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Landing International Development Limited

藍鼎國際發展有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock code: 582)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board of directors (the “**Directors**”) (the “**Board**”) of Landing International Development Limited (the “**Company**”) hereby presents the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 (the “**Period**”) together with the comparative figures for the corresponding period in 2020. The audit committee of the Company (the “**Audit Committee**”) has reviewed and discussed with the management of the Company the unaudited interim financial information of the Group for the Period.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

| | | For the six months ended 30 June | |
|---|-------|-------------------------------------|---------------------------------|
| | Notes | 2021 HK\$'000 (Unaudited) | 2020 HK\$'000 (Unaudited) |
| REVENUE | 4 | 476,627 | 262,137 |
| Cost of properties and inventories sold | | (57,891) | (30,728) |
| Other income and losses, net | 5 | (4,583) | (32,058) |
| Gaming duties and other related taxes | | (3,093) | (14,220) |
| Amortisation and depreciation | | (302,447) | (301,747) |
| Employee benefit expenses | | (262,544) | (253,940) |
| Other operating expenses | | (208,293) | (353,193) |
| Finance costs, net | 6 | (67,754) | (61,003) |
| Fair value losses on investment properties, net | | (33,838) | – |
| Impairment of intangible assets | | (130,883) | – |
| Reversal of impairment of trade and other receivables, net | | 1,795 | 17,332 |
| LOSS BEFORE TAX | 7 | (592,904) | (767,420) |
| Income tax expense | 8 | (30,826) | (24,812) |
| LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT | | (623,730) | (792,232) |
| LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT | 10 | | |
| Basic | | (HK17.16) cents | (HK25.07) cents |
| Diluted | | (HK17.16) cents | (HK25.07) cents |

**CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

For the six months ended 30 June 2021

| | For the six months ended 30 June | |
|--|---|-------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| LOSS FOR THE PERIOD | (623,730) | (792,232) |
| OTHER COMPREHENSIVE LOSS | | |
| <i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i> | | |
| Exchange differences on translation of foreign operations | (331,305) | (473,568) |
| Release of exchange reserve upon disposal of subsidiaries | – | 19,296 |
| Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods | (331,305) | (454,272) |
| <i>Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:</i> | | |
| Equity investments designated at fair value through other comprehensive income: | | |
| Changes in fair value | (5,961) | (5,135) |
| Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods | (5,961) | (5,135) |
| OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX | (337,266) | (459,407) |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT | (960,996) | (1,251,639) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

| | | 30 June 2021 | 31 December 2020 |
|---|--------------|---|---|
| | <i>Notes</i> | HK\$'000 (Unaudited) | HK\$'000 (Audited) |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | <i>11</i> | 9,503,600 | 10,210,788 |
| Investment properties | | 530,917 | 537,164 |
| Right-of-use assets | | 3,622 | 7,857 |
| Goodwill | <i>12</i> | – | – |
| Intangible assets | <i>13</i> | 462,346 | 614,911 |
| Equity investments designated at fair value through other comprehensive income | | 24,459 | 30,420 |
| Prepayments, trade and other receivables | <i>14</i> | 4,221 | 110,410 |
| | | <hr style="border-top: 1px solid black;"/> | <hr style="border-top: 1px solid black;"/> |
| Total non-current assets | | 10,529,165 | 11,511,550 |
| CURRENT ASSETS | | | |
| Properties under development | | 115,841 | 122,622 |
| Completed properties for sale | | 821,098 | 875,637 |
| Inventories | | 69,013 | 70,497 |
| Prepayments, trade and other receivables | <i>14</i> | 310,465 | 314,683 |
| Tax recoverable | | 26 | 6,135 |
| Restricted cash | <i>15</i> | 69,604 | – |
| Cash and cash equivalents | <i>15</i> | 759,655 | 647,418 |
| | | <hr style="border-top: 1px solid black;"/> | <hr style="border-top: 1px solid black;"/> |
| Total current assets | | 2,145,702 | 2,036,992 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | <i>16</i> | 534,503 | 471,735 |
| Interest-bearing bank borrowing | <i>17</i> | 2,425,042 | 829,234 |
| Lease liabilities | | 3,674 | 7,689 |
| Tax payable | | 9,585 | 8,286 |
| | | <hr style="border-top: 1px solid black;"/> | <hr style="border-top: 1px solid black;"/> |
| Total current liabilities | | 2,972,804 | 1,316,944 |
| | | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| NET CURRENT (LIABILITIES)/ASSETS | | (827,102) | 720,048 |
| | | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 9,702,063 | 12,231,598 |
| | | <hr style="border-top: 3px double black;"/> | <hr style="border-top: 3px double black;"/> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

As at 30 June 2021

| | | 30 June | 31 December |
|--|--------------|---|---|
| | | 2021 | 2020 |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Audited) |
| NON-CURRENT LIABILITIES | | | |
| Trade and other payables | <i>16</i> | 32,713 | 31,877 |
| Interest-bearing bank borrowing | <i>17</i> | – | 1,707,264 |
| Lease liabilities | | 267 | 786 |
| Deferred tax liabilities | | 44,851 | 45,054 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 77,831 | 1,784,981 |
| | | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Net assets | | 9,624,232 | 10,446,617 |
| | | <hr style="border-top: 3px double black;"/> | <hr style="border-top: 3px double black;"/> |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | <i>18</i> | 42,263 | 35,219 |
| Reserves | | 9,581,969 | 10,411,398 |
| | | <hr/> | <hr/> |
| Total equity | | 9,624,232 | 10,446,617 |
| | | <hr style="border-top: 3px double black;"/> | <hr style="border-top: 3px double black;"/> |

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Landing International Development Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands and continued in Bermuda, and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

During the period, the Company and its subsidiaries (collectively, the “**Group**”) are principally engaged in development and operation of integrated leisure and entertainment resort (the “**Integrated Resort Development**”), gaming and entertainment facilities (the “**Gaming Business**”) and property development (the “**Property Development**”).

In the opinion of the directors, the immediate and ultimate holding company of the Company is Landing International Limited, which is incorporated in the British Virgin Islands.

2.1 BASIS OF PRESENTATION

The interim financial information for the six months ended 30 June 2021 has been prepared under the going concern basis, notwithstanding that the Group had net current liabilities of HK\$827,102,000 as at 30 June 2021 and incurred a net loss of HK\$623,730,000 for the six months ended 30 June 2021. In the opinion of the directors, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future, based on the cash flow projections of the Group and after taking into consideration that the Group obtained a letter of intention from the bank for their willingness of the renewal of the bank borrowing. As at 30 June 2021, the balance of bank borrowing is HK\$2,425,042,000 which will be expired within one year.

Should the bank borrowing is renewed, the directors are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the next twelve months from the end of the reporting period. Consequently, the interim financial information has been prepared on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effect of these adjustments has not been reflected in this interim financial information.

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

2.2 BASIS OF PREPARATION

The interim financial information for the six months ended 30 June 2021 have been prepared in accordance with Hong Kong Accounting Standards (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which also include HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the adoption of the revised HKFRSs as of 1 January 2021 as disclosed in note 3 below. The Group has not yet early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. In the opinion of the directors of the Company, the revised standard is not expected to have a significant impact on the financial position and performance of the Group.

The interim financial information for the six months ended 30 June 2021 has been prepared under the historical cost convention, except for investment properties and equity investments, which have been measured at fair value. The interim financial information is presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of revised HKFRSs effective as of 1 January 2021.

| | |
|---|--|
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | <i>Interest Rate Benchmark Reform - Phase 2</i> |
| Amendment to HKFRS 16 | <i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i> |

The adoption of those revised standards has no significant financial effect on the interim financial information and there has been no significant change to the accounting policies applied in the interim financial information.

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

4 SEGMENT INFORMATION

The executive directors of the Company are considered to be the Group's Chief Operating Decision-Maker ("CODM"). Management has determined the operating segments based on the reports reviewed by the CODM that are used to make strategic decisions. The CODM considers the Group is operating predominantly in three operating segments as follows:

- (a) Integrated Resort Development;
- (b) Gaming Business; and
- (c) Property Development.

The CODM monitors the results of the operating segments separately for the purpose of allocating resources and assessing performance. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's loss before tax except that finance costs, net, loss on disposal of subsidiaries as well as head office and corporate income and expenses, net are excluded from such measurement.

The following tables present revenue and results information regarding the Group's operating segments for the six months ended 30 June 2021 and 2020, respectively:

For the six months ended 30 June 2021

| | Integrated Resort Development | Gaming Business | Property Development | Total |
|---|--|----------------------------|---------------------------------|--------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Segment revenue: | | | | |
| Sales to external customers | <u>350,659</u> | <u>58,653</u> | <u>67,315</u> | <u>476,627</u> |
| Segment results | <u>(291,737)</u> | <u>(247,986)</u> | <u>27,996</u> | <u>(511,727)</u> |
| <i>Reconciliation:</i> | | | | |
| Finance costs, net (other than interest on lease liabilities) | | | | (67,527) |
| Corporate and other unallocated expenses, net | | | | <u>(13,650)</u> |
| Loss before tax | | | | <u>(592,904)</u> |

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

4 SEGMENT INFORMATION (continued)

For the six months ended 30 June 2020

| | Integrated Resort Development HK\$'000 (Unaudited) | Gaming Business HK\$'000 (Unaudited) | Property Development HK\$'000 (Unaudited) | Total HK\$'000 (Unaudited) |
|--|--|---|--|----------------------------------|
| Segment revenue: | | | | |
| Sales to external customers | 122,383 | 101,085 | 38,669 | 262,137 |
| Segment results | <u>(532,947)</u> | <u>(71,018)</u> | <u>9,224</u> | <u>(594,741)</u> |
| <i>Reconciliation:</i> | | | | |
| Finance costs, net (other than interest on lease liabilities) | | | | (59,982) |
| Corporate and other unallocated expenses, net | | | | (91,311) |
| Loss on disposal of subsidiaries | | | | <u>(21,386)</u> |
| Loss before tax | | | | <u>(767,420)</u> |

Geographical information

Revenue from external customers

| | For the six months ended 30 June | |
|-------------|---|--------------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| South Korea | <u>476,627</u> | <u>262,137</u> |

The revenue information above is based on the location of the customers.

Information about major customers

During the six months ended 30 June 2021 and 2020, no single customers contributed over 10% of the Group's total revenue.

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

5 OTHER INCOME AND LOSSES, NET

| | For the six months ended 30 June | |
|---|-------------------------------------|---------------------------------|
| | 2021 HK\$'000 (Unaudited) | 2020 HK\$'000 (Unaudited) |
| Dividend income from equity investments | | |
| at fair value through other comprehensive income | 66 | 51 |
| Loss on disposal of subsidiaries (Note 19) | – | (21,386) |
| (Loss)/gain on disposal of items of property, plant and equipment | (946) | 6,099 |
| Investment properties written off | (3,666) | – |
| Loss on disposal of right-of-use asset and lease liability | | |
| on early termination of lease | – | (19,097) |
| Foreign exchange differences, net | (7,666) | 1,732 |
| Others | 7,629 | 543 |
| | <u>(4,583)</u> | <u>(32,058)</u> |

6 FINANCE COSTS, NET

| | For the six months ended 30 June | |
|-----------------------------|-------------------------------------|---------------------------------|
| | 2021 HK\$'000 (Unaudited) | 2020 HK\$'000 (Unaudited) |
| Interest expenses: | | |
| – Lease liabilities | (227) | (1,021) |
| – Bank and other borrowings | (73,149) | (72,088) |
| Finance costs | <u>(73,376)</u> | <u>(73,109)</u> |
| Interest income: | | |
| – Bank interest income | 283 | 168 |
| – Other interest income | 5,339 | 11,938 |
| Finance income | <u>5,622</u> | <u>12,106</u> |
| Finance costs, net | <u>(67,754)</u> | <u>(61,003)</u> |

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

7 LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

| | For the six months ended 30 June | |
|---|---|-------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Cost of properties and inventories sold: | | |
| – Cost of properties sold | 30,729 | 10,448 |
| – Cost of inventories sold | 29,183 | 19,048 |
| – (Reversal of provision)/provision for inventories | (2,021) | 1,232 |
| | 57,891 | 30,728 |
| Amortisation and depreciation: | | |
| – Depreciation of property, plant and equipment | 298,094 | 293,884 |
| – Depreciation of right-of-use assets | 4,176 | 7,705 |
| – Amortisation of intangible assets | 177 | 158 |
| | 302,447 | 301,747 |
| Reversal of impairment of trade and other receivables, net: | | |
| – Impairment/(reversal of impairment) of gaming receivables, net | 4,685 | (2,783) |
| – Reversal of impairment of other receivables, net | (6,480) | (14,549) |
| | (1,795) | (17,332) |
| Expenses included in “other operating expenses”: | | |
| – Building, equipment and facility maintenance expenses | 60,004 | 42,013 |
| – Impairment of property, plant and equipment | – | 141,589 |
| – Sales and marketing, promotion and advertising expenses | 20,527 | 19,258 |
| – Lease payments not included in the measurement of lease liabilities | 3,120 | 11,874 |
| – Utilities expenses | 36,601 | 29,667 |

Note:

For the six months ended 30 June 2021, government grants of HK\$43,000 (Six months ended 30 June 2020: HK\$172,000) and HK\$7,862,000 (Six months ended 30 June 2020: HK\$8,409,000) were received under the “Jobs Support Scheme” of the Government of Singapore and the “Employment Retention Subsidy” of the Government of South Korea, respectively. Besides, government grant of HK\$540,000 was received under the “Anti-epidemic Fund” of the Government of Hong Kong Special Administrative Region for the six months ended 30 June 2020. These amounts are included in the “employee benefit expenses” in the condensed consolidated statement of profit or loss and there are no unfulfilled conditions or contingencies related to these grants.

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

8 INCOME TAX

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2021 (Six months ended 30 June 2020: Nil). Taxation on overseas profits have been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

| | For the six months ended 30 June | |
|---------------------------------|-------------------------------------|---------------------------------|
| | 2021 HK\$'000 (Unaudited) | 2020 HK\$'000 (Unaudited) |
| Current tax | | |
| – PRC | 1,334 | 2,947 |
| – South Korea | 31 | 6 |
| Withholding tax | 27,780 | 21,859 |
| Deferred tax | 1,681 | – |
| | <hr/> | <hr/> |
| Total tax charge for the period | 30,826 | 24,812 |

9 DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30 June 2021 (Six months ended 30 June 2020: Nil).

10 LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of basic and diluted loss per share are based on:

| | For the six months ended 30 June | |
|--|-------------------------------------|---------------------------------|
| | 2021 HK\$'000 (Unaudited) | 2020 HK\$'000 (Unaudited) |
| Loss | | |
| Loss attributable to owners of the parent, used in the basic and diluted loss per share calculation: | (623,730) | (792,232) |
| | <hr/> | <hr/> |
| Number of shares | '000 | '000 |
| Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation | 3,634,733 | 3,160,660 |

The Group had no potential dilutive ordinary shares outstanding during the respective periods.

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

11 PROPERTY, PLANT AND EQUIPMENT

| | HK\$'000 |
|---|-------------------------|
| Net book amount as at 31 December 2020 and 1 January 2021 (Audited) | 10,210,788 |
| Additions | 21,371 |
| Depreciation provided for the period | (298,094) |
| Disposals/write-off | (2,099) |
| Transfers | (50,165) |
| Exchange realignment | (378,201) |
| Net book amount as at 30 June 2021 (Unaudited) | <u>9,503,600</u> |

12 GOODWILL

| | HK\$'000 |
|---|---------------------|
| Cost | |
| As at 31 December 2020 and 1 January 2021 (Audited) | 5,637 |
| Exchange realignment | (212) |
| As at 30 June 2021 (Unaudited) | <u>5,425</u> |
| Accumulated impairment | |
| As at 31 December 2020 and 1 January 2021 (Audited) | 5,637 |
| Exchange realignment | (212) |
| As at 30 June 2021 (Unaudited) | <u>5,425</u> |
| Net carrying amount | |
| As at 30 June 2021 (Unaudited) | <u>–</u> |
| As at 31 December 2020 (Audited) | <u>–</u> |

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

13 INTANGIBLE ASSETS

| | HK\$'000 |
|---|------------------------------|
| Cost | |
| As at 31 December 2020 and 1 January 2021 (Audited) | 921,009 |
| Exchange realignment | <u>(34,649)</u> |
| As at 30 June 2021 (Unaudited) | <u>886,360</u> |
| Accumulated amortisation | |
| As at 31 December 2020 and 1 January 2021 (Audited) | 879 |
| Amortisation provided during the period | 177 |
| Exchange realignment | <u>(35)</u> |
| As at 30 June 2021 (Unaudited) | <u>1,021</u> |
| Accumulated impairment | |
| As at 31 December 2020 and 1 January 2021 (Audited) | 305,219 |
| Impairment provided during the period | 130,883 |
| Exchange realignment | <u>(13,109)</u> |
| As at 30 June 2021 (Unaudited) | <u>422,993</u> |
| Net carrying amount | |
| As at 30 June 2021 (Unaudited) | <u><u>462,346</u></u> |
| As at 31 December 2020 (Audited) | <u><u>614,911</u></u> |

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

14 PREPAYMENTS, TRADE AND OTHER RECEIVABLES

| | 30 June 2021 HK\$'000 (Unaudited) | 31 December 2020 HK\$'000 (Audited) |
|--|--|--|
| Trade receivables | 27,340 | 13,623 |
| Less: Loss allowance for impairment of trade receivables | (77) | (80) |
| | <hr/> | <hr/> |
| Trade receivables, net (Note (i)) | 27,263 | 13,543 |
| Receivables from gaming customers (Note (ii)) | 2,167 | 7,059 |
| Other receivables (Note (iii)) | 105,866 | 255,229 |
| Prepayments | 24,220 | 23,506 |
| Value-added tax recoverable | 4,647 | 4,865 |
| Deposits (Note (iv)) | 13,989 | 13,457 |
| Restricted deposit for bank borrowings | 136,534 | 107,434 |
| | <hr/> | <hr/> |
| | 314,686 | 425,093 |
| Less: Non-current portion | (4,221) | (110,410) |
| | <hr/> | <hr/> |
| Current portion | <u>310,465</u> | <u>314,683</u> |

Notes:

(i) Trade receivables, net

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

| | 30 June 2021 HK\$'000 (Unaudited) | 31 December 2020 HK\$'000 (Audited) |
|----------------|--|--|
| Within 30 days | 26,366 | 11,585 |
| 31 to 60 days | 165 | 670 |
| 61 to 90 days | 117 | 341 |
| Over 90 days | 615 | 947 |
| | <hr/> | <hr/> |
| | <u>27,263</u> | <u>13,543</u> |

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

14 PREPAYMENTS, TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(ii) Receivables from gaming customers

The ageing analysis of the receivables from gaming customers as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

| | 30 June 2021 HK\$'000 (Unaudited) | 31 December 2020 HK\$'000 (Audited) |
|--------------|--|--|
| Over 90 days | <u>2,167</u> | <u>7,059</u> |

(iii) Other receivables

Included in the Group's other receivables are (i) loans and interest receivables from independent third parties and (ii) other receivables from debtors in non-trade nature amounting to HK\$96,738,000 (31 December 2020: HK\$246,365,000) and HK\$9,128,000 (31 December 2020: HK\$8,864,000), respectively. Except for the loans and interest receivables which charge interest rate at 6% per annum and repayable on demand, other non-trade receivables from debtors are interest-free and repayable on demand. The Group does not hold any collateral or other credit enhancements over its other receivable balances. Decrease in balance during the current period was mainly due to the continuous repayment of loans and interest receivables from independent third parties.

(iv) Deposits

As at 30 June 2021, included in deposits is HK\$2,743,000 (31 December 2020: HK\$2,850,000), which has been pledged as collateral in relation to a lawsuit in Korea.

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

15 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

| | 30 June 2021 HK\$'000 (Unaudited) | 31 December 2020 HK\$'000 (Audited) |
|---|--|--|
| Cash and bank balances (Note (i)) | 589,454 | 477,390 |
| Short-term time deposits | 170,201 | 170,028 |
| Restricted cash for the Cash Incident (Note (ii)) | 69,604 | – |
| | 829,259 | 647,418 |
| Less: Restricted cash for the Cash Incident (Note (ii)) | (69,604) | – |
| Cash and cash equivalents | 759,655 | 647,418 |

Notes:

- (i) Included in cash and bank balances are restricted bank deposits of HK\$6,153,000 (31 December 2020: HK\$5,208,000) and Nil (31 December 2020: HK\$1,425,000) which can only be applied in a lawsuit in Korea prior to its conclusion and a lease deposit in Korea prior to its expiry, respectively.
- (ii) On 4 January 2021, management of the Group discovered that certain funds amounting to KRW14,555,000,000 (equivalent to HK\$103,713,000) belonging to the Group kept in Jeju, South Korea was missing (the “Cash Incident”). The Group was unable to reach the employee-in-charge of the funds and the Cash Incident was reported to the police in South Korea.

Based upon the Investigation Progress Notification issued by Jeju Special Self-Governing Provincial Police Agency of Korea (the “Jeju Police”) to the Group in March 2021, the Jeju Police revealed that KRW13,400,000,000 (equivalent to retranslated amount of HK\$91,891,000 as at 30 June 2021) (the “Seized Money”) was seized by them in accordance with the due process of Korean law, and are being kept in the deposit account of a bank under the name of the Jeju Police. According to the legal opinions from independent lawyers, the Seized Money is expected to be part of the amount of the Group missed as a result of the Cash Incident and will be retained by the Jeju Police until the investigation process is complete.

Based on the report of factual findings issued by an independent external auditor in Korea, the cash balance in relation to the Cash Incident located in a premises of the Group in Korea and under the Group’s possession as at 31 December 2020 was KRW10,150,000,000 (equivalent to HK\$72,325,000). Accordingly, cash loss of KRW4,405,000,000 (equivalent to HK\$28,961,000) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2020. The remaining balance of the Seized Money were found elsewhere but is anticipated to be part of the missing fund. The investigation is still being conducted by the Jeju Police, and as at 30 June 2021, the balance of this restricted cash is amounted to KRW10,150,000,000 (equivalent to HK\$69,604,000) (31 December 2020: Nil).

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

16 TRADE AND OTHER PAYABLES

| | 30 June 2021 HK\$'000 (Unaudited) | 31 December 2020 HK\$'000 (Audited) |
|---------------------------|--|--|
| Trade payables (Note) | 8,365 | 5,398 |
| Deposit received | 18,161 | 20,113 |
| Deferred revenue | 1,728 | 1,830 |
| Accrued expenses | 62,101 | 61,445 |
| Accrued employee benefits | 56,583 | 58,074 |
| Other tax payables | 215,824 | 198,730 |
| Other payables (Note) | 98,383 | 100,189 |
| Contract liabilities | 106,071 | 57,833 |
| | 567,216 | 503,612 |
| Less: Non-current portion | (32,713) | (31,877) |
| Current portion | 534,503 | 471,735 |

Note:

Trade payables and other payables are non-interest bearing and have an average term of 1 month.

17 INTEREST-BEARING BANK BORROWING

| | <u>30 June 2021</u> | | | <u>31 December 2020</u> | | |
|---------------------|----------------------------|----------|-------------------------|----------------------------|----------|-----------------------|
| | Effective interest rate | Maturity | HK\$'000 (Unaudited) | Effective interest rate | Maturity | HK\$'000 (Audited) |
| Current | | | | | | |
| Bank loan – secured | 5.98% | 2022 | 2,425,042 | 5.98% | 2021 | 829,234 |
| Non-current | | | | | | |
| Bank loan – secured | – | – | – | 5.98% | 2022 | 1,707,264 |
| | | | 2,425,042 | | | 2,536,498 |

Bank borrowing is secured by the Group's property, plant and equipment amounting to HK\$1,419,022,000 (31 December 2020: HK\$1,405,418,000), investment properties amounting to HK\$53,334,000 (31 December 2020: HK\$54,649,000) and completed properties for sale amounting to HK\$821,098,000 (31 December 2020: HK\$875,637,000).

The effective interest rate of the Group's borrowing is 5.98% (31 December 2020: 5.98%) per annum.

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

18 SHARE CAPITAL

Shares

| | 30 June 2021 HK\$'000 (Unaudited) | 31 December 2020 HK\$'000 (Audited) |
|--|--|--|
| Authorised: | | |
| 1,000,000,000,000 ordinary shares of HK\$0.01 each | <u>10,000,000</u> | <u>10,000,000</u> |
| Issued and fully paid: | | |
| 4,226,252,310 (2020: 3,521,877,510) ordinary shares of HK\$0.01 each | <u>42,263</u> | <u>35,219</u> |

A summary of movements in the Company's issued share capital is as follows:

| | Number of shares in issue '000 | Issued capital HK\$'000 | Share premium account HK\$'000 | Total HK\$'000 |
|---|---|--|---|---------------------------|
| At 1 January 2020 (Audited) | 2,934,898 | 29,350 | 14,020,947 | 14,050,297 |
| Issue of shares (Note (i)) | 586,980 | 5,869 | 132,070 | 137,939 |
| Share issue expenses (Note (i)) | – | – | (791) | (791) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| At 31 December 2020 and 1 January 2021 (Audited) | <u>3,521,878</u> | <u>35,219</u> | <u>14,152,226</u> | <u>14,187,445</u> |
| Issue of shares (Note (ii)) | 704,374 | 7,044 | 131,718 | 138,762 |
| Share issue expenses (Note (ii)) | – | – | (151) | (151) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| At 30 June 2021 (Unaudited) | <u>4,226,252</u> | <u>42,263</u> | <u>14,283,793</u> | <u>14,326,056</u> |

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

18 SHARE CAPITAL (continued)

Notes:

- (i) On 22 April 2020, pursuant to a share placing agreement, the Company placed 586,978,800 ordinary shares of the Company to not less than six placees, who are independent third parties, at HK\$0.235 per share. The aggregate cash subscription price received, before share issue expenses, was HK\$137,939,000. This transaction resulted in an increase of the issued share capital and share premium account of HK\$5,869,000 and HK\$132,070,000, respectively. Share issue expenses of HK\$791,000 were charged to the share premium account accordingly.
- (ii) On 2 June 2021, pursuant to a subscription agreement, the Company allotted and issued 704,374,800 ordinary shares of the Company to a subscriber, who is an independent third party, at HK\$0.197 per share. The aggregate cash subscription price received, before share issue expenses, was HK\$138,762,000. This transaction resulted in an increase of the issued share capital and share premium account of HK\$7,044,000 and HK\$131,718,000, respectively. Share issue expenses of HK\$151,000 were charged to the share premium account accordingly.

19 DISPOSAL OF SUBSIDIARIES

| | For the six months ended 30 June 2020 HK\$'000 (Unaudited) |
|--|---|
| Net assets disposed of: | |
| Property, plant and equipment | 122,954 |
| Right-of-use assets | 42 |
| Prepayments, trade and other receivables | 56 |
| Cash and cash equivalents | 1,136 |
| Trade and other payables | (181) |
| Lease liabilities | (27) |
| Loan from an intermediate holding company – Shareholder's loan | (395,716) |
| Interest-bearing bank borrowings | (1,890) |
| | <hr/> |
| | (273,626) |
| Outstanding shareholder's loan disposed of | 395,716 |
| Release of exchange reserve upon disposal | 19,296 |
| | <hr/> |
| | 141,386 |
| Loss on disposal of subsidiaries (Note 5) | (21,386) |
| | <hr/> |
| Satisfied by: | |
| Cash | <u>120,000</u> |

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

20 COMMITMENTS

(a) Capital commitments

At the end of the reporting period, the Group had the following capital commitments:

| | 30 June 2021 HK\$'000 (Unaudited) | 31 December 2020 HK\$'000 (Audited) |
|-----------------------------------|--|--|
| Contracted, but not provided for: | | |
| Property, plant and equipment | <u>4,657</u> | <u>12,600</u> |

(b) Lease arrangement

The Group as lessor

The Group leases its investment properties consisting of several commercial properties in Korea under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the six months ended 30 June 2021 was HK\$7,409,000 (Six months ended 30 June 2020: HK\$3,946,000).

At 30 June 2021, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

| | 30 June 2021 HK\$'000 (Unaudited) | 31 December 2020 HK\$'000 (Audited) |
|---|--|--|
| Within one year | 7,901 | 7,094 |
| After one year but within two years | 4,730 | 5,391 |
| After two years but within three years | 2,470 | 1,750 |
| After three years but within four years | 1,852 | 1,056 |
| After four years but within five years | 906 | 296 |
| After five years | 70 | – |
| | <u>17,929</u> | <u>15,587</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the six months ended 30 June 2021 (the “**Period**”), the Group’s consolidated revenue was approximately HK\$476,627,000 (2020: approximately HK\$262,137,000), representing an increase of approximately 81.8% when compared to the corresponding period in 2020. The increase in consolidated revenue was mainly attributable to (i) the boost in domestic consumption in our Jeju Shinhwa World under a series of marketing campaigns leading to the significant increase in revenue generated from integrated resort segment; and (ii) the increase in residential property sales activities. During the Period, non-gaming revenue was approximately HK\$417,974,000 (2020: approximately HK\$161,052,000) while gaming revenue was approximately HK\$58,653,000 (2020: approximately HK\$101,085,000).

For the Period, the loss attributable to the owners of the Company was approximately HK\$623,730,000 (2020: approximately HK\$792,232,000). The basic and diluted loss per share attributable to owners of the parent was HK17.16 cents (2020: HK25.07 cents). The increase in consolidated revenue for the Period together with the stringent cost controls in operating expenses, contributed to the decrease of approximately 21.3% in the consolidated net loss for the Period as compared to the corresponding period in 2020.

As at 30 June 2021, the consolidated net asset value of the Company was approximately HK\$9,624,232,000 (31 December 2020: approximately HK\$10,446,617,000) and the consolidated net asset value per number of ordinary shares in issue attributable to owners of the parent was approximately HK\$2.28 (31 December 2020: approximately HK\$2.97).

OPERATION AND BUSINESS REVIEW

The Company is an investment holding company, and during the Period, the principal activities of the Group are (i) development and operation of the integrated leisure and entertainment resort (the “**Integrated Resort Development**”); (ii) operation of gaming and entertainment facilities (the “**Gaming Business**”); and (iii) property development (the “**Property Development**”).

The global economy and operating environment have been severely affected by the COVID-19 pandemic since early 2020. Notwithstanding the rollout of vaccination across the countries in the first half of 2021, it has yet to enable a return to normalcy and a high level of global immunity is still underway. With no doubt, tourism is among the most affected sectors following the implementation of a series of travel restrictions and control measures under the COVID-19 pandemic. Our major business in Jeju Island, South Korea, which largely relies on entertainment and hospitality market conditions, especially the gaming business, has been inevitably affected.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

OPERATION AND BUSINESS REVIEW (continued)

Integrated Resort Development

Jeju Shinhwa World, an integrated resort located in Jeju Island, South Korea is the core business of the Group developed by Landing Jeju Development Co., Ltd. (“**Landing Jeju**”), a wholly-owned subsidiary of the Company.

Jeju Shinhwa World is an iconic world-class resort destination in Northeast Asia comprising of a selection of premium hotels, convention & exhibition centre, retail mall, food & beverage outlets, leisure and entertainment complex, theme park and water park, and one of the largest foreigners-only casino in Jeju.

More than 2,000 high-quality guest rooms and suites are available for bookings including own brand label Landing Resort, five-star rated Marriott resort, family adventure Shinhwa Resort and full-serviced Somerset suites in Jeju. The hotels are strategically positioned to cater to all segments of guests visiting the resort. All hotels in the resort have consistently ranked high in reviews by the guests and won multiple commendations from the hospitality industry. The infinity pool in Shinhwa Resort has quickly become a big draw to the visitors with its spectacular view of Jeju’s natural horizon. The spectacular view of Jeju’s natural horizon distinguishes Jeju Shinhwa World as the best integrated resort in Northeast Asia.

Shinhwa Theme Park attracts both domestic and foreign tourists. The park is themed with Larva characters from a popular local animated production and offers more than 15 amazing rides and attractions for children and families including virtual reality games and experiences, parades and shows on the way. The theme park is also an ideal venue for large scale events and has been used for New Year’s Eve countdown party, FIFA World Cup soccer event, dinner function for USPGA golf tournament, etc.

Shinhwa Waterpark is the newest and largest waterpark in Jeju with 18,000 square meters of space. It features wave pools, water slides, rapids, spas, kid pool, and a private cabana area suitable for visitors of all ages. Together with six restaurants and a Korean-style jjimjilbang sauna, Shinhwa Waterpark has anchored itself to be the first-choice water park attraction in Jeju.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

OPERATION AND BUSINESS REVIEW (continued)

Integrated Resort Development (continued)

Jeju Shinhwa World also houses the most extensive food and beverage outlets under one roof in Jeju, offering a wide selection of local and international cuisines including the most authentic Cantonese restaurant well-liked by both tourists and local residents which is helmed by an award-winning master chef. Poolside bar by Shinhwa Resort's signature Sky Pool offers a romantic view of Jeju island's iconic Oreum ridge lines and our sports pub Café Vetro furnish both entertainment and sports activities.

The MICE business capitalising on the largest column-free ballroom in Jeju and the adjacent conference room facilities, Landing Convention Centre in Jeju Shinhwa World has been the host venue for many high profile regional and international events and this is an ideal place for various conferences.

In response to the decreasing number of cross-border travellers, we target domestic market by offering special staycation packages and promotion events bundled with our accommodation, water and theme parks as well as food and beverage. In order to boost market awareness and competitiveness, a wide variety of attraction events such as lighting show, busking performance and photographer exhibition were launched to enrich our customer experience. We believed that all those marketing campaigns were the keys to our rapid sales recovery, in terms of both the occupancy rate and revenue compared to the corresponding period in 2020.

For the Period, Jeju Shinhwa World generated segment revenue of approximately HK\$350,659,000 (2020: approximately HK\$122,383,000), which mainly derived from its hotels, MICE events, food and beverage services, attraction theme parks and merchandise sales as well as leases of retail spaces in the resort, representing a remarkable increase of approximately 187% as compared with the corresponding period in 2020. Segment loss of the Integrated Resort Development for the Period was approximately HK\$291,737,000 (2020: approximately HK\$532,947,000).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

OPERATION AND BUSINESS REVIEW (continued)

Gaming Business

Landing Casino, being an integral part of Jeju Shinhwa World, is one of the largest foreigners-only casinos in South Korea with 155 gaming tables, 239 slot machines and electronic table games with exclusive gaming area of approximately 5,500 square meters.

Due to the dramatic decrease of cross-border visitors traveled to Jeju from China and elsewhere under a series of travel restrictions and control measures within and across the countries, the performance of gaming business remained sluggish during the Period.

For the Period, Landing Casino recorded net revenue of approximately HK\$58,653,000 (2020: approximately HK\$101,085,000) and segment loss from the gaming business was approximately HK\$247,986,000 (2020: approximately HK\$71,018,000).

Impairment of approximately HK\$130,883,000 was made on the relevant intangible assets of the business of Landing Casino for the Period based on the recoverable amount of the cash-generating unit of Gaming Business, which has been determined by value-in-use calculations using cash flow projections of financial budgets and referencing to the segment performance. However, no impairment was recorded on the relevant property, plant and equipment after the assessment.

Property Development

With the increasing number of domestic visitors in Jeju Shinhwa World, the growth momentum has been strengthened by the sales and marketing activities for selling the resort condominiums and villas in zone R of Jeju Shinhwa World during the Period.

For the Period, there was a noticeable rebound from the corresponding period in 2020. Revenue generated from sales of residential properties amounted to approximately HK\$67,315,000 (2020: approximately HK\$38,669,000) and segment profit of approximately HK\$27,996,000 (2020: approximately HK\$9,224,000) was recorded in the Property Development segment.

As of 30 June 2021, approximately HK\$821,098,000 (31 December 2020: approximately HK\$875,637,000) was classified as completed properties for sale.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

OUTLOOK

Tourism is considered as one of the sectors most affected by the COVID-19 pandemic. The emergence of new strains and highly transmissible variant threaten renewed outbreaks whilst the massive vaccination campaign is underway. We believe that the COVID-19 pandemic will continue to cause significant impact on our business in the second half of 2021. Given the uncertainties as to when the COVID-19 pandemic will be under control and the business impact thereof will be challenging, we will continue to work diligently to react and adapt to the circumstances and mitigate the unprecedented impact on our business during this difficult period of time.

Whilst there are travel restrictions across different countries in force, we will continue to focus on domestic market in South Korea and to implement stringent cost control measures to enhance our competitiveness. In preparation for the post pandemic rebound in the tourism industry, renovation and upgrade of various facilities within Jeju Shinhwa World are underway. It is expected that all those facilities improvements will enable the Group to capture the recovery of overseas demands and to sustain its market share.

Under the lockdown and travel restrictions in the Philippines, the Group has yet to identify another suitable lease of land to develop an integrated resort in the Philippines for satisfying the requirement of the provisional license. As previously disclosed, the Group has been granted a suspension by Philippine Amusement and Gaming Corporation (“**PAGCOR**”) of the prescribed period provided under Article VI, paragraph (a) of the provision license, under which the Group is allowed to have further time to submit a remedy. As at the date of this announcement, the Group is still in the course of exploring the issue with PAGCOR under the travel restrictions. Due to the unprecedented social and economic impacts caused by the COVID-19 pandemic, the Company will continue to adopt a cautious approach to evaluate the feasibility of relevant lease of land and development should opportunities arise.

In the second half of 2021, maintenance, renovation and upgrade of facilities will be carried out in Jeju Shinhwa World as planned and the Group will also appraise other potential projects to broaden its income stream. In addition, the Company will continue to evaluate the funding needs and the financial position of the Group from time to time and will also explore fund raising and financing facilities if and when opportunities arise. By the increasing vaccination rate around the world, the Company is expecting a high level of global immunity which will allow our business to return to normal steadily.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2021, the Group had non-current assets of approximately HK\$10,529,165,000 (31 December 2020: approximately HK\$11,511,550,000) and net current liabilities of approximately HK\$827,102,000 (31 December 2020: net current assets of approximately HK\$720,048,000). The current ratio, expressed as the ratio of the current assets over the current liabilities, was 0.7 as at 30 June 2021 (31 December 2020: 1.5). The decrease in the current ratio is mainly due to the balance of bank borrowing will be expired in 2022 and therefore, it is reclassified from non-current liability to current liability as at 30 June 2021.

For the Period, the reversal of impairment of trade and other receivables (net) amounted to approximately HK\$1,795,000 (2020: approximately HK\$17,332,000). The provisions mainly consisted of overdue receivables with long aging periods. As at 30 June 2021, the Group had prepayments, trade and other receivables of approximately HK\$314,686,000 (31 December 2020: approximately HK\$425,093,000). As at 30 June 2021, the Group had cash and bank balances of approximately HK\$759,655,000, with approximately HK\$576,874,000, HK\$161,086,000 and HK\$18,935,000 held in Hong Kong dollars (“**HKD**”), Korean Won (“**KRW**”) and United States dollars (“**USD**”), respectively and the remaining balances mainly held in Philippine Pesos (“**PHP**”) (31 December 2020: approximately HK\$647,418,000, with approximately HK\$419,623,000, HK\$206,692,000 and HK\$19,310,000 held in HKD, KRW and USD, respectively and the remaining balances mainly held in UK pound sterling).

As at 30 June 2021, the Group had current trade and other payables of approximately HK\$534,503,000 (31 December 2020: approximately HK\$471,735,000) and bank borrowing in KRW with fixed interest rate of approximately HK\$2,425,042,000 (31 December 2020: approximately HK\$2,536,498,000) while total liabilities of the Group amounted to approximately HK\$3,050,635,000 (31 December 2020: approximately HK\$3,101,925,000). The Group’s gearing ratio, which was measured on the basis of the Group’s total liabilities divided by total assets, was 24.1% (31 December 2020: 22.9%).

The Directors have given careful consideration to the going concern status of the Group in light of the fact that the Group’s current liabilities exceeded its current assets by approximately HK\$827,102,000 as at 30 June 2021. The current liabilities increased by approximately HK\$1,655,860,000 and the non-current liabilities decreased by approximately HK\$1,707,150,000, which were mainly attributable to the reclassification of an interest-bearing bank borrowing from non-current liability to current liability during the Period. The management will pay close attention to the Group’s cash position and keep contacts and negotiations with banks to ensure that the existing bank borrowing will be successfully renewed in longer terms and additional banking facilities are obtained when necessary.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL

Investments

Equity investments designated at fair value through other comprehensive income

As at 30 June 2021, the Group was holding listed equity investments at a fair value of approximately HK\$24,459,000 (representing approximately 0.2% of the consolidated total assets of the Group), which were classified as equity investments designated at fair value through other comprehensive income (31 December 2020: approximately HK\$30,420,000). Net fair value losses in respect of these investments of approximately HK\$5,961,000, which was mainly resulted from the downward movement of stock price of the equity investment in Kingston Financial Group Limited (the shares of which are listed on Main Board of the Stock Exchange, stock code: 1031), were recognised in the consolidated statement of comprehensive income during the Period. There was no single equity investment representing more than 0.2% of the consolidated total assets of the Group as at 30 June 2021.

Save as disclosed above, there was no other significant investment, material acquisition or disposal during the period under review that the shareholders of the Company should be notified of.

The Company will make further announcements and comply with the relevant requirement under the Rules Governing the Listing of Securities of the Stock Exchange (the “**Listing Rules**”) as and when appropriate in case there is any material investment(s) being identified and entered into by the Group. The Company does not rule out the possibility that the Company will conduct debt and/or equity fundraising exercises when suitable fundraising opportunities arise in order to support future developments and/or investments of the Group and the Company will comply with the Listing Rules, where applicable, in this regard.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

CAPITAL STRUCTURE

Issue of new shares

On 2 June 2021, the Company completed the allotment and issuance of 704,374,800 ordinary shares (the “**Subscription Shares**”) under the general mandate to a subscriber, who is an independent third party, at the subscription price of HK\$0.197 per share pursuant to the terms and conditions of the subscription agreement dated 21 May 2021, entered between the Company and the subscriber and subscriber’s guarantor. The Subscription Shares representing approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares immediately upon completion. The net proceeds from the subscription, after deduction of the subscription commission and other related expenses, amounted to approximately HK\$138,611,000 is intended to be utilised in the second half of 2021 in the following manner: (i) approximately HK\$47,500,000 for capital expenditure on the maintenance, renovation and upgrade of the existing facilities within Jeju Shinhwa World; (ii) approximately HK\$91,000,000 for capital expenditure on the preliminary development cost for the construction of new hotel within Jeju Shinhwa World; and (iii) the remaining balance, if any, for the payment of interest expenses and general working capital. As at 30 June 2021, the whole amount was not utilised. It is expected that the entire amount of the net proceeds raised will be fully utilised in the second half of 2021 as planned and previously announced.

As at 30 June 2021 and the date of this announcement, the total number of issued ordinary shares of the Company was 4,226,252,310 shares with a nominal value of HK\$0.01 each.

CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

| | 30 June 2021 | 31 December 2020 |
|-----------------------------------|-------------------------|---------------------|
| | HK\$’000 | HK\$’000 |
| | (Unaudited) | (Audited) |
| Contracted, but not provided for: | | |
| Property, plant and equipment | <u>4,657</u> | <u>12,600</u> |

Save as disclosed above, the Group did not have any other material capital commitments.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

CONTINGENT LIABILITY

As at 30 June 2021, the Group did not have any material contingent liability (31 December 2020: Nil).

PLEDGE OF ASSETS

At the end of the reporting period, the following assets of the Group were pledged to certain banks to secure general banking and borrowing facilities granted to the Group:

| | 30 June | 31 December |
|-------------------------------|--------------------|-------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Audited) |
| Property, plant and equipment | 1,419,022 | 1,405,418 |
| Investment properties | 53,334 | 54,649 |
| Completed properties for sale | 821,098 | 875,637 |

Saved as disclosed above, the Group did not have any material charges on assets.

SEGMENT INFORMATION

Details of segment information of the Group for the Period are set out in note 4 to the interim financial information.

CASH FLOW MANAGEMENT AND LIQUIDITY RISK

The Group's objective regarding cash flow management is to maintain a balance between continuity of funding and flexibility through a combination of internal resources, bank borrowings, and other debt or equity financing, as appropriate. The Group pay close attention to the present financial and liquidity position, and will continue to maintain a reasonable liquidity buffer to ensure sufficient funds are available to meet liquidity requirements at all times.

CURRENCY AND INTEREST RATE STRUCTURE

Business transactions of the Group are mainly denominated in HKD, KRW, USD, RMB and PHP. Currently, the Group has not entered into any agreement to hedge against the foreign exchange risk. In view of the fluctuation of KRW, USD, RMB and PHP in recent years, the Group will continue monitoring the situation closely and will introduce suitable measures as and when appropriate.

The Group had limited exposure to interest rate fluctuation on bank borrowing as at 30 June 2021, as the interest rates of the bank borrowing are mostly fixed throughout their respective loan term.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had around 1,613 (31 December 2020: around 1,525) full-time employees (including management, administrative staff, production workers, etc.), with total staff costs amounting to approximately HK\$262,544,000 (Six months ended 30 June 2020: approximately HK\$253,940,000) for the Period. The employees were mainly stationed in Hong Kong and South Korea. The remuneration, promotion and salary increments of employees are assessed according to the individual's performance, as well as professional and working experience, in accordance with prevailing industry practices. The Group also offers a variety of training schemes to its employees.

CASH INCIDENT

As previously disclosed, the Group reported to Jeju Special Self-Governing Provincial Police Agency of Korea (the “**Jeju Police**”) in Jeju, South Korea in early January 2021 in relation to the missing fund of approximately KRW14,555,000,000 cash (equivalent to approximately HK\$103,713,000) (the “**Incident**”). As at the date of this announcement, the investigation is still being conducted in Jeju and KRW13,400,000,000 cash (equivalent to approximately HK\$91,891,000) found has been retained by the Jeju Police until the investigation process is complete. To the best knowledge of the Board, none of the suspect is or is related to, any director of the Company. Save as the loss incurred by the Incident in an amount of approximately HK\$28,961,000 being recorded in the consolidated statement of profit or loss of the Group for the year ended 31 December 2020, there was no further adjustment or loss made for the Period.

EVENTS AFTER THE REPORTING PERIOD

There were no other significant events subsequent to 30 June 2021 which would materially affect the Group's operating and financial performance as of the date of this announcement.

OTHER INFORMATION

EXTRACT OF INDEPENDENT REVIEW REPORT ON THE INTERIM FINANCIAL INFORMATION

The following is an extract of report on interim financial information by the Group's independent auditor:

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Material Uncertainty Related To Going Concern

We draw attention to note 2.1 to the interim financial information which indicated that the Group incurred a net loss of HK\$623,730,000 during the six months ended 30 June 2021 and, as of that date, had net current liabilities of HK\$827,102,000 and capital commitments of HK\$4,657,000 as disclosed in note 23(a) to the interim financial information. These conditions, along with other matters as set forth in note 2.1, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Update On Cash Incident

We also draw attention to note 18 to the interim financial information which describes the Group's cash incident (the "**Cash Incident**"). As at 30 June 2021, included in restricted cash of the Group of KRW10,150,000,000 (equivalent to HK\$69,604,000) together with subsequent cash found by the Jeju Special Self-Governing Provincial Police Agency of Korea (the "**Jeju Police**"), totalling of KRW13,400,000,000 (equivalent to HK\$91,891,000) have been seized by the Jeju Police and deposited as cash presumed to be stolen in the account of a commercial bank in Jeju until the investigation process of the Cash Incident is complete. The directors of the Company have confirmed that there was no significant progress has occurred in the police investigation subsequent to the end of the reporting period and our opinion is not modified in respect of this matter.

OTHER INFORMATION (continued)

DIVIDEND

The Board does not recommend the payment of any interim dividend for the Period (Six months ended 30 June 2020: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of any of listed securities of the Company by the Company or any of its subsidiaries during the Period.

CORPORATE GOVERNANCE

Throughout the Period, the Company has applied the principles and adopted and complied with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules, except that:

Dr. Yang Zhihui, the chairman and executive Director of the Company, was unable to attend the annual general meeting of the Company held on 24 June 2021 since he had other business engagement out of Hong Kong, which deviated from code provision E.1.2.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its model code for securities transactions by the Directors. Following a specific enquiry to all Directors by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code during the Period.

OTHER INFORMATION (continued)

AUDIT COMMITTEE REVIEW

As at the date of this announcement, the Audit Committee comprises of three independent non-executive Directors, namely Mr. Li Chun Kei (committee chairman), Mr. Shek Lai Him Abraham and Mr. Du Peng. The unaudited interim financial information for the Period has been reviewed by the Audit Committee and the Company's independent auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The Audit Committee has also reviewed with the management in relation to the accounting principles and practices adopted by the Group and has discussed auditing, risk management, internal control and financial reporting matters.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Dr. Yang Zhihui (Chairman), Ms. Chan Mee Sze, Mr. Yeung Lo, Dr. Wong Hoi Po, Ms. Pu Shen Chen and Mr. Huang Wei as executive Directors and Mr. Li Chun Kei, Mr. Shek Lai Him Abraham and Mr. Du Peng as independent non-executive Directors.

By order of the Board
Landing International Development Limited
Yang Zhihui
Executive Director and Chairman

Hong Kong, 30 August 2021

In case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.