,105	2,332,324	63,638,438	315,225,751
Additions	–	–	228,752	62,604	293,023	1,059,561	188,905,568	190,549,508
Adjustment arising on revaluation	–	(2,211,440)	–	–	–	–	–	(2,211,440)
Disposal	–	–	–	–	(3,802,158)	(761,334)	–	(4,563,492)
Written off	–	–	(371,040)	–	–	–	–	(371,040)
Exchange differences	24,669	(2,301,693)	(1,479,411)	(74,001)	(306,976)	(41,203)	(1,612,728)	(5,791,343)
At 31 December 2018	**9,860,406**	**126,339,280**	**83,005,914**	**4,112,724**	**15,998,994**	**2,589,348**	**250,931,278**	**492,837,944**
Accumulated depreciation								
At 1 January 2017	–	–	19,521,818	2,680,209	9,669,452	925,444	–	32,796,923
Depreciation charge for the year	–	2,563,920	6,300,540	285,272	1,719,475	258,460	–	11,127,667
Write back on revaluation	–	(2,653,246)	–	–	–	–	–	(2,653,246)
Exchange differences	–	89,326	1,985,514	254,410	938,820	93,417	–	3,361,487
At 31 December 2017 and 1 January 2018	–	–	27,807,872	3,219,891	12,327,747	1,277,321	–	44,632,831
Depreciation charge for the year	–	2,637,373	6,240,826	305,221	1,265,467	361,195	–	10,810,082
Write back on revaluation	–	(2,606,679)	–	–	–	–	–	(2,606,679)
Disposal	–	–	–	–	(843,296)	(761,334)	–	(1,604,630)
Written off	–	–	(74,198)	(1,064)	–	–	–	(75,262)
Exchange differences	–	(30,694)	(556,173)	(60,241)	(221,030)	(17,816)	–	(885,954)
At 31 December 2018	**–**	**–**	**33,418,327**	**3,463,807**	**12,528,888**	**859,366**	**–**	**50,270,388**
Net book value								
At 31 December 2017	9,835,737	130,852,413	56,819,741	904,230	7,487,358	1,055,003	63,638,438	270,592,920
At 31 December 2018	**9,860,406**	**126,339,280**	**49,587,587**	**648,917**	**3,470,106**	**1,729,982**	**250,931,278**	**442,567,556**

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

As at 31 December 2018 and 31 December 2017, construction in progress includes all costs related to the construction of the resorts and amenities. The accumulated costs will be transferred to the appropriate property and equipment upon completion.

The Group's hotel buildings was valued on 31 December 2018 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$395,239 (2017: HK$4,625) net of applicable deferred income taxes of HK$67,191 (2017: HK$786) was credited to hotel properties revaluation reserve in the amount of approximately HK$328,048 (2017: HK$3,839). If the buildings had not been revalued, it would have been included in the consolidated financial statements at historical cost of HK$50,516,211 (2017: HK$52,474,488) as at 31 December 2018.

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

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

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

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

As at 31 December 2018, certain property, plant and equipment with net carrying amount of approximately HK$175,798,444 (2017: HK$187,458,114) were pledged to the bank for banking facilities granted to the Group (note 29).

The carrying amount of the Group's motor vehicle at the amount of HK$1,376,756 (2017: HK$880,925) is in respect of asset acquired under finance lease (note 27).

17. INVESTMENT PROPERTIES

	2018 HK$	2017 HK$
At 1 January (level 3 recurring fair value)	**171,116,397**	168,596,836
Transferred from deposits for acquisition of lands	**6,222,421**	–
Change in fair value	**5,393,060**	2,137,386
Exchange differences	**(10,564,961)**	382,175
At 31 December (level 3 recurring fair value)	**172,166,917**	171,116,397

During the years ended 31 December 2018 and 2017, there was no direct operating expenses arising from investment properties. As at 31 December 2018 and 2017, the Group had no unprovided contractual obligations for future repairs and maintenance.

The fair value of the Group's investment properties as at 31 December 2018 and 2017 has been arrived at on the basis of a valuation carried out by AVISTA Valuation Advisory Limited, independent qualified professional valuers not connected to the Group. They have relevant professional qualifications and recent experience in the location and category of the investment properties being valued. The valuations of the vacant parcels of land are determined based on direct comparison approach. Change in fair value of investment properties is recognised in line item "Gain on changes in fair value of investment properties" on the face of the consolidated statements of comprehensive income.

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

Significant unobservable inputs	**2018**	2017
Direct comparison approach (Level 3):		
Market unit rate with adjustment for property location, size, time, accessibility, surrounding environment and other relevant factors	**Range**	Range
– per square meter	**HK$245 – HK$367**	HK$248 – HK$374

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 2018, there were no transfers amongst Level 1, Level 2 and Level 3 in the fair value hierarchy (2017: 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 2018 and 2017.

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.

18. 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	
	2018	2017
	HK$	HK$
At 1 January	**79,587,028**	74,843,367
Amortisation *(note 11)*	**(1,589,774)**	(1,554,880)
Exchange differences	**(1,601,288)**	6,298,541
At 31 December	**76,395,966**	79,587,028

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 of (i) and (ii) are subject to the expiry of the government lease on 31 December 2066; and (iii) the lands located in Bintan Islands, Indonesia. The right of (iii) is subject to the expiry of the government lease in June 2044 and the Group has the option to extend for another 20 years.

19. INTEREST IN AN ASSOCIATE

	At 31 December	
	2018	2017
	HK$	HK$
Share of net assets of an associate	**41,430,587**	43,214,726
Goodwill	**4,636,397**	4,887,845
	46,066,984	48,102,571
Amount due from an associate *(note)*	**702,733**	22,458,524

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

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

19. INTEREST IN AN ASSOCIATE (cont'd)

Details of the major group companies in the associate as at 31 December 2018 are as follows:

Company names	Place of incorporation	Percentage of ownership interest held by the Group Direct %	Indirect %	Place of operation and principal activities
Zhuhai Shi Kang Ming De Enterprise Management Service Limited ("Kang Ming De")	The PRC	42.3	–	Investment holding and provision of hotel management services in the PRC
Guangxi Detian Travel Development Group Limited	The PRC	–	40.02	Tourist scenic spots waterfall sightseeing and hospitality and catering services in the PRC
Daxin Mingshi Travel Development Company Limited	The PRC	–	39.83 (2017: 39.75)	Tourist scenic spots bamboo raft adventure and hospitality and catering services in the PRC
Nanning Mingshi Travel Consulting Limited	The PRC	–	40.02	Inactive in the PRC
Daxin County Detian Travel Agency Limited	The PRC	–	40.02	Travel agency in the PRC
Daxin Minsu Hotel Management Limited	The PRC	–	40.02	Hospitality services in the PRC
Guangxi Zhenniu Electronic and Technology Limited	The PRC	–	40.02	Provision of travel services in the PRC
Daxiu Minshi Scenic Area Services Limited	The PRC	–	40.02	Inactive in the PRC

19. INTEREST IN AN ASSOCIATE (cont'd)

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

	At 31 December	
	2018	2017
	HK$	HK$
Non-current assets	**119,075,469**	119,898,809
Current assets	**62,630,883**	86,491,561
Current liabilities	**45,864,874**	91,280,966
Non-current liabilities	**33,843,076**	8,697,545
Net assets	**101,998,402**	106,411,859
Non-controlling interests	**4,053,752**	4,249,387
Group's share of the net assets of an associate (excluding non-controlling interests and other reconciliation items)	**41,430,587**	43,214,726
Included in above accounts are:		
– Cash and cash equivalents	**9,226,792**	14,477,410
– Current financial liabilities (excluding trade and other payables)	**12,727,393**	48,717,942
– Non-current liabilities (excluding other payables and provisions)	**22,779,043**	8,340,926

19. INTEREST IN AN ASSOCIATE (cont'd)

	For the year ended 31 December 2018 HK$	For the year ended 31 December 2017 HK$
Revenue	**61,224,919**	100,550,167
(Loss)/profit for the year	**(1,370,701)**	28,532,480
Share of (loss)/profit to non-controlling interests	**(163,883)**	2,069,996
Included in above accounts are:		
– Depreciation and amortisation	**14,159,654**	12,290,623
– Interest income	**574,456**	737,675
– Interest expenses	**1,773,117**	314,866
– Income tax expense	**2,482,870**	5,725,163
Group's share of results of the associate for the year (excluding non-controlling interests)	**(510,484)**	11,193,631

20. PREPAYMENTS FOR CONSTRUCTION

As at 31 December 2018 and 31 December 2017, the prepayments for construction is related to advances made under the construction contract related to development in Bintan Islands, Indonesia.

21. DEPOSITS FOR ACQUISITION OF LANDS

As at 31 December 2018, the amount represented the refundable earnest money to an independent third entity, pursuant to the sale and purchase agreements for the acquisition of lands located in Malaysia.

As at 31 December 2017, the amount represented the consideration to the independent third parties, pursuant to the sale and purchase agreements for the acquisition of lands in Bintan Islands, Indonesia. The acquisition was subsequently completed and legal title of the lands were obtained in May 2018. The Group transferred the deposits for acquisition of lands to investment properties in May 2018.

22. HOTEL INVENTORIES

Hotel inventories comprise food and beverage and other consumables.

23. DISTRESSED DEBT ASSETS CLASSIFIED AS RECEIVABLES

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

	At 31 December	
	2018	2017
	HK$	HK$
Current	**70,223,599**	52,495,298
Non-current	**41,654,350**	75,762,165
	111,877,949	128,257,463

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

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

	2018	2017
	HK$	HK$
At 1 January	**128,257,463**	–
Acquisition of distressed debt assets	**–**	125,555,116
Add: interest income recognised during the year *(note 7)*	**33,336,005**	17,170,802
Less: modification loss recognised during the year *(note 7)*	**(23,382,466)**	–
Less: cash receipts from debtors	**(20,098,320)**	(19,599,972)
Exchange differences	**(6,234,733)**	5,131,517
	111,877,949	128,257,463

The Directors assessed that the fair value of collateral over the distressed debt are higher than the carrying amount of distressed debt assets classified as receivables, no impairment is necessary as at 31 December 2018 and 2017.

24. TRADE AND OTHER RECEIVABLES

	At 31 December 2018 HK$	2017 HK$
Trade receivables *(note a)*	**2,589,275**	1,489,490
Contract assets *(note b)*	**405,649**	–
Prepayments	**3,913,103**	2,850,539
Deposits	**971,522**	950,893
Other receivables	**169,929**	198,923
	8,049,478	5,489,845

(a) Trade receivables

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

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

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

	At 31 December 2018 HK$	2017 HK$
Current to 30 days	**2,210,652**	968,277
31 to 60 days	**295,139**	419,901
61 to 90 days	**25,498**	22,179
Over 90 days	**57,986**	79,133
	2,589,275	1,489,490

24. TRADE AND OTHER RECEIVABLES (cont'd)

(a) Trade 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	
	2018	2017
	HK$	HK$
Neither past due nor impaired	**2,210,652**	968,277
Within 1 month past due	**295,139**	419,901
1 to 3 months past due	**41,145**	66,595
3 to 12 months past due	**42,339**	34,717
	2,589,275	1,489,490

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.

(b) Contract assets

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

	At 31 December	At 1 January	At 31 December
	2018	2018	2017
	HK$	HK$	HK$
Contract assets arising from:			
Hotel business	**405,649**	61,369	–

	At 31 December
	2018
	HK$
Within one month	**405,649**

24. TRADE AND OTHER RECEIVABLES (cont'd)

(b) Contract assets (cont'd)

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

25. CASH AND CASH EQUIVALENTS

	At 31 December	
	2018	2017
	HK$	HK$
Cash at bank and on hand	**165,255,807**	60,018,281

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

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

26. TRADE AND OTHER PAYABLES

	At 31 December	
	2018	2017
	HK$	HK$
Current liabilities		
Trade payables *(note a)*	**800,292**	1,393,580
Contract liabilities *(note b)*	**1,501,490**	–
Receipt in advance	**–**	6,223,815
Accruals and other payables	**7,104,117**	8,382,900
Construction payables	**67,029,044**	7,399,178
	76,434,943	23,399,473
Non-Current liabilities		
Construction payables *(note c)*	**8,132,163**	–

26. TRADE AND OTHER PAYABLES (cont'd)

(a) Trade payables

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

	At 31 December	
	2018	2017
	HK$	HK$
Current to 30 days	**517,326**	1,088,749
31 to 60 days	**28,577**	38,170
Over 90 days	**254,389**	266,661
	800,292	1,393,580

(b) Contract liabilities

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

	At 31 December	At 1 January	At 31 December
	2018	2018	2017
	HK$	HK$	HK$
Contract liabilities arising from:			
Hotel business	**1,501,490**	218,862	–

Movements in contract liabilities

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

(c) Contract payables

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

27. OBLIGATIONS UNDER FINANCE LEASE

The Group leases two (2017: 1) motor vehicles. Such assets are classified as finance lease as the rental period amounts to the estimated useful economic life of the asset concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount. The lease term are ranging from 3 years to 5 years (2017: 3 years).

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

	Minimum lease payments	Interest	Present value
	HK$	HK$	HK$
As at 31 December 2018			
Not later than one year	**190,704**	**19,545**	**171,159**
Later than one year but not later than five years	**334,886**	**26,667**	**308,219**
	525,590	**46,212**	**479,378**
As at 31 December 2017			
Not later than one year	211,539	10,025	201,514
Later than one year but not later than five years	88,023	1,110	86,913
	299,562	11,135	288,427

The present value of future lease payments are analysed as:

	2018	2017
	HK$	HK$
Current liabilities	**171,159**	201,514
Non-current liabilities	**308,219**	86,913
	479,378	288,427

The effective interest rates of the Group's obligations under finance lease liabilities as at 31 December 2018 ranging from 5.37% to 5.21% per annum (2017: 5.21% per annum).

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

	At 31 December 2018 HK$	2017 HK$
Amount due to a non-controlling shareholder of subsidiaries *(note a)*	**8,448,206**	8,485,210
Amount due to a director *(note b)*	**123,756,917**	119,154,366

Notes:

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

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

29. INTEREST-BEARING BANK BORROWINGS

	At 31 December 2018 HK$	2017 HK$
Current		
Secured		
– bank overdraft	**–**	17,258,286
– bank borrowings due for repayment within one year *(note)*	**188,081,306**	31,643,758
– bank borrowings which contain a repayment on demand clause	**–**	35,081,080
	188,081,306	83,983,124
Non-current		
Secured		
– bank borrowings due for repayment after one year	**120,797,387**	110,653,438
	308,878,693	194,636,562

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

Bank borrowings bear interest at 1.75% (2017: 1.25% to 2.00%) per annum above the bank's Singapore swap offer rate. The effective interest rate ranging from 3.07% to 3.42% (2017: from 1.92% to 4.35%). During the year ended 31 December 2018, the Group entered into an interest rate swap contract to hedge the interest rate risk of the floating rate interest-bearing bank borrowings *(note 31)*.

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

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

– the pledge of certain property, plant and equipment of the Group with net carrying amount of approximately HK$175,798,444 (2017: HK$187,458,114) as at 31 December 2017 *(note 16)*;

– 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 a Company's subsidiary.

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

	At 31 December	
	2018	2017
	HK$	HK$
On demand or within one year	**188,081,306**	83,983,124
More than one year, but not exceeding two years	**10,017,306**	31,522,668
More than two years, but not exceeding five years	**110,780,081**	70,289,851
After five years	**–**	8,840,919
	308,878,693	194,636,562

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

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

The Group regularly monitors its compliance with these covenants and does not consider it probable that the bank will exercise its discretion to demand repayment so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 43 (b). During the years ended 31 December 2018 and 2017, none of the covenants relating to drawn down facilities had been breached.

30. DEFERRED TAX LIABILITIES

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

	Hotel properties revaluation HK$	Revaluation of investment properties HK$	Accelerated tax depreciation HK$	Tax losses HK$	Unrealised income from distressed debt assets HK$	Total HK$
At 1 January 2017	12,702,075	6,733,476	201,009	(2,907,941)	–	16,728,619
Charge to profit or loss for the year	–	534,347	–	3,066,364	–	3,600,711
Charge to other comprehensive income	786	–	–	–	–	786
Exchange differences	1,158,638	10,210	18,334	(158,423)	–	1,028,759
At 31 December 2017 and 1 January 2018	**13,861,499**	**7,278,033**	**219,343**	**–**	**–**	**21,358,875**
Charge to profit or loss for the year *(note 13)*	**–**	**1,348,265**	**(218,025)**	**–**	**912,636**	**2,042,876**
Charge to other comprehensive income	**67,191**	**–**	**–**	**–**	**–**	**67,191**
Exchange differences	**(243,824)**	**(452,478)**	**(1,318)**	**–**	**(35,132)**	**(732,752)**
At 31 December 2018	**13,684,866**	**8,173,820**	**–**	**–**	**877,504**	**22,736,190**

31. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

	Fair value at 31 December 2018 HK$	Fair value at 31 December 2017 HK$
Swap #1	**3,921,917**	–
Less: Current portion	**1,466,587**	–
Non-current portion	**2,455,330**	–

At 31 December 2018, the notional amount of the outstanding interest rate swap contract was approximately HK$308,878,693 (2017: nil).

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

The sensitivity analysis on the potential loss resulting from fluctuation of the underlying interest rates is set out in note 43 (c).

	At 31 December	
	2018	2017
	HK$	HK$
At 1 January	**–**	–
Fair value loss on hedging instrument recognised in other comprehensive income during the year	**3,968,118**	–
Settlement during the year	**–**	–
Exchange differences	**(46,201)**	–
At 31 December	**3,921,917**	–

31. DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

The following table provides a reconciliation of the hedging reserve in respect of interest rate risk and shows the effectiveness of the hedging relationships:

	2018 **HK$**	2017 HK$
Balance at 1 January	**–**	–
Effective portion of the cash flow hedge recognised in other comprehensive income	**3,968,118**	–
Balance at 31 December	**3,968,118**	–

The entire balance in the hedging reserve relates to continuing hedges. During the year ended 31 December 2018, the Group has no hedge ineffectiveness recognised in the consolidated statement of profit or loss and no amount have reclassified from hedging reserve to profit or loss.

32. 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.

32. CONVERTIBLE BONDS (cont'd)

Based on the terms of the subscription agreement, the Convertible Bonds contain two components, the liability components and the equity conversion components. At 31 December 2018 and 2017, none of the Convertible Bonds has been converted into ordinary shares of the Group. The movements of the components of Convertible Bonds of during the year are set out below:

	Liability component HK$	**Equity conversion component** HK$	**Total** HK$
At 1 January 2017	15,478,362	10,698,249	26,176,611
Effective interest expense for the year *(note 10)*	2,070,186	–	2,070,186
Accrual of interest expense on Convertible Bonds	(2,528)	–	(2,528)
At 31 December 2017 and 1 January 2018	**17,546,020**	**10,698,249**	**28,244,269**
Effective interest expense for the year *(note 10)*	**2,346,717**	**–**	**2,346,717**
Accrual of interest expense on Convertible Bonds	**(2,518)**	**–**	**(2,518)**
At 31 December 2018	**19,890,219**	**10,698,249**	**30,588,468**

The interest expense of Convertible Bonds for the year ended 31 December 2018 is calculated using the effective interest method by applying an effective interest rate of approximately 13.37% to the liability component (2017: 13.37%).

33. SHARE CAPITAL

	At 31 December 2018 **HK$**	2017 HK$
Authorised:		
50,000,000,000 (2017: 50,000,000,000) ordinary shares of HK$0.001 (2017: HK$0.001) each	**50,000,000**	50,000,000
Issued and fully paid:		
3,490,000,000 (2017: 3,490,000,000) ordinary shares of HK$0.001 (2017: HK$0.001) each	**3,490,000**	3,490,000

The movements in issued share capital were as follows:

	2018		2017	
	Number of shares in issue	**Issued share capital** **HK$**	Number of shares in issue	Issued share capital HK$
At 1 January and 31 December	**3,490,000,000**	**3,490,000**	3,490,000,000	3,490,000

34. RESERVES

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

	Share premium HK$	Convertible bonds reserve HK$	Accumulated losses HK$	Total HK$
At 1 January 2017	333,122,249	10,698,249	(54,320,831)	289,499,667
Loss for the year and total comprehensive expense for the year	–	–	(6,896,069)	(6,896,069)
At 31 December 2017 and 1 January 2018	**333,122,249**	**10,698,249**	**(61,216,900)**	**282,603,598**
Loss for the year and total comprehensive expense for the year	**–**	**–**	**(12,521,349)**	**(12,521,349)**
At 31 December 2018	**333,122,249**	**10,698,249**	**(73,738,249)**	**270,082,249**

35. 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:

Names of related party and relationship	Natures of transaction	Year ended 31 December **2018** HK$	2017 HK$
Kang Ming De, Associate	Acquisition of distressed debt assets	**–**	125,555,116
Kang Ming De, Associate	Disposal of a distressed debt asset	**–**	19,599,972
Kang Ming De, Associate	Management fee paid for distressed debt asset business	**927,505**	–
China Minsheng Financial Holding Corporation Limited, Related company	Interest expenses *(note)*	**–**	70,000

Note: 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.

35. RELATED PARTY TRANSACTIONS (cont'd)

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

	Year ended 31 December	
	2018	2017
	HK$	HK$
Salaries, allowances and benefits in kind	**7,272,700**	2,300,840
Contributions to defined contribution plans	**242,075**	180,720
	7,514,775	2,481,560

(iii) Details of the balances with related parties are disclosed in note 28 to the consolidated financial statements.

36. OPERATING LEASE ARRANGEMENTS

As lessee

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

	At 31 December	
	2018	2017
	HK$	HK$
Within one year	**449,820**	1,075,759
In the second to fifth years inclusive	**–**	494,898
	449,820	1,570,657

For the year ended 31 December 2018, the minimum leases payments recognised by the Group are HK$1,081,743 (2017: HK$1,087,767).

As lessor

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

At 31 December 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	At 31 December	
	2018	2017
	HK$	HK$
Within one year	**2,411,147**	4,219,065
In the second to fifth years inclusive	**15,530**	1,750,321
	2,426,677	5,969,386

37. CAPITAL COMMITMENTS

At 31 December 2018, the Group had the following capital commitments:

	At 31 December 2018 HK$	2017 HK$
Authorised, but not contracted for, in respect of Property, plant and equipment	**69,119,067**	–
Contracted, but not provided for, in respect of Property, plant and equipment *(note a)*	**24,129,955**	61,440,832

Note:

a. As at 31 December 2017, the Group had commitment, which is contracted to pay SG$2,900,000 (equivalent to HK$16,849,000) as earnest and advance refundable deposit pursuant to the acquisition of assets in Indonesia. Details of the acquisition were disclosed in the Company's announcement dated 27 December 2017.

38. CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 31 December 2018 (2017: Nil).

39. NOTES SUPPORTING CASH FLOW STATEMENT

(a) Cash and cash equivalents comprise:

	At 31 December 2018 HK$	2017 HK$
Cash available on demand	**165,255,807**	60,018,281
Overdrafts	**–**	(17,258,286)
Cash and cash equivalents in the consolidated cash flow statement	**165,255,807**	42,759,995

	2018 HK$	2017 HK$
Significant non-cash transactions are as follows:		
Investment activities		
Accruals of construction payables for additions of property, plant and equipment	**75,161,207**	–
Transfer from prepayments for construction to property, plant and equipment	**69,433,329**	–
Transfer the deposits for acquisition of lands to investment properties	**5,839,482**	–

39. NOTES SUPPORTING CASH FLOW STATEMENT (cont'd)

(b) Reconciliation of liabilities arising from financing activities:

	Obligations under finance lease *(note 27)* HK$	Amount due to non-controlling shareholder of subsidiaries HK$	Amount due to a director HK$	Interest-bearing bank borrowings, exclude bank overdrafts *(note 29)* HK$	Convertible bonds *(note 32)* HK$	Total HK$
At 1 January 2018	288,427	8,485,210	119,154,366	177,378,276	17,546,020	322,852,299
Changes from cash flows:						
Proceeds from new bank loans	–	–	–	145,586,473	–	145,586,473
Repayment of bank loans	–	–	–	(9,382,188)	–	(9,382,188)
Advance from	–	472,761	6,406,685	–	–	6,879,446
Capital element of finance lease rentals paid	(267,705)	–	–	–	–	(267,705)
Interest element of finance lease rentals paid	(30,840)	–	–	–	–	(30,840)
Interest paid	–	–	–	(10,831,895)	(2,518)	(10,834,413)
Total changes from financing cash flows:	(298,545)	472,761	6,406,685	125,372,390	(2,518)	131,950,773
Exchange adjustments:	(6,277)	(509,765)	(1,804,134)	(4,703,868)	–	(7,024,044)
Other changes:						
Interest expenses	–	–	–	8,190,671	–	8,190,671
Capitalised borrowing costs	–	–	–	2,641,224	2,346,717	4,987,941
Acquisition of property, plant and equipment	464,933	–	–	–	–	464,933
Finance charges on obligations under finance lease	30,840	–	–	–	–	30,840
Total other changes	495,773	–	–	10,831,895	2,346,717	13,674,385
At 31 December 2018	479,378	8,448,206	123,756,917	308,878,693	19,890,219	461,453,413

39. NOTES SUPPORTING CASH FLOW STATEMENT (cont'd)

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

	Obligations under finance lease *(note 27)* HK$	Amount due to a non-controlling shareholder of subsidiaries HK$	Amount due to a related company HK$	Amount due to a director HK$	Interest-bearing bank borrowings, exclude bank overdrafts *(note 29)* HK$	Convertible bonds *(note 32)* HK$	Total HK$
At 1 January 2017	439,843	8,464,814	50,000,000	7,707,457	183,535,987	15,478,362	265,626,463
Changes from cash flows:							
Proceeds from new bank loans	–	–	–	–	9,073,032	–	9,073,032
Repayment of bank loans	–	–	–	–	(31,201,290)	–	(31,201,290)
Advance from/(repayment of)	–	–	(50,000,000)	109,023,006	–	–	59,023,006
Capital element of finance lease rentals paid	(185,086)	–	–	–	–	–	(185,086)
Interest element of finance lease rentals paid	(19,329)	–	–	–	–	–	(19,329)
Interest paid	–	–	(70,000)	–	(6,684,946)	(2,528)	(6,757,474)
Total changes from financing cash flows:	(204,415)	–	(50,070,000)	109,023,006	(28,813,204)	(2,528)	29,932,859
Exchange adjustments:	33,670	20,396	–	2,423,903	15,970,547	–	18,448,516
Other changes:							
Interest expenses	–	–	70,000	–	6,378,564	–	6,448,564
Capitalised borrowing costs	–	–	–	–	306,382	2,070,186	2,376,568
Finance charges on obligations under finance lease	19,329	–	–	–	–	–	19,329
Total other changes	19,329	–	70,000	–	6,684,946	2,070,186	8,844,461
At 31 December 2017	288,427	8,485,210	–	119,154,366	177,378,276	17,546,020	322,852,299

40. INTERESTS IN SUBSIDIARIES

Details of the principal subsidiaries are as follows:

Company name	Place, date of incorporation/ establishment and kind of legal entity	Particulars of issued and fully paid share capital/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities and place of operation
Subsidiaries					
Hang Huo Investment Pte. Ltd.	Republic of Singapore, 4 May 2004, limited liability company	3,000,000 shares of SG$1 per share	–	100	Hotel ownership, Republic of Singapore
Link Hotels International Pte. Ltd.	Republic of Singapore, 21 May 2007, limited liability company	1,000,000 shares of SG$1 per share	–	100	Operation of hotel services, Republic of Singapore
PT Hang Huo Investment	Republic of Indonesia, 27 July 2013, limited liability company	3,000,000 shares of United States dollar ("USD") 1 per share	–	92	Accommodation (hotel and cottage) and real estate, Indonesia
PT Hang Huo International	Republic of Indonesia, 29 May 2015, limited liability company	225,000 shares of USD1 per share	–	90	Property investment, Indonesia
Star Adventure Investment Limited	Hong Kong, 9 October 2015, limited liability company	Ordinary share of HK$1	–	100	Investment holding, Hong Kong
Link Kaga Company Limited	Japan, 30 March 2016, limited liability company	40 shares of JPY 50,000 each	–	100	Operation of hotel services, Japan
Guangxi Heng He Zhi Da Asset Management Limited	The PRC, 15 December 2016, limited liability company	USD50,000,000	–	100	Provision of distressed debt assets management services, The PRC

41. NON-CONTROLLING INTERESTS

The total non-controlling interests as at 31 December 2018 is HK$5,511,263 (2017: HK$5,646,750), among which HK$4,739,849 is attributable to PT Hang Huo Investment (2017: HK$4,896,052) and HK$794,910 is for PT Hang Huo International (2017: HK$750,698). The remaining negative balance amounted to HK$23,496 is attributable to a non-controlling shareholder of a Malaysia subsidiary.

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

	PT Hang Huo Investment		PT Hang Huo International	
	2018	2017	**2018**	2017
	HK$	HK$	**HK$**	HK$
For the year ended 31 December				
Revenue	**–**	–	**–**	–
Profit for the year	**1,696,508**	1,150,178	**900,920**	193,992
Total comprehensive income	**(1,952,545)**	1,281,606	**442,125**	209,392
Profit allocated to non-controlling interests	**135,721**	92,014	**90,092**	19,399
For the year ended 31 December				
Cash flows used in operating activities	**(2,202,787)**	(88,433)	**(43,139)**	(54,982)
Cash flows used in investing activities	**(11,016,174)**	(4,647,299)	**(14,660)**	–
Cash flows generated from/(used in) financing activities	**18,115,278**	4,054,063	**(905,057)**	(1,558,667)
Net cash inflows/(outflows)	**4,896,317**	(681,669)	**(962,856)**	(1,613,649)
As at 31 December				
Current assets	**5,050,716**	251,500	**2,233,725**	1,785,614
Non-current assets	**333,753,344**	269,460,640	**19,189,251**	19,152,414
Current liabilities	**(265,653,467)**	(203,477,177)	**(11,260,771)**	(11,389,700)
Non-current liabilities	**(13,902,482)**	(5,034,307)	**(2,213,102)**	(2,041,350)
Net assets	**59,248,111**	61,200,656	**7,949,103**	7,506,978
Accumulated non-controlling interests	**4,739,849**	4,896,052	**794,910**	750,698

42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

(a) Categories of financial instruments

	At 31 December 2018 HK$	2017 HK$
Financial assets		
Measured at amortised cost:		
Distressed debt assets classified as receivables	**111,877,949**	128,257,463
Trade receivables and contract assets	**2,994,924**	1,489,490
Deposits and other receivable	**1,141,451**	1,149,816
Amount due from an associate	**702,733**	22,458,524
Cash and cash equivalents	**165,255,807**	60,018,281
Total	**281,972,864**	213,373,574
Financial liabilities		
Financial liabilities measured at amortised cost:		
Trade payables	**800,292**	1,393,580
Accruals and other payables	**82,265,324**	15,782,078
Obligations under finance lease	**479,378**	288,427
Amount due to a non-controlling shareholder of subsidiaries	**8,448,206**	8,485,210
Amount due to a director	**123,756,917**	119,154,366
Interest-bearing bank borrowings, secured	**308,878,693**	194,636,562
Convertible bonds	**19,890,219**	17,546,020
Total	**544,519,029**	357,286,243
Derivative financial instruments:		
Interest rate swap	**3,921,917**	–
Total	**548,440,946**	357,286,243

42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (cont'd)

(b) Financial instruments not measured at fair value

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

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

(c) Financial instruments measured at fair value

Fair value hierarchy

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

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

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

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

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

The Group's financial instruments in the consolidated statement of financial position is approximately HK$3,921,917 (2017: nil) as at 31 December 2018 are grouped into level 2 of the fair value hierarchy.

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

43. FINANCIAL RISK MANAGEMENT

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

(a) Credit risk

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

Trade receivables and contract assets

In respect of trade receivables, the Group trades only with recognised and credit worthy customers and the receivable balances are monitored on an ongoing basis and on an individual basis. The Group did not have a significant degree of concentration of credit risk on trade receivables. As at 31 December 2018, the trade receivables from the five largest debtors represented 28% (2017: 19%) of the total trade receivables respectively, while the largest debtor represented 15% (2017: 5%) of the total trade receivables respectively. Given the credit worthiness and reputation of the major debtors, management believes the risk arising from concentration is manageable and not significant.

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

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

	Expected credit loss rate (%)	Gross carrying amount (HK$)	Loss allowance (HK$)
Current	–	2,616,301	–
With 1 months past due	3%	295,139	8,854
1 to 3 months past due	3%	41,145	1,234
3 to 12 months past due	7%	42,339	2,964
Total		2,994,924	13,052

43. FINANCIAL RISK MANAGEMENT (cont'd)

(a) Credit risk (cont'd)

Trade receivables and contract assets (cont'd)

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Comparative information under IAS 39

At 31 December 2018, 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.

Distressed debt asset classified as receivables

The Group has investments in distressed debt assets classified as receivables which contain certain elements of credit risk. Depending on the status of the obligor of distressed debt asset, the Group decide to pursue cash collections from disposing obligor's pledged assets, credit risk arises in such situation. To minimise the credit risk of distressed debt assets, the Group assesses the value of collateral which can fully covers the credit exposure before purchasing the distressed debt assets. The Group also timely evaluating the recoverability of the distressed debt assets and obtaining legal advice regarding the legal status of the distressed debt assets.

43. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Liquidity risk

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

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

2018	Carrying amount HK$	Total contractual undiscounted cash flow HK$	Within 1 year or on demand HK$	More than 1 year but less than 5 years HK$	More than 5 years HK$
Non-derivatives					
Trade payables	800,292	800,292	800,292	–	–
Other payables and accruals	82,265,324	82,265,324	74,133,161	8,132,163	–
Obligations under finance lease	479,378	525,590	190,704	334,886	–
Amount due to a non-controlling shareholder of subsidiaries	8,448,206	8,448,206	8,448,206	–	–
Amount due to a director	123,756,917	123,756,917	123,756,917	–	–
Interest-bearing bank borrowings	308,878,693	346,552,049	197,822,985	148,729,064	–
Convertible bonds	19,890,219	25,278,000	2,528	25,275,472	–
Total non-derivatives	544,519,029	587,626,378	405,154,793	182,471,585	–

	Total contractual undiscounted cash flow HK$	Within 1 year or on demand HK$	More than 1 year but less than 5 years HK$
Derivatives			
Interest rate swap – cash flow hedges (inflow)	(37,673,356)	(9,741,679)	(27,931,677)
Interest rate swap – cash flow hedges outflow	45,408,696	11,715,066	33,693,630
Total derivatives	7,735,340	1,973,387	5,761,953

43. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Liquidity risk (cont'd)

2017	Carrying amount HK$	Total contractual undiscounted cash flow HK$	Within 1 year or on demand HK$	More than 1 year but less than 5 years HK$	More than 5 years HK$
Non-derivatives					
Trade payables	1,393,580	1,393,580	1,393,580	–	–
Other payables and accruals	15,782,078	15,782,078	15,782,078	–	–
Obligations under finance lease	288,427	299,562	211,539	88,023	–
Amount due to a non-controlling shareholder of subsidiaries	8,485,210	8,485,210	8,485,210	–	–
Amount due to a director	119,154,366	119,154,366	119,154,366	–	–
Interest-bearing bank borrowings subject to a repayment on demand clause	52,339,366	53,219,524	53,219,524	–	–
Other interest-bearing bank borrowings	142,297,196	155,504,043	36,639,779	109,859,775	9,004,489
Convertible bonds	17,546,020	25,285,350	2,518	25,282,832	–
Total	357,286,243	379,123,713	234,888,594	135,230,630	9,004,489

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.

43. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Liquidity risk (cont'd)

Taking into account the Group's financial position at 31 December 2017, 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 HK$	**Total contractual undiscounted cash flow** HK$	**Within 1 year or on demand** HK$
31 December 2018	**–**	**–**	**–**
31 December 2017	52,339,366	53,219,524	53,219,524

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. The Group ensures that between its borrowings are effectively on a fixed rate basis, either through the contractual terms of the interest-bearing financial liabilities or through the use of interest rate swaps. The Group's interest rate profile as monitored by management is set out in (ii) below.

(i) Hedges of interest rate risk

Interest rate swaps, denominated in Singapore dollars, have been entered into to achieve an appropriate mix of fixed and floating rate exposure consistent with the Group's policy.

The following table provides information on the interest rate swaps which have been designated as cash flow hedges of the interest rate risk inherent in the Group's variable rate bank borrowings at the end of the reporting period:

	At 31 December	
	2018	2017
	HK$	HK$
Notional amount	**308,878,693**	–
Carrying amount of derivative financial instruments		
– Liability	**3,921,917**	–

43. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Interest rate risk (cont'd)

(i) Hedges of interest rate risk (cont'd)

The swap mature over the next 3 years matching the maturity of the bank borrowings and have fixed effective interest rate at 3.85% per annum.

The Group seeks to hedge the benchmark interest rate component only and applies a hedge ratio of 1:1. The existence of an economic relationship between the interest rate swaps and the variable rate borrowings is determined by matching their critical contract terms, including the reference interest rates, tenors, interest repricing dates, maturity dates, interest payment and/or receipt dates, the notional amounts of the swaps and the outstanding principal amounts of the loans.

(ii) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period, after taking into account the effect of interest rate swaps designated as cash flow hedging instruments (see (i) above).

	Year ended 31 December			
	2018		2017	
	Effective interest rate %	**HK$**	Effective interest rate %	HK$
Fixed rate borrowings:				
Obligations under finance lease	**5.37-5.21**	**479,378**	5.21	288,427
Bank borrowings	**3.85**	**308,878,693**	–	–
Convertible bonds	**13.37**	**19,890,219**	13.37	17,546,020
		329,248,290		17,834,447
Variable rate borrowings:				
Bank overdraft	–	–	5.60	17,258,286
Bank borrowings	–	–	1.92-4.35	177,378,276
		–		194,636,562
Total borrowings		**329,248,290**		212,471,009
Fixed rate borrowings as a percentage of total borrowings		**100%**		8.4%

43. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Interest rate risk (cont'd)

(iii) Sensitivity analysis

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			
	2018		2017	
	HK$	**HK$**	HK$	HK$
	+1%	**-1%**	+1%	-1%
(Decrease)/increase in profit after tax for the year	**–**	**–**	(350,811)	350,811

(d) Foreign currency risk

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

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

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

43. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Foreign currency risk (cont'd)

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

	Year ended 31 December	
	2018	2017
	Effect on other component of equity	Effect on other component of equity
	HK$	HK$
SG$ to HK$:		
Appreciates by 2%	**(742,319)**	1,627,001
Depreciates by 2%	**742,319**	(1,627,001)
IDR to HK$:		
Appreciates by 6%	**7,119,779**	6,137,799
Depreciates by 6%	**(7,119,779)**	(6,137,799)
JPY to HK$:		
Appreciates by 3%	**936,715**	497,683
Depreciates by 3%	**(936,715)**	(497,683)
RMB to HK$:		
Appreciates by 5%	**4,229,053**	4,225,982
Depreciates by 5%	**(4,229,053)**	(4,225,982)

44. CAPITAL RISK MANAGEMENT

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

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to equity ratio. For this purpose net debt is defined as obligations under finance lease, balances with a non-controlling shareholder of subsidiaries and a director, bank borrowings 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	
	2018	2017
	HK$	HK$
Obligations under finance lease	**479,378**	288,427
Amount due to a non-controlling shareholder of subsidiaries	**8,448,206**	8,485,210
Amount due to a director	**123,756,917**	119,154,366
Interest-bearing bank borrowings	**308,878,693**	194,636,562
Convertible bonds	**19,890,219**	17,546,020
Less: cash and cash equivalents	**(165,255,807)**	(60,018,281)
Net debts	**296,197,606**	280,092,304
Total equity	**449,672,628**	476,171,146
Net debt to equity ratio	**66%**	59%

45. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	2018 HK$	2017 HK$
Non-current assets			
Property, plant and equipment		**158,579**	249,049
Interests in subsidiaries		**39,000,080**	39,000,080
Total non-current assets		**39,158,659**	39,249,129
Current assets			
Deposits, prepayments and other receivable		**2,032,106**	2,032,106
Amounts due from subsidiaries		**236,320,376**	270,312,587
Cash and cash equivalents		**149,063,496**	56,217,983
Total current assets		**387,415,978**	328,562,676
Current liabilities			
Amounts due to subsidiaries		**37,189,389**	44,443
Accruals and other payables		**1,816,957**	3,348,325
Amount due to a director		**94,105,823**	60,779,419
Total current liabilities		**133,112,169**	64,172,187
Net current assets		**254,303,809**	264,390,489
Total assets less current liabilities		**293,462,468**	303,639,618
Non-current liability			
Convertible bonds		**19,890,219**	17,546,020
Net assets		**273,572,249**	286,093,598
Equity			
Share capital		**3,490,000**	3,490,000
Reserves	*34*	**270,082,249**	282,603,598
Total equity		**273,572,249**	286,093,598

On behalf of the Board

Ngan Iek

Datuk Siew Pek Tho

INVESTMENT PROPERTIES IN INDONESIA

Location	Use	Lease expiry	Approximate site area sq.m.	Group's interest %
Land located at Malang Rapat, Gunung Kijang, Bintan, Riau Island, Indonesia	**Commercial**	**2044**	**417,089**	**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				
	2018	2017	2016	2015	2014
	HK$	HK$	HK$	HK$	HK$
Revenue	**60,628,594**	66,017,970	52,336,912	41,961,139	67,828,429
Profit before income tax expense	**2,111,346**	19,504,567	17,654,559	273,810	1,867,531
(Loss)/profit for the year	**(3,052,772)**	11,158,502	11,938,609	1,296,995	(1,483,416)
Total comprehensive income for the year	**(26,498,557)**	24,649,183	9,565,719	53,618,906	(17,066,963)

	As at 31 December				
	2018	2017	2016	2015	2014
	HK$	HK$	HK$	HK$	HK$
Total assets	**1,027,779,008**	866,760,665	767,124,035	753,977,949	407,204,053
Total liabilities	**(578,106,380)**	(390,589,519)	(315,602,072)	(309,442,904)	(253,325,151)
Non-controlling interests	**(5,511,263)**	(5,646,750)	(5,523,285)	(8,270,769)	(4,655,739)
	444,161,365	470,524,396	445,998,678	436,264,276	149,223,163

Note:

The consolidated results of the Group for each of the two years ended 31 December 2017 and 2018 and the consolidated assets and liabilities of the Group as at 31 December 2017 and 2018 are those set out on pages 56 to 58 of this annual report.

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