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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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

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

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

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

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

* *For identification purposes only*

FINANCIAL HIGHLIGHTS

The board (the “**Board**”) of directors (the “**Directors**”) of Link Holdings Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) is pleased to announce the unaudited consolidated results of the Group for the nine months ended 30 September 2020 (the “**Review Period**”) together with the comparative figures for the corresponding period in 2019 as set out below. This quarterly results announcement has been reviewed by the audit committee of the Board (the “**Audit Committee**”).

For the Review Period, the Group’s operating results were as follows:

- revenue of the Group amounted to approximately HK\$27.7 million (2019: approximately HK\$54.7 million), representing a decrease of approximately 49.4% as compared to the corresponding period in 2019.
- loss attributable to owners of the Company amounted to approximately HK\$39.2 million (2019: profit of approximately HK\$7.3 million).
- basic losses per share was approximately HK cents 1.122 (2019: basic earnings per share of approximately HK cents 0.209).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2020

		(Unaudited) For nine months ended 30 September		(Unaudited) For three months ended 30 September	
	<i>Notes</i>	2020 <i>HK\$</i>	2019 <i>HK\$</i>	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Revenue	3	27,675,413	54,661,068	12,963,425	20,433,896
Cost of sales		<u>(19,689,691)</u>	<u>(12,731,706)</u>	<u>(7,557,295)</u>	<u>(4,688,736)</u>
Gross profit		7,985,722	41,929,362	5,406,130	15,745,160
Other income, other gains and losses		2,321,456	295,745	1,597,751	102,744
Selling expenses		(1,256,824)	(1,385,473)	(269,773)	(569,329)
Administrative expenses		(27,892,500)	(31,086,574)	(9,427,251)	(12,813,308)
Finance costs		(11,045,576)	(8,431,177)	(4,000,088)	(2,493,163)
(Loss)/Gain on changes in fair value of investment properties		(206,743)	8,554,621	552	8,075
Share of results of an associate		(12,529,652)	2,056,064	(6,617,574)	3,294,710
(Loss)/Profit before income tax	4	(42,624,117)	11,932,568	(13,310,253)	3,274,889
Income tax credit/(expense)	5	3,366,251	(4,302,047)	1,019,890	(881,508)
(Loss)/Profit for the period		<u>(39,257,866)</u>	<u>7,630,521</u>	<u>(12,290,363)</u>	<u>2,393,381</u>
Other comprehensive income/(expense) that will not be reclassified to profit or loss:					
Gain on revaluation of properties		1,294,754	1,291,061	25,266	(23,422)
Tax expense related to gain on revaluation of properties		(220,108)	(219,480)	(4,295)	3,982
Other comprehensive (expense)/income that may be reclassified subsequently to profit or loss:					
Exchange difference on translating foreign operations		(17,526,313)	(10,695,995)	(6,416,086)	(12,907,683)
Loss on cash flow hedges		(2,772,915)	(103,238)	(14,484)	–
Other comprehensive (expense)/income for the period, net of tax		<u>(19,224,582)</u>	<u>(9,727,652)</u>	<u>(6,409,599)</u>	<u>(12,927,123)</u>
Total comprehensive (expense)/income for the period		<u><u>(58,482,448)</u></u>	<u><u>(2,097,131)</u></u>	<u><u>(18,699,962)</u></u>	<u><u>(10,533,742)</u></u>

	(Unaudited)		(Unaudited)	
	For nine months ended		For three months ended	
	30 September		30 September	
Notes	2020	2019	2020	2019
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
(Loss)/Profit for the period attributable to:				
Owners of the Company	(39,171,354)	7,296,597	(12,229,630)	2,527,156
Non-controlling interest	(86,512)	333,924	(60,733)	(133,775)
	<u>(39,257,866)</u>	<u>7,630,521</u>	<u>(12,290,363)</u>	<u>2,393,381</u>
Total comprehensive (expense)/income attributable to:				
Owners of the Company	(57,975,768)	(2,547,923)	(18,458,404)	(10,399,464)
Non-controlling interest	(506,680)	450,792	(241,558)	(134,278)
	<u>(58,482,448)</u>	<u>(2,097,131)</u>	<u>(18,699,962)</u>	<u>(10,533,742)</u>
(Losses)/Earnings per share				
Basic (losses)/earnings per share (HK cents)	<u>(1.122)</u>	<u>0.209</u>	<u>(0.350)</u>	<u>0.072</u>
Diluted (losses)/earnings per share (HK cents)	<u>(1.122)</u>	<u>0.205</u>	<u>(0.350)</u>	<u>0.071</u>

6

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2020

	Attributable to owners of the Company										
	Share capital <i>HK\$</i>	Share premium <i>HK\$</i> <i>(note a)</i>	Hotel properties revaluation reserve <i>HK\$</i> <i>(note b)</i>	Other reserve <i>HK\$</i> <i>(note c)</i>	Translation reserve <i>HK\$</i> <i>(note d)</i>	Convertible bonds reserve <i>HK\$</i> <i>(note e)</i>	Hedging reserve <i>HK\$</i> <i>(note f)</i>	Retained earnings <i>HK\$</i>	Total <i>HK\$</i>	Non-controlling interests <i>HK\$</i>	Total equity <i>HK\$</i>
At 1 January 2019	3,490,000	333,122,249	67,976,874	2,014,251	(37,790,383)	10,698,249	(3,968,118)	68,618,243	444,161,365	5,511,263	449,672,628
Profit for the period	-	-	-	-	-	-	-	7,296,597	7,296,597	333,924	7,630,521
Other comprehensive income/(expense)											
- Gain on revaluation of properties	-	-	1,291,061	-	-	-	-	-	1,291,061	-	1,291,061
- Tax expense related to gain on revaluation of properties	-	-	(219,480)	-	-	-	-	-	(219,480)	-	(219,480)
- Exchange differences arising on translation of foreign operations	-	-	-	-	(10,812,863)	-	-	-	(10,812,863)	116,868	(10,695,995)
- Loss on cash flow hedges	-	-	-	-	-	-	(103,238)	-	(103,238)	-	(103,238)
Total comprehensive income/(expense) for the period	-	-	1,071,581	-	(10,812,863)	-	(103,238)	7,296,597	(2,547,923)	450,792	(2,097,131)
At 30 September 2019 (Unaudited)	<u>3,490,000</u>	<u>333,122,249</u>	<u>69,048,455</u>	<u>2,014,251</u>	<u>(48,603,246)</u>	<u>10,698,249</u>	<u>(4,071,356)</u>	<u>75,914,840</u>	<u>441,613,442</u>	<u>5,962,055</u>	<u>447,575,497</u>

Attributable to owners of the Company

	Share capital <i>HK\$</i>	Share premium <i>HK\$</i> <i>(note a)</i>	Hotel properties revaluation reserve <i>HK\$</i> <i>(note b)</i>	Other reserve <i>HK\$</i> <i>(note c)</i>	Translation reserve <i>HK\$</i> <i>(note d)</i>	Convertible bonds reserve <i>HK\$</i> <i>(note e)</i>	Hedging reserve <i>HK\$</i> <i>(note f)</i>	Retained earnings/ (Accumulated losses) <i>HK\$</i>	Total <i>HK\$</i>	Non- controlling interests <i>HK\$</i>	Total equity <i>HK\$</i>
At 1 January 2020 (as previously reported)	3,490,000	333,122,249	69,358,928	2,014,251	(29,944,068)	10,698,249	(4,394,641)	12,993,519	397,338,487	5,625,527	402,964,014
Prior year adjustments <i>(note g)</i>	-	-	-	-	-	-	-	(3,355,000)	(3,355,000)	-	(3,355,000)
As restated (unaudited)	3,490,000	333,122,249	69,358,928	2,014,251	(29,944,068)	10,698,249	(4,394,641)	9,638,519	393,983,487	5,625,527	399,609,014
Loss for the period	-	-	-	-	-	-	-	(39,171,354)	(39,171,354)	(86,512)	(39,257,866)
Other comprehensive income/(expense)											
– Gain on revaluation of properties	-	-	1,294,754	-	-	-	-	-	1,294,754	-	1,294,754
– Tax expense related to gain on revaluation of properties	-	-	(220,108)	-	-	-	-	-	(220,108)	-	(220,108)
– Exchange differences arising on translation of foreign operations	-	-	-	-	(17,526,313)	-	-	-	(17,526,313)	(420,168)	(17,946,481)
– Loss on cash flow hedges	-	-	-	-	-	-	(2,772,915)	-	(2,772,915)	-	(2,772,915)
Total comprehensive income/(expense) for the period	-	-	1,074,646	-	(17,526,313)	-	(2,772,915)	(39,171,354)	(58,395,936)	(506,680)	(58,902,616)
Issue of convertible bonds	-	-	-	-	-	14,342,489	-	-	14,342,489	-	14,342,489
At 30 September 2020 (Unaudited)	<u>3,490,000</u>	<u>333,122,249</u>	<u>70,433,574</u>	<u>2,014,251</u>	<u>(47,470,381)</u>	<u>25,040,738</u>	<u>(7,167,556)</u>	<u>(29,532,835)</u>	<u>349,930,040</u>	<u>5,118,847</u>	<u>355,048,887</u>

Notes:

- a. The share premium account of the Group represents the premium arising from the issuance of shares at premium.
- b. The hotel properties revaluation reserve represents the gains arising from the revaluation of hotel buildings of the Group and the associate (other than investment property).
- c. The other reserve of the Group represents the difference between the nominal value of shares issued by the Company and the aggregate nominal value of the issued share capital of the subsidiaries acquired pursuant to a group reorganisation which became effective on 20 June 2014. The other reserve also resulted from the acquisition of additional interest in a subsidiary which represents the difference between the fair value of the consideration and the carrying amount of the net assets attributable to the additional interest in a subsidiary acquired.
- d. 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.
- g. Please refer to the Company's interim report for the six months ended 30 June 2020 (published on 14 August 2020) – note 4 to the condensed consolidated interim financial statements for details of the prior year adjustments.

NOTES TO THE FINANCIAL INFORMATION

1 CORPORATE INFORMATION

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, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The financial information for the Review Period has been prepared in accordance with the International Accounting Standard issued by the International Accounting Standards Board and the applicable disclosure requirements of the GEM Listing Rules.

The basis of preparation and the accounting policies applied are consistent with those adopted in the consolidated financial statements for the year ended 31 December 2019 included in the Company's 2019 annual report, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2020.

The Group has adopted all of the new and revised standards, amendments and interpretations which are relevant to its operations and effective for the accounting periods beginning on or after 1 January 2020.

The adoption of these new and revised standards, amendments and interpretation does not have significant impact on the accounting policies of the Group, and the amounts reported for the current period and prior periods.

The Group has not early adopted the new and revised standards that have been issued but are not yet effective. The Directors anticipate that the application of the new and revised standards will have no material impact on the results and financial position of the Group.

3 REVENUE

- (a) An analysis of the Group's revenue representing the aggregate amount of income from hotel operations and distressed debt assets is as follows:

	(Unaudited) For nine months ended 30 September		(Unaudited) For three months ended 30 September	
	2020 HK\$	2019 HK\$	2020 HK\$	2019 HK\$
Income from distressed debt assets classified as receivables	9,264,637	29,800,487	3,254,617	10,441,442
Less: modification loss (Note 1)	<u>(22,953,273)</u>	<u>(14,864,418)</u>	<u>(7,336,975)</u>	<u>(5,870,917)</u>
	(13,688,636)	14,936,069	(4,082,358)	4,570,525
<i>Hotel operations:</i>				
Hotel room	30,065,401	30,556,692	13,273,900	12,717,571
Food and beverage	6,847,214	4,022,607	2,631,999	1,667,061
Rental income from hotel properties	2,324,562	4,178,993	551,020	1,175,031
Others (Note 2)	<u>2,126,872</u>	<u>966,707</u>	<u>588,864</u>	<u>303,708</u>
	41,364,049	39,724,999	17,045,783	15,863,371
Total	<u>27,675,413</u>	<u>54,661,068</u>	<u>12,963,425</u>	<u>20,433,896</u>

Notes:

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

- (b) Disaggregation of revenue:

For the nine months ended 30 September (Unaudited)

Primary geographical markets	Hotel business		Distressed debt asset management		Total	
	2020 HK\$	2019 HK\$	2020 HK\$	2019 HK\$	2020 HK\$	2019 HK\$
Singapore	34,574,571	39,421,145	-	-	34,574,571	39,421,145
Japan	6,789,478	303,854	-	-	6,789,478	303,854
The People's Republic of China (the "PRC")	-	-	<u>(13,688,636)</u>	14,936,069	<u>(13,688,636)</u>	14,936,069
Total	<u>41,364,049</u>	<u>39,724,999</u>	<u>(13,688,636)</u>	<u>14,936,069</u>	<u>27,675,413</u>	<u>54,661,068</u>

4 LOSS/PROFIT BEFORE INCOME TAX

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

	(Unaudited) For nine months ended 30 September		(Unaudited) For three months ended 30 September	
	2020 HK\$	2019 HK\$ (restated)	2020 HK\$	2019 HK\$ (restated)
Staff costs (Note)	14,811,503	15,097,243	4,351,361	5,260,138
Depreciation of property, plant and equipment	10,352,806	7,590,870	3,391,310	2,238,126
Depreciation of right-of-use assets	2,030,266	1,635,828	680,668	663,568
Singapore property tax expense	1,126,690	1,519,810	359,470	502,039

Note: Staff costs include wages and salaries, short-term non-monetary benefits, and contributions to defined contribution plans.

5 INCOME TAX CREDIT/(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 nine months ended 30 September 2020 (2019: Nil). Singapore corporate income tax has been provided on the estimated assessable profits arising in Singapore at the rate of 17% during the nine months ended 30 September 2020 (2019: 17%).

The subsidiaries in Indonesia are subject to 25% on their assessable profits for the nine months ended 30 September 2020 as determined in accordance with the relevant Indonesia income tax rules and regulations (2019: 25%).

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

The major components of the income tax credit/(expense) for the periods are as follows:

	(Unaudited) For nine months ended 30 September		(Unaudited) For three months ended 30 September	
	2020 HK\$	2019 HK\$	2020 HK\$	2019 HK\$
Current tax (expense)/over provision				
– Singapore Corporate Income Tax	(107,594)	(2,163,392)	(562)	(879,490)
Deferred tax credit/(expense)	3,473,845	(2,138,655)	1,020,452	(2,018)
Total income tax credit/(expense) for the period	3,366,251	(4,302,047)	1,019,890	(881,508)

6 (LOSSES)/EARNINGS PER SHARE

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

	(Unaudited) For nine months ended 30 September		(Unaudited) For three months ended 30 September	
	2020 HK\$	2019 HK\$	2020 HK\$	2019 HK\$
(Losses)/Earnings				
(Losses)/Earnings for the purpose of basic (losses)/earnings per share	(39,171,354)	7,296,597	(12,229,630)	2,527,156
Interest expenses on convertible bonds	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
(Losses)/Earnings for the purpose of diluted (losses)/earnings per share	<u>(39,171,354)</u>	<u>7,296,597</u>	<u>(12,229,630)</u>	<u>2,527,156</u>
	For nine months ended 30 September		For three months ended 30 September	
	2020	2019	2020	2019
	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic (losses)/earnings per share	3,490,000,000	3,490,000,000	3,490,000,000	3,490,000,000
Effect of dilutive potential ordinary shares on convertible bonds	<u>–</u>	<u>76,600,000</u>	<u>–</u>	<u>76,600,000</u>
Weighted average number of ordinary shares for the purpose of diluted (losses)/earnings per share	<u>3,490,000,000</u>	<u>3,566,600,000</u>	<u>3,490,000,000</u>	<u>3,566,600,000</u>

Ordinary shares are derived from 3,490,000,000 ordinary shares, being the number of shares in issue during the nine months ended 30 September 2020 (2019: 3,490,000,000 ordinary shares).

7 DIVIDEND

The Directors do not recommend the payment of any dividend for the nine months ended 30 September 2020 (2019: Nil).

8 EVENTS AFTER THE END OF THE REPORTING PERIOD

Since January 2020, the PRC has reported certain confirmed cases of the coronavirus disease (the “COVID-19”) which became pandemic and affected the global business environment. The outbreak of COVID-19 has led to a slow-down in travelling to Singapore and Japan and has been severely affecting the hospitality business of the Group. The Group’s hotels have seen substantial room cancellations as a result of government travel restrictions, quarantines and lockdowns, thus reducing the revenue in the nine months ended 30 September 2020. The Group has been focusing on all possible operational cost containment options, as well as deferring capital spending where possible. Based on the information currently available, the management estimates that the Group will sustain an operation loss for the year ending 31 December 2020, despite measures to contain costs. The Group will continue to keep attention on the situation of the COVID-19 pandemic and react actively to its impact on the financial position and operating results of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

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

For the Review Period, the Group continued to stay focused on the operation of its hotel business, and the development of its resort hotel situated in Bintan, Indonesia pursuant to the master plan of the development of the Bintan Assets (as defined in the prospectus of the Company dated 30 June 2014 (the “Prospectus”). Save as disclosed in this quarterly results announcement, there is no material change in the Group’s businesses during the Review Period. The operation of Link Hotel in Singapore continued to generate the main source of income for the Group during the Review Period.

Financial review

For the Review Period, the Group recorded a total revenue of approximately HK\$27.7 million (2019: HK\$54.7 million), representing a decrease of approximately HK\$27.0 million or 49.4% as compared to the corresponding period in the last year, which was mainly due to the record of negative income from the Group’s distressed debt assets.

For the Review Period, loss attributable to owners of the Company was approximately HK\$39.2 million (2019: profit of approximately HK\$7.3 million). Such deterioration of the Group’s financial performance was mainly due to (i) the recognition of negative income from the Group’s distressed debt assets (i.e. income from distressed debt assets classified as receivables less modification loss) of approximately HK\$13.7 million for the Review Period as compared to the positive income of approximately HK\$14.9 million recorded for the corresponding period in the last year; (ii) the record of loss on change in fair value of investment properties of approximately HK\$0.2 million for the Review Period as compared to the fair value gain of approximately HK\$8.6 million recorded for the corresponding period in the last year; and (iii) the share of loss of an associate of approximately HK\$12.5 million for the Review Period as compared to the share of profit of approximately HK\$2.1 million for the corresponding period in the last year; which were partially mitigated by the record of income tax credit of approximately HK\$3.4 million for the Review Period as compared to the income tax expense of approximately HK\$4.3 million for the corresponding period in the last year.

Basic losses per share for the Review Period was approximately HK cents 1.122 (2019: basic earnings per share of approximately HK cents 0.209).

Hotel operation

For the Review Period, room revenue amounted to approximately HK\$30.1 million (2019: approximately HK\$30.6 million), accounting for approximately 72.7% (2019: approximately 76.9%) 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 84.2% of total room revenue for the Review Period (2019: approximately 99.0%), and depends in part on the achieved average room rate and occupancy rate. Room revenue for the Review Period also included a minor contribution from the Group's spa hotel in Japan which commenced operation in September 2019.

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

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

	Nine months ended	
	30 September	
	2020	2019
Total available room nights	75,076	74,802
Occupancy rate	68%	67%
Average room rate (HK\$)	451.5	555.2
RevPAR (HK\$)	306.5	369.4

For the Review Period, food and beverage ("F&B") revenue was approximately HK\$6.8 million (2019: approximately HK\$4.0 million), representing approximately 16.6% (2019: approximately 10.1%) 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 leased shop units in its hotels and received rental income from hotel tenants. For the Review Period, rental income from hotel tenants was approximately HK\$2.3 million (2019: approximately HK\$4.2 million) representing approximately 5.6% (2019: approximately 10.5%) of the total revenue from hotel business.

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 2017, the construction plan was amended to be more fitting to the latest theme of the resort. During the Review Period, 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. In view of the above and that the recent outbreak of the COVID-19 pandemic has affected the supply chains of various sectors worldwide, it is currently expected that, on the basis of having adequate funding and that the COVID-19 pandemic will dissipate by the end of 2020, the construction of the resort hotel will be completed by the end of 2021.

Distressed debt assets management business

During the Review Period, the Group recorded negative income from distressed debts assets (net of modification loss) of approximately HK\$13.7 million (2019: positive income of approximately HK\$14.9 million). Besides, due to the outbreak of the COVID-19 pandemic, the execution plan on recovering the distressed debts was substantially suspended during the Review Period.

Measures to address the going concern issue

During the Review Period and up to the date of this quarterly results announcement, the Group has been undertaking a number of measures to improve its liquidity and financial position to address the audit qualification on going concern as disclosed in the independent auditor's report for the year ended 31 December 2019, including but not limited to: (i) the negotiation with the Group's principal lending bank in Singapore for increase of credit facilities; (ii) the application for government-supported low-interest-rate loans from Japan financial institutions to finance the operation of the Group's spa hotel in Japan; (iii) the application for various COVID-19 related subsidies from local governments so as to reduce the operation costs of the Group; and (iv) the completion of issue of new convertible bonds with net proceeds raised amounting to approximately HK\$25 million.

Issue of securities

On 21 June 2020, the Company and Mr. Ng Meng Chit (the "Subscriber") entered into a subscription agreement (the "Subscription Agreement"), pursuant to which, the Subscriber agreed to subscribe for and the Company agreed to issue convertible bonds (the "Convertible Bonds") 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 will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full. The subscription and issue of the Convertible Bonds were completed on 17 July 2020. The gross proceeds and net proceeds from the issue of the Convertible Bonds are HK\$25,128,000 and approximately HK\$24,870,000 respectively. Please refer to the Company's announcement dated 21 June 2020 for further details.

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 the recently opened 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 successful player 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 the "One Belt, One Road" development strategy 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 environment is short-term 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.

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 control system, and providing advice to the Board. The Audit Committee comprises three independent non-executive Directors, namely Mr. Chan So Kuen, Mr. Thng Bock Cheng John and Mr. Lai Yang Chau, Eugene. Mr. Chan So Kuen is the chairman of the Audit Committee.

The condensed consolidated financial statements for the Review Period have not been audited by the auditors of the Company. The Audit Committee has reviewed the basis of preparation, the accounting principles and policies adopted by the Group and the unaudited financial results for the Review Period.

Competing Interest

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the Review Period.

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 Review Period.

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

Hong Kong, 11 November 2020

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

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 herein or this announcement misleading.

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