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## **Link Holdings Limited**

**華星控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8237)**

### **ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

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

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

\* For identification purposes only

## **UNAUDITED ANNUAL RESULTS**

The Board of Directors (the “Board”) hereby announces the preliminary unaudited consolidated annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2021 (the “Year” or “FY2021”), together with the comparative audited figures for the previous financial year ended 31 December 2020 as set out below. This unaudited annual results announcement has been reviewed by the audit committee of the Company (the “Audit Committee”).

**Shareholders and potential investors should be aware that the preliminary unaudited consolidated annual results of the Group for FY2021 has not been agreed with the auditors of the Company as the audit process for the financial results of the Group has been delayed in light of the quarantine measures and travel restrictions due to the outbreak of the Omicron variant of the novel coronavirus (the "COVID-19") pandemic in early 2022, and is subject to possible deviation from the audited results which will be included in a separate announcement of the Company’s audited results for FY2021 which is expected to be published on or before 29 April 2022.**

**Besides, the Company’s annual report for FY2021 is also expected to be published on or before 29 April 2022.**

**Shareholders and potential investors are advised to exercise caution when dealing in the shares and other securities of the Company.**

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	Year ended 31 December	
		2021 HK\$ (Unaudited)	2020 HK\$ (Audited)
Revenue	4	49,718,776	57,615,424
Cost of sales		<u>(22,832,351)</u>	<u>(27,374,663)</u>
Gross profit		26,886,425	30,240,761
Loss from distressed debt assets at amortised cost	4	(4,664,622)	(14,581,039)
Other income		7,092,661	6,408,404
Other gains and losses		(409,546)	7,580,756
Selling expenses		(898,825)	(1,783,181)
Administrative expenses		(41,456,130)	(43,049,004)
Finance costs		(23,207,828)	(17,011,424)
Gain on changes in fair value of investment properties		543,211	1,250,511
Impairment loss on non-current assets		(76,782,689)	–
Share of results of an associate		–	<u>(13,730,964)</u>
Loss before income tax expense		(112,897,343)	(44,675,180)
Income tax expense	5	<u>(2,872,001)</u>	<u>(3,627,696)</u>
<b>Loss for the year</b>		<u>(115,769,344)</u>	<u>(48,302,876)</u>

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
<i>Notes</i>	<b><i>HK\$</i></b>	<b><i>HK\$</i></b>
	<b><i>(Unaudited)</i></b>	<b><i>(Audited)</i></b>
<b>Other comprehensive income that will not be reclassified to profit or loss:</b>		
Loss on revaluation of properties	<b>(18,070,167)</b>	(21,930,777)
Tax credit related to loss on revaluation of properties	<b>205,384</b>	3,830,929
<b>Other comprehensive income that may be reclassified subsequently to profit or loss:</b>		
Exchange difference on translating foreign operations	<b>(8,860,653)</b>	3,587,656
Gain on cash flow hedges	<b>1,691,679</b>	136,892
Impairment loss on hotel properties recycled to loss for the year	<b>18,868,773</b>	–
Other comprehensive income for the year, net of tax	<b><u>(6,164,984)</u></b>	<b><u>(14,375,300)</u></b>
<b>Total comprehensive income for the year</b>	<b><u>(121,934,328)</u></b>	<b><u>(62,678,176)</u></b>
<b>Loss attributable to:</b>		
Owners of the Company	<b>(113,066,303)</b>	(48,207,538)
Non-controlling interests	<b><u>(2,703,041)</u></b>	<b><u>(95,338)</u></b>
	<b><u>(115,769,344)</u></b>	<b><u>(48,302,876)</u></b>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	<b>(119,119,570)</b>	(62,527,690)
Non-controlling interests	<b><u>(2,814,758)</u></b>	<b><u>(150,486)</u></b>
	<b><u>(121,934,328)</u></b>	<b><u>(62,678,176)</u></b>
<b>Losses per share</b>		
– Basic (HK cents per share)	<b><u>(3.240)</u></b>	<b><u>(1.381)</u></b>
– Diluted (HK cents per share)	<b><u>(3.240)</u></b>	<b><u>(1.381)</u></b>

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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		At 31 December	
	Notes	2021 HK\$ (Unaudited)	2020 HK\$ (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		336,961,840	437,816,015
Right-of-use assets		74,374,361	76,535,027
Investment properties		182,918,780	185,419,039
Prepayments for construction		858,960	873,315
Deposit for acquisition of land		1,617,118	1,664,347
		<u>596,731,059</u>	<u>702,307,743</u>
<b>Current assets</b>			
Hotel inventories		576,388	436,395
Distressed debt assets at amortised cost		40,879,592	54,695,537
Trade and other receivables	8	6,876,966	21,292,146
Cash and cash equivalents		26,360,451	39,521,013
		<u>74,693,397</u>	<u>115,945,091</u>
Assets classified as held for sale		11,179,211	10,823,641
		<u>85,872,608</u>	<u>126,768,732</u>
<b>Current liabilities</b>			
Trade and other payables	9	69,128,610	62,986,971
Amount due to a non-controlling shareholder of subsidiaries		8,537,621	8,680,300
Amount due to a director		10,251,007	30,850,065
Interest-bearing bank and other borrowings		189,036,220	190,062,483
Lease liabilities		1,086,484	599,560
Provision for taxation		5,004,361	3,714,754
Derivative financial instruments		2,159,353	4,311,676
Convertible bonds		32,861,400	32,861,400
		<u>318,065,056</u>	<u>334,067,209</u>
<b>Net current liabilities</b>		<u>(232,192,448)</u>	<u>(207,298,477)</u>
<b>Total assets less current liabilities</b>		<u>364,538,611</u>	<u>495,009,266</u>

		<b>At 31 December</b>	
	<i>Notes</i>	<b>2021</b>	2020
		<b>HK\$</b>	<b>HK\$</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current liabilities</b>			
Other payables	9	8,648,557	8,793,090
Interest-bearing bank and other borrowings		99,076,951	109,582,513
Lease liabilities		849,791	624,023
Deferred tax liabilities		21,228,066	21,912,030
Derivative financial instruments		398,603	–
Convertible bonds		13,635,121	11,461,760
		<u>143,837,089</u>	<u>152,373,416</u>
Total non-current liabilities		<u>143,837,089</u>	<u>152,373,416</u>
<b>Net assets</b>		<u>220,701,522</u>	<u>342,635,850</u>
<b>Equity</b>			
Share capital		3,490,000	3,490,000
Reserves		214,551,239	333,670,809
		<u>218,041,239</u>	<u>337,160,809</u>
<b>Equity attributable to owners of the Company</b>		<u>218,041,239</u>	<u>337,160,809</u>
<b>Non-controlling interests</b>		<u>2,660,283</u>	<u>5,475,041</u>
		<u>220,701,522</u>	<u>342,635,850</u>
<b>Total equity</b>		<u>220,701,522</u>	<u>342,635,850</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

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

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

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

The principal activity of the Company is investment holding. The Company’s subsidiaries are principally engaged in hotel ownership, operation of hotel services, distressed debt assets management and property investment.

## 2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSS”)

The consolidated financial statements have been prepared in accordance with IFRSs (as defined in note 3(a) below). The accounting policies adopted for the year ended 31 December 2021 are consistent with those adopted in the audited consolidated financial statements for the year ended 31 December 2020, except for those that relate to new/revised standards or interpretations that are effective for the first time for accounting periods beginning on or after 1 January 2021.

The Group has adopted all of the new and revised IFRSs which are relevant to its operations and effective for accounting periods beginning on or after 1 January 2021. A summary of the significant accounting policies adopted by the Group is set out in the Notes to the Consolidated Financial Statements (the “Notes”) section of the 2021 annual report to be sent to the shareholders of the Company in due course.

None of these amended IFRSs has a material impact on the Group’s results and financial position for the current or prior period.

The Group has not early applied any new or amended IFRSs that is not yet effective for the current accounting period. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group’s accounting policies and financial statements.

## 3. BASIS OF PREPARATION

### (a) Statement of compliance

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

### (b) Basis of measurement

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

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

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

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

**(c) Going concern assumption**

The Novel Coronavirus (“COVID-19”) pandemic which began in early 2020 has adversely affected the Group’s operations for the year ended 31 December 2021 as the Group has hotel operations in Singapore and Japan and it still has a significant impact on the Group’s operation.

The Group incurred a loss of HK\$115,769,344 for the year ended 31 December 2021 (2020: HK\$48,302,876) and as of that date, had net current liabilities of HK\$232,192,448 (2020: HK\$207,298,477). As of 31 December 2021, the Group had a total interest-bearing bank borrowing of HK\$286,827,636 (2020: HK\$181,818,100) from a bank which is subject to renewal and refinance in January 2023. In addition, as at 31 December 2021, the Group had other financial liabilities of HK\$109,705,709 in total which are repayable on demand, including (i) construction payable amounting to HK\$47,527,422 (2020: HK\$48,320,812), (ii) an amount due to a director amounting to HK\$10,251,007 (2020: HK\$30,850,065), (iii) the matured convertible bonds due in November 2020 with penalty on default repayment of the convertible bonds in an aggregate amount of HK\$32,861,400 (2020: HK\$32,861,400), (iv) an amount due to a non-controlling shareholder of subsidiaries amounting to HK\$8,537,621 (2020: HK\$8,680,300), and (v) interest payable of convertible bond amounting to HK\$10,528,259 (2020: HK\$659,536), but only had cash and cash equivalent of HK\$26,360,451.

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

In view of these circumstances, the directors of the Company have given careful consideration of the future liquidity and cash flows of the Group in assessing whether the Group will have sufficient financial resources to continue as a going concern. For this purpose, management has prepared a forecast covering a period of 18 months from the end of the reporting period, taking into account the implementation of certain plans and measures to mitigate the liquidity pressure and improve its cash flows.

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

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

**(d) Functional and presentation currency**

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

#### 4. REVENUE & LOSS FROM DISTRESSED DEBT ASSETS AT AMORTISED COST

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

	Year ended 31 December	
	2021 HK\$ (Unaudited)	2020 HK\$ (Audited)
Hotel room	35,530,764	39,691,023
Food and beverage	8,747,171	13,546,843
Rental income from hotel properties	4,326,817	2,906,168
Others (note a)	1,114,024	1,471,390
	<u>49,718,776</u>	<u>57,615,424</u>
	Year ended 31 December	
	2021 HK\$ (Unaudited)	2020 HK\$ (Audited)
Interest income from distressed debt assets at amortised cost	–	10,631,769
Less: modification loss (note b)	(4,664,622)	(25,212,808)
	<u>(4,664,622)</u>	<u>(14,581,039)</u>

*Notes:*

- a. The amount mainly represents laundry and car park services from hotel operations.
- b. The amount arising from adjusting the gross amount of distressed debt assets to reflect the renegotiated or modified estimated cash flow.
- (2) Disaggregation of revenue:

	Hotel business		Distressed debt asset management	
	2021 HK\$ (Unaudited)	2020 HK\$ (Audited)	2021 HK\$ (Unaudited)	2020 HK\$ (Audited)
Primary geographical markets				
Singapore	42,153,163	43,851,953	–	–
Japan	7,565,613	13,763,471	–	–
PRC	–	–	(4,664,622)	(14,581,039)
	<u>49,718,776</u>	<u>57,615,424</u>	<u>(4,664,622)</u>	<u>(14,581,039)</u>
Total	<u>49,718,776</u>	<u>57,615,424</u>	<u>(4,664,622)</u>	<u>(14,581,039)</u>

## 5. 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 (2020: nil).

Singapore corporate income tax has been provided on the estimated assessable profit arising in Singapore at the rate of 17% (2020: 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 (2020: 25%).

The PRC Enterprise Income Tax is calculated at 25% on the estimated assessable profits of a subsidiary operating in the PRC (2020: 25%).

Subsidiary operating in Japan is subject to national corporate income tax, inhabitant tax, and enterprise tax (hereinafter collectively referred to as “Japan Profits Tax”) in Japan, which, in aggregate, resulted in effective statutory income tax rates of approximately 33.59% for the year based on the existing legislation, interpretations and practices in respect thereof (2020: 33.59%). Japan Profits Tax has been provided on the estimated assessable profit arising in Japan.

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

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

	Year ended 31 December	
	2021	2020
	HK\$	HK\$
	(Unaudited)	(Audited)
Current – Singapore Corporate Income Tax		
– Tax for the year	(2,602,538)	(2,903,826)
– (Under)/over provision in respect of prior years	(128,634)	370,478
	<u>(2,731,172)</u>	<u>(2,533,348)</u>
Current – Japan Corporate Income Tax		
– Tax for the year	(5,026)	(5,158)
Deferred tax		
– Current year	(135,803)	(1,089,190)
Total income tax expense	<u>(2,872,001)</u>	<u>(3,627,696)</u>

## 6. LOSSES PER SHARE

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

	<b>2021</b> <b>HK\$</b> <i>(Unaudited)</i>	2020 <i>HK\$</i> <i>(Audited)</i>
<b>Losses</b>		
Losses for the purposes of basic losses per share	<b>(113,066,303)</b>	(48,207,538)
Interest expenses on convertible bonds	<b>2,173,361</b>	3,648,065
	<b><u>(110,892,942)*</u></b>	<b><u>(44,559,473)</u></b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic losses per share	<b>3,490,000,000</b>	3,490,000,000
Effect of dilutive potential ordinary shares on convertible bonds	<b>N/A</b>	N/A
Weighted average number of ordinary shares for the purposes of diluted losses per share	<b><u>3,490,000,000</u></b>	<b><u>3,490,000,000</u></b>

Ordinary shares are derived from 3,490,000,000 ordinary shares, being the number of shares in issue during the year ended 31 December 2021 (2020: 3,490,000,000 ordinary shares).

\* Because the diluted loss per share amount is decreased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. Therefore, the diluted loss per share amount is based on the loss for the year of HK\$113,066,303 (2020: HK\$48,207,538), and the weighted average number of ordinary shares of 3,490,000,000 (2020: 3,490,000,000) in issue during the year ended 31 December 2021.

## 7. DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2021 (2020: nil).

## 8. TRADE AND OTHER RECEIVABLES

As at 31 December 2021, trade and other receivables comprised trade receivables of HK\$3,824,756 (2020: HK\$6,338,904).

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:

	<b>At 31 December</b>	
	<b>2021</b>	2020
	<b>HK\$</b>	HK\$
	<b>(Unaudited)</b>	<b>(Audited)</b>
Current to 30 days	2,223,885	5,435,193
31 to 60 days	1,513,137	903,629
61 to 90 days	12,536	–
Over 90 days	75,198	82
	<u>3,824,756</u>	<u>6,338,904</u>

## 9. TRADE AND OTHER PAYABLES

As at 31 December 2021, trade and other payables comprised trade payables of HK\$726,522 (2020: HK\$1,559,674).

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:

	<b>At 31 December</b>	
	<b>2021</b>	2020
	<b>HK\$</b>	HK\$
	<b>(Unaudited)</b>	<b>(Audited)</b>
Current to 30 days	665,710	1,331,259
31 to 60 days	4,637	161,912
61 to 90 days	3,467	–
Over 90 days	52,708	66,503
	<u>726,522</u>	<u>1,559,674</u>

As at 31 December 2021, other payables comprised construction payables with current portion of HK\$47,527,422 (2020: HK\$48,320,812) and non-current portion of HK\$8,648,557 (2020: HK\$8,793,090).

## 10. EFFECT OF COVID-19

The outbreak of COVID-19 had affected almost all countries of the world, and resulted in border closures, production stoppages, workplace closures, movement controls and other measures imposed by the various governments and brought unprecedented challenges and added uncertainties to the economy. COVID-19 affected the financial performance and position of the industry of hotel business including the room rate and occupancy rate of hotel businesses, construction progress of the Bintan resort business, and the fair value of hotel buildings and investment properties. The Directors are continuing to assess the implications of COVID-19 pandemic to the business in which the Group operates. Depending on the duration of the COVID-19 pandemic and continued negative impact on economic activity, the Group might experience further negative results, and liquidity restraints and incur additional impairments on its assets in 2022.

As the global COVID-19 situation remains very fluid as at the date these financial statements were authorised for issuance, the Group cannot reasonably ascertain the full extent of the probable impact of the COVID-19 disruptions on its operating and financial performance for the financial year ending 31 December 2022. If the situation persists beyond management's current expectations, the Group's assets may be subject to further write-downs in the subsequent financial periods.

## **POSSIBLE DISCLAIMER OF OPINION IN THE INDEPENDENT AUDITOR'S REPORT**

As set out in note 3(c) to the unaudited consolidated financial statements, based on the Directors' assessment, the Group is able to continue as a going concern and it is appropriate to prepare the consolidated financial statements on a going concern basis.

The appropriateness of the consolidated financial statements prepared on a going concern basis largely depends on whether those plans and measures can be successfully implemented as scheduled. However, the auditor may not be able to conclude whether it is appropriate for the Company to prepare the consolidated financial statements on a going concern basis. As such, the Company considers it possible for the auditor to issue a disclaimer of opinion due to the appropriateness of going concern assumption in the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2021.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

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

For the Year, the Group continued to stay focused on the operation of its hotel business in Singapore and Japan. Nevertheless, the development of the resort hotel situated in Bintan, Indonesia pursuant to the master plan of the development of the Bintan Assets (as defined in the prospectus of the Company dated 30 June 2014 (the "Prospectus")) has been suspended since the outbreak of the COVID-19 pandemic in early 2020. Save as disclosed in this announcement, there is no material change in the Group's businesses during the Year. The operation of Link Hotel in Singapore continued to generate the main source of income for the Group during the Year.

The Link Hotel in Singapore had been used as COVID-19 quarantine accommodation since the second quarter of 2020 under the service agreements and supplemental agreements (the "Service Agreements") entered into with the Singapore government authority, which were subject to periodic renewal by the government authority. However, in view of the recent local situation of the COVID-19 pandemic and the corresponding changes in border measures in Singapore, the government authority ceased the engagement of the hotel for quarantine accommodation usage with effect from 14 December 2021. Thereafter, the hotel suspended business for about three months for cleaning, disinfection and the related government checking, upgrading certain facilities to standards stipulated by the government for epidemic prevention purpose, as well as refurbishment of certain furniture and fixtures. The hotel is planned to resume normal business in April 2022.

In respect of the Group's spa hotel in Japan, in view of the expected difficult operating situation in the near future, and given the tight financial resources of the Group that it is financially infeasible to support the hotel's operating costs under its non-profitable situation so far, the Company plans to close the hotel from May 2022 until there is an optimistic anticipation on the profitability of the spa hotel business in Japan. While the hotel is closed, the Company will also seek potential buyers for the hotel if the offer price is considered acceptable, taking into account the imminence of the cash flow requirements and the interest of the Group as a whole.

## FINANCIAL REVIEW

For the Year, the Group recorded a total revenue from hotel operation of approximately HK\$49.7 million (2020: approximately HK\$57.6 million), representing a decrease of approximately 13.7% as compared to FY2020, which was mainly due to that (i) the Group's hotel business in Japan was adversely affected by the subsisting coronavirus (COVID-19) pandemic throughout the Year, and was worsened by the snowstorm in Japan in early 2021 which resulted in the substantial decline of revenue of the Group's spa hotel in Japan; and (ii) the average room rate offered by the Singapore government authority for engaging Link Hotel as COVID-19 quarantine accommodation was reduced during the Year, and such engagement has been terminated with effect from 14 December 2021 as aforementioned, and as such, the revenue from Link Hotel also decreased as compared with the last year.

For the Year, loss attributable to owners of the Company was approximately HK\$113.1 million (2020: loss of approximately HK\$48.2 million), representing an increase in loss by approximately HK\$64.9 million or 134.5%. The loss for the Year was mainly due to, among others, (i) the loss from the Group's distressed debt assets (i.e. income from distressed debt assets at amortised cost less modification loss) of approximately HK\$4.7 million (2020: loss of approximately HK\$14.6 million) and the related expected credit losses of approximately HK\$1.3 million (2020: approximately HK\$1.9 million); (ii) operating loss of approximately HK\$8.5 million (2020: loss of approximately HK\$8.5 million) in respect of the Group's spa hotel in Japan amid the COVID-19 pandemic; (iii) the impairment loss of approximately HK\$43.8 million on certain property, plant and equipment in respect of the Group's spa hotel in Japan due to its poor performance amid the COVID-19 pandemic and the expectation of difficult operating situation in the near future; and (iv) the impairment loss of approximately HK\$33.0 million on the Group's resort construction in progress in Bintan Island, Indonesia due to the suspension of construction works since the outbreak of the COVID-19 pandemic, despite the operating profit from Link Hotel which was inadequate to cover the Group's corporate administrative expenses and finance costs.

Basic losses per share for the Year was approximately HK cents 3.240 (2020: basic losses per share of approximately HK cents 1.381).

### Hotel operation

For the Year, room revenue amounted to approximately HK\$35.5 million (2020: approximately HK\$39.7 million), accounting for approximately 71.5% (2020: approximately 68.9%) of the Group's total revenue from hotel operation. Room revenue mainly represents revenue generated from hotel accommodation in Link Hotel, which accounted for approximately 88.1% of total room revenue for the Year (2020: approximately 85.6%), and depends in part on the achieved average room rate and occupancy rate. Room revenue for the Year also included a minor contribution from the Group's spa hotel in Japan which commenced operation in September 2019.

During the Year, although the normal business of Link Hotel in Singapore was adversely affected by worldwide travel restrictions and lockdown measures due to the COVID-19 pandemic, the hotel has been used as quarantine accommodation for local residents since the second quarter of 2020. As such, the adverse effect was mitigated and the hotel was able to sustain its operation. Nevertheless, the use of Link Hotel as quarantine accommodation was subject to periodic renewal of the relevant contracts with the Singapore government authority, and such engagement has been terminated in mid-December 2021 as explained above. Therefore, the hotel has temporarily suspended business and was pending for resumption of normal business as at the end of the Year.

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

	<b>Year ended 31 December</b>	
	<b>2021</b>	2020
Total available room nights	<b>100,010</b>	100,284
Occupancy rate	<b>92.7%</b>	75.4%
Average room rate ( <i>HK\$</i> )	<b>307.1</b>	404.0
RevPAR ( <i>HK\$</i> )	<b>284.7</b>	304.5

For the Year, food and beverage (“F&B”) revenue was approximately HK\$8.7 million (2020: approximately HK\$13.5 million), representing approximately 17.6% (2020: approximately 23.5%) of the total revenue from hotel operation. F&B revenue represents the sale of F&B in the restaurants, bars, room services and meeting spaces of the Group’s hotels.

The Group leases shop units in its hotels and received rental income from hotel tenants. For the Year, rental income from hotel tenants was approximately HK\$4.3 million (2020: approximately HK\$2.9 million), representing approximately 8.7% (2020: approximately 5.0%) of the total revenue from hotel business.

The decreases in the Group’s room revenue and F&B revenue as detailed above were mainly due to the poor performance of the Group’s spa hotel in Japan amid the COVID-19 pandemic. In view of the expected difficult operating situation in the near future, an impairment loss of approximately HK\$43.8 million has been made for the Year.

### **Bintan Assets**

The construction contract for the first stage of the first phase of the Bintan Development Plan (as defined in the Prospectus) was signed in September 2016 (details were disclosed in the Company’s announcement dated 29 September 2016). During 2020 and the Year, due to the tight financial resources and the COVID-19 pandemic, the construction progress was substantially suspended. Based on the assessment of the Group’s financial resources available, the Group made certain design changes in order to accommodate for a reduced budget of the overall construction cost. However, the progress of the construction was delayed as the subsisting COVID-19 pandemic has affected the supply chains of various sectors worldwide, including the supply of construction materials. At the same time, as the tourism industry worldwide shall take time to recover and normalise, aiming at providing a newly furnished resort for tourists’ enjoyment shortly after the COVID-19 pandemic, the Company expected that, on the basis of having adequate funding, the completion of the construction of the resort project shall be further postponed to late 2023. For the year, an impairment loss of approximately HK\$33.0 million on the resort construction in progress has been made due to the suspension of construction works since the outbreak of the COVID-19 pandemic.

## **Distressed debt assets management business**

During the Year, the Group recorded loss from distressed debts assets (net of modification loss) of approximately HK\$4.7 million (2020: loss of approximately HK\$14.6 million). Due to the outbreak of the COVID-19 pandemic and the consequent economic downturn and decrease in investment sentiments in the PRC, the execution plan on recovering the distressed debts was adversely affected during the Year. Besides, due to the poor recoverability of the distressed debts during the Year and the anticipated decrease in value realisable under the current downtrend of the PRC economy, the Group recorded a loss allowance for expected credit losses on distressed debt assets of approximately HK\$1.3 million for the Year (2020: approximately HK\$1.9 million).

## **Liquidity, financial resources and capital structure**

During the Year, the Group mainly financed its operations with its own working capital and bank and other loans. As at 31 December 2021, the Group had net current liabilities of approximately HK\$232.2 million (2020: net current liabilities of approximately HK\$207.3 million), including cash and cash equivalents of approximately HK\$26.4 million (2020: approximately HK\$39.5 million) and short-term interest-bearing bank and other borrowings of approximately HK\$189.0 million (2020: approximately HK\$190.1 million). As at 31 December 2021, the Group also had non-current interest-bearing bank and other borrowings of approximately HK\$99.1 million (2020: approximately HK\$109.6 million).

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

The net debt to equity ratio calculated based on the Group's total debts (being amounts due to a non-controlling shareholder of subsidiaries and a director, lease liabilities, interest-bearing bank and other borrowings and convertible bonds, less cash and cash equivalents) divided by the Group's total equity and multiplied by 100% as at 31 December 2021 was approximately 149% (2020: approximately 101%).

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

During the Year, there was no cancellation or conversion of the CB (due 2020) which matured and was due for redemption on 30 November 2020. Nevertheless, the Company has yet to redeem the CB (due 2020) as at 31 December 2021. Due to the default in repayment, according to the terms of the CB (due 2020), the outstanding principal amount was accreted by 30% and became approximately HK\$32.9 million as at 31 December 2021 (2020: approximately HK\$32.9 million). Besides, accumulated penalty interest payable under the CB (due 2020) was approximately HK\$10.5 million as at 31 December 2021 (2020: approximately HK\$0.7 million). As at the date of this announcement, the Company was under negotiation with the holder of the CB (due 2020) for an amicable repayable schedule.

For the CB (due 2025), there was no cancellation, conversion or redemption during the Year, and the outstanding principal amount remained at approximately HK\$25.1 million as at 31 December 2021 (2020: approximately HK\$25.1 million), with maturity date on 17 July 2025.

## **Issue of securities and change in use of proceeds**

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

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

However, due to other imminent needs, the Company changed the use of the net proceeds, of which, (i) approximately HK\$20.0 million was used for partial repayment of advance from a director; and (ii) approximately HK\$4.9 million was used for the general working capital of the Group. The net proceeds has been fully utilized as at 31 December 2021. Please refer to the Company’s announcement dated 12 April 2021 for further details of the reasons for change in use of proceeds.

## **Significant investments**

The Group did not acquire or hold any significant investment during the Year (2020: nil).

## **Material acquisitions and disposals**

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

## **Contingent liabilities**

As at 31 December 2021, the management of the Group was not aware of any other material claim which was threatened against the Group.

## **Employees and remuneration policies**

As at 31 December 2021, the Group engaged a total of approximately 56 employees (2020: approximately 77). Total staff costs excluding Directors' remuneration for the Year amounted to approximately HK\$18.1 million (2020: approximately HK\$24.3 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 2021, no options had been granted under the share option scheme.

Trainings are provided to the employees to equip them with practical knowledge and skills.

## **Foreign currency exposure**

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

## **Charges on group assets**

As at 31 December 2021, certain property, plant and equipment of the Group with net carrying amount of approximately HK\$133.2 million (2020: approximately HK\$140.9 million) were pledged to secure for the banking facilities.

## **Dividends**

The Directors do not recommend the payment of final dividend for the Year (2020: nil).

## **OUTLOOK**

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

Although the Group is facing challenges arising from the outbreak of the COVID-19 pandemic since January 2020 which has led to the travel restrictions of tourists from Hong Kong, China and certain countries, and affected the Group's hotel business in Asia, the Directors consider such unfavorable market conditions could be progressively relieved upon the widespread vaccination worldwide, and will not affect the Group's hotel business in the medium to long run. The Group will continue to explore potential projects for expanding its business horizon to the Greater China region and other Asian countries in order to capture the opportunities arising from the growth in the tourism industry in the PRC and other areas in Asia. Nevertheless, the Group will take a cautious approach when seeking potential acquisition opportunities to maximise shareholders' value.

## **EVENT AFTER THE REPORTING DATE OF 31 DECEMBER 2021**

Save for the impact to the Group's business and operations as a result of the COVID-19 pandemic as disclosed above, which may affect the financial results of the Group, the Board is not aware of any important event requiring disclosure that has taken place subsequent to 31 December 2021 and up to the date of this announcement. For details, please refer to note 10 to the consolidated financial statements in this unaudited annual results announcement.

## **OTHER INFORMATION**

### **AUDIT COMMITTEE**

The Audit Committee is responsible for, among others, reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls systems, and providing advice to the Board. The Audit Committee comprises the three independent non-executive Directors. Mr. Chan So Kuen is the chairman of the Audit Committee.

The Audit Committee has met with the external auditor of the Group to review the accounting principles and policies adopted by the Group, and discussed auditing, internal control, risk management and financial reporting matters including the review of this announcement and the unaudited consolidated financial statements of the Group for the Year.

### **COMPETING BUSINESS**

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

## **CORPORATE GOVERNANCE CODE**

During the Year, save that Mr. Ngan Iek, Mr. Lin Jianguo, Mr. Zhao Guoming, Ms. Zhang Shuo, Mr. Thng Bock Cheng John, Mr. Chan So Kuen and Mr. Lai Yang Chau, Eugene, due to their respective other important engagements at the relevant time, did not attend the annual general meeting of the Company held on 23 June 2021, which deviated from code provision A.6.7 (now C.1.6) of the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules, the Company has complied with the code provisions set out in the Corporate Governance Code in force during the Year.

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

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

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

Hong Kong, 30 March 2022

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

*This announcement will remain on the "Latest Listed Company Information" page of the GEM Website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting. This announcement will also be published on the Company's website at [www.irasia.com/listco/hk/linkholdings](http://www.irasia.com/listco/hk/linkholdings).*