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**Shin Hwa World Limited**

**神話世界有限公司**

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

**(Stock code: 00582)**

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

The board of directors (the “**Directors**”) (the “**Board**”) of Shin Hwa World 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 2024 (the “**Period**”) together with the comparative figures for the corresponding period in 2023. 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 2024*

		<b>For the six months ended 30 June</b>	
		<b>2024</b>	<b>2023</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Notes</i>		
<b>REVENUE</b>	4	<b>524,725</b>	418,094
Cost of properties and inventories sold		<b>(56,875)</b>	(47,141)
Other income and losses, net	5	<b>(12,428)</b>	(16,177)
Gaming duties and other related taxes		<b>(19,030)</b>	(3,116)
Amortisation and depreciation		<b>(124,449)</b>	(161,760)
Employee benefit expenses		<b>(263,912)</b>	(255,864)
Other operating expenses		<b>(232,717)</b>	(222,330)
Finance costs, net	6	<b>(51,033)</b>	(55,552)
Fair value gains on investment properties, net		<b>4,412</b>	8,376
Impairment of trade and other receivables, net		<b>(213)</b>	(2,492)
<b>LOSS BEFORE TAX</b>	7	<b>(231,520)</b>	(337,962)
Income tax expense	8	<b>(20)</b>	(977)
<b>LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<b>(231,540)</b>	<b>(338,939)</b>
		<hr/> <hr/>	<hr/> <hr/>
			(Restated)
<b>LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	10		
Basic		<b>(HK45.62) cents</b>	(HK74.34) cents
Diluted		<b>(HK45.62) cents</b>	(HK74.34) cents
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**CONDENSED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME**

*For the six months ended 30 June 2024*

	<b>For the six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>LOSS FOR THE PERIOD</b>	<b>(231,540)</b>	(338,939)
<b>OTHER COMPREHENSIVE LOSS</b>		
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<b>(445,746)</b>	(297,778)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<b>(445,746)</b>	(297,778)
<i>Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:</i>		
Revaluation of properties, plant and equipment upon transfer to investment properties, net	–	8,678
Deferred tax debited to asset revaluation reserve	–	(1,833)
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	<b>(72)</b>	509
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	<b>(72)</b>	7,354
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>	<b>(445,818)</b>	(290,424)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b>(677,358)</b>	(629,363)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2024*

		30 June 2024	31 December 2023
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>11</i>	6,712,784	7,276,526
Investment properties		771,762	808,085
Right-of-use assets		3,621	4,363
Goodwill and other intangible assets	<i>12</i>	128,010	136,838
Equity investments designated at fair value through other comprehensive income		1,328	1,400
Prepayments, trade and other receivables	<i>13</i>	54,530	70,596
Restricted cash	<i>14</i>	57,330	61,174
		7,729,365	8,358,982
<b>CURRENT ASSETS</b>			
Properties under development		98,181	104,764
Completed properties for sale		299,631	345,807
Inventories		51,801	56,657
Prepayments, trade and other receivables	<i>13</i>	89,033	68,757
Tax recoverable		17	58
Cash and cash equivalents	<i>14</i>	206,576	266,043
		745,239	842,086
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<i>15</i>	294,862	310,923
Interest-bearing bank borrowings	<i>16</i>	1,359,415	–
Lease liabilities		1,218	1,623
Tax payable		20	7
		1,655,515	312,553
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<b>(910,276)</b>	529,533
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>6,819,089</b>	8,888,515

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

As at 30 June 2024

		<b>30 June</b>	31 December
		<b>2024</b>	2023
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Audited)
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	<i>15</i>	<b>18,105</b>	18,417
Interest-bearing bank borrowings	<i>16</i>	–	1,417,489
Lease liabilities		<b>2,588</b>	2,943
Deferred tax liabilities		<b>41,327</b>	43,945
		<hr/>	<hr/>
Total non-current liabilities		<b>62,020</b>	1,482,794
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Net assets</b>		<b><u>6,757,069</u></b>	<b><u>7,405,721</u></b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	<i>17</i>	<b>5,072</b>	42,263
Reserves		<b>6,751,997</b>	7,363,458
		<hr/>	<hr/>
<b>Total equity</b>		<b><u>6,757,069</u></b>	<b><u>7,405,721</u></b>

# NOTES TO THE INTERIM FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

Shin Hwa World 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**”).

## 2.1 BASIS OF PREPARATION

The interim financial information for the six months ended 30 June 2024 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 2023, 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 new and revised HKFRSs as of 1 January 2024 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 new and 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 2024 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.

Certain comparative amounts have been reclassified to conform with the current period presentation.

## NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

### 2.2 BASIS OF PRESENTATION

The interim financial information for the six months period ended 30 June 2024 has been prepared under the going concern basis, notwithstanding that the Group had net current liabilities of HK\$910,276,000 as at 30 June 2024 and incurred a net loss attributable to owners of the parent of HK\$231,540,000 for the six months period ended 30 June 2024. 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 is in advanced discussion with several financial institutions to refinance the bank borrowing that will expire in June 2025. As at 30 June 2024, the balance of the bank borrowings was HK\$1,359,415,000 which will expire within one year.

The directors are satisfied that the bank borrowings will be renewed prior to expiry and 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 consolidated financial statements 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.

### 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 2023, except for the adoption of revised HKFRSs effective as of 1 January 2024.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the "2020 Amendments")
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the "2022 Amendments")
Amendments to HKAS 7 and Amendments to HKFRS 7	<i>Supplier Finance Arrangements</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, fair value losses on investment properties in Hong Kong, as well as head office and corporate income and expenses, net are excluded from such measurement.

The following tables represent revenue and results information regarding the Group's operating segments for the six months ended 30 June 2024 and 2023, respectively:

#### For the six months ended 30 June 2024

	<b>Integrated Resort Development HK\$'000 (Unaudited)</b>	<b>Gaming Business HK\$'000 (Unaudited)</b>	<b>Property Development HK\$'000 (Unaudited)</b>	<b>Total HK\$'000 (Unaudited)</b>
<b>Segment revenue:</b>				
<i>Revenue from contracts with customer</i>				
At a point in time	85,997	114,871	64,450	265,318
Over time	233,652	–	6,068	239,720
	<u>319,649</u>	<u>114,871</u>	<u>70,518</u>	<u>505,038</u>
<i>Revenue from other sources</i>				
Gross rental income from investment property operating leases	19,687	–	–	19,687
Sales to external customer	<u>339,336</u>	<u>114,871</u>	<u>70,518</u>	<u>524,725</u>
<b>Segment results</b>	<u>(115,416)</u>	<u>(55,849)</u>	<u>30,930</u>	<u>(140,335)</u>
<i>Reconciliation:</i>				
Finance costs, net (other than interest on lease liabilities)				(50,897)
Fair value losses on investment properties in Hong Kong				(900)
Corporate and other unallocated expenses, net				<u>(39,388)</u>
Loss before tax				<u>(231,520)</u>



## NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

### 4 SEGMENT INFORMATION (continued)

For the six months ended 30 June 2023

	Integrated Resort Development HK\$'000 (Unaudited)	Gaming Business HK\$'000 (Unaudited)	Property Development HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Segment revenue:</b>				
<i>Revenue from contracts with customer</i>				
At a point in time	79,253	23,804	41,372	144,429
Over time	250,140	–	5,080	255,220
	<u>329,393</u>	<u>23,804</u>	<u>46,452</u>	<u>399,649</u>
<i>Revenue from other sources</i>				
Gross rental income from investment property operating leases	18,445	–	–	18,445
Sales to external customer	<u>347,838</u>	<u>23,804</u>	<u>46,452</u>	<u>418,094</u>
<b>Segment results</b>	<u>(145,954)</u>	<u>(107,801)</u>	<u>16,153</u>	<u>(237,602)</u>
<i>Reconciliation:</i>				
Finance costs, net (other than interest on lease liabilities)				(55,482)
Fair value losses on investment properties in Hong Kong				(2,300)
Corporate and other unallocated expenses, net				<u>(42,578)</u>
Loss before tax				<u>(337,962)</u>

### Geographical information

#### Revenue from external customers

	For the six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
South Korea	<u>524,725</u>	<u>418,094</u>

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

#### Information about major customers

During the six months ended 30 June 2024, one customer (Six months ended 30 June 2023: Nil) from the Gaming Business segment contributed over 10% of the Group's total revenue. The revenue contributed by this customer amounted to HK\$53,512,000 (Six months ended 30 June 2023: Nil).

## NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

### 5 OTHER INCOME AND LOSSES, NET

	For the six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Dividend income from equity investments		
at fair value through other comprehensive income	68	–
Gain/(loss) on disposal of items of property, plant and equipment	2,044	(179)
Loss on disposal of items of other intangible assets	–	(9)
Foreign exchange differences, net	(3,845)	2,895
Provision for withholding tax	(10,953)	(20,449)
Others	258	1,565
	<hr/>	<hr/>
<b>Other income and losses, net</b>	<b>(12,428)</b>	<b>(16,177)</b>
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### 6 FINANCE COSTS, NET

	For the six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expenses:		
– Lease liabilities	(136)	(70)
– Bank borrowings	(51,377)	(59,242)
	<hr/>	<hr/>
<b>Finance costs</b>	<b>(51,513)</b>	<b>(59,312)</b>
	<hr/> <hr/>	<hr/> <hr/>
Interest income:		
– Bank interest income	478	3,551
– Other interest income	2	209
	<hr/>	<hr/>
<b>Finance income</b>	<b>480</b>	<b>3,760</b>
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<b>Finance costs, net</b>	<b>(51,033)</b>	<b>(55,552)</b>
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## NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

### 7 LOSS BEFORE TAX

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

	<b>For the six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Cost of properties and inventories sold:		
– Cost of properties sold	<b>25,626</b>	18,551
– Cost of inventories sold	<b>31,390</b>	28,590
– Reversal of provision for inventories	<b>(141)</b>	–
	<b>56,875</b>	47,141
Amortisation and depreciation:		
– Depreciation of property, plant and equipment	<b>123,180</b>	160,851
– Depreciation of right-of-use assets	<b>957</b>	587
– Amortisation of other intangible assets	<b>312</b>	322
	<b>124,449</b>	161,760
Impairment of trade and other receivables, net:		
– Impairment of gaming receivables, net	<b>204</b>	2,609
– Impairment/(reversal of impairment) of other receivables, net	<b>9</b>	(117)
	<b>213</b>	2,492
Expenses included in “other operating expenses”:		
– Repair and maintenance expenses of building, equipment, and facility	<b>79,977</b>	83,535
– Sales and marketing, promotion and advertising expenses	<b>23,285</b>	14,642
– Expenses relating to short-term leases or leases of low-value assets	<b>7,215</b>	3,187
– Utilities expenses	<b>48,141</b>	46,484

## 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 2024 (Six months ended 30 June 2023: Nil). Corporate income tax in South Korea is charged progressively from 8% to 21% (Six months ended 30 June 2023: 9% to 24%) on the estimated assessable profit for the period. Taxation on overseas profits has 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	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Current tax – South Korea	20	41
Deferred tax	–	936
Total tax charge for the period	<u>20</u>	<u>977</u>

### 9 DIVIDENDS

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2024 (Six months ended 30 June 2023: Nil).

## NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

### 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	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Loss</b>		
Loss attributable to owners of the parent, used in the basic and diluted loss per share calculation:	<u>(231,540)</u>	<u>(338,939)</u>
<b>Number of shares</b>	<b>'000</b>	<b>'000</b>
		(Restated)
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	<u><b>507,541</b></u>	<u>455,936</u>

The calculation of the basic and diluted loss per share amount is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 507,541,000 (Six months ended 30 June 2023: 455,936,000 (restated)) in issue for the six months ended 30 June 2024, as adjusted for (i) the consolidation of ordinary shares of the Company on the basis of every ten ordinary shares into one consolidated share with effect from 17 June 2024, (ii) the completion of issuing 1,014,300,462 rights shares on the basis of two rights shares for every one share of the Company at the subscription price of HK\$0.26 per shares on 23 July 2024. The weighted average number of shares for the six months ended 30 June 2023 was restated, as if (i) and (ii) had occurred at the beginning of 1 January 2023.

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

### 11 PROPERTY, PLANT AND EQUIPMENT

	HK\$'000
Net book amount as at 31 December 2023 and 1 January 2024 (Audited)	7,276,526
Additions	13,428
Depreciation provided for the period	(123,180)
Disposals/write-off	(1)
Exchange realignment	<u>(453,989)</u>
<b>Net book amount as at 30 June 2024 (Unaudited)</b>	<u><b>6,712,784</b></u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

### 12 GOODWILL AND OTHER INTANGIBLE ASSETS

	<u>Other intangible assets</u>			<b>Total HK\$'000</b>
	<b>Goodwill HK\$'000</b>	<b>Trademarks HK\$'000</b>	<b>Gaming licenses HK\$'000</b>	
<b>Cost</b>				
As at 31 December 2023 and 1 January 2024 (Audited)	4,768	4,656	776,115	785,539
Additions	–	78	–	78
Exchange realignment	(300)	(295)	(48,773)	(49,368)
<b>As at 30 June 2024 (Unaudited)</b>	<b>4,468</b>	<b>4,439</b>	<b>727,342</b>	<b>736,249</b>
<b>Accumulated amortisation</b>				
As at 31 December 2023 and 1 January 2024 (Audited)	–	2,036	–	2,036
Amortisation provided during the period	–	312	–	312
Exchange realignment	–	(136)	–	(136)
<b>As at 30 June 2024 (Unaudited)</b>	<b>–</b>	<b>2,212</b>	<b>–</b>	<b>2,212</b>
<b>Accumulated impairment</b>				
As at 31 December 2023 and 1 January 2024 (Audited)	4,768	–	641,897	646,665
Exchange realignment	(300)	–	(40,338)	(40,638)
<b>As at 30 June 2024 (Unaudited)</b>	<b>4,468</b>	<b>–</b>	<b>601,559</b>	<b>606,027</b>
<b>Net carrying amount</b>				
<b>As at 30 June 2024 (Unaudited)</b>	<b>–</b>	<b>2,227</b>	<b>125,783</b>	<b>128,010</b>
As at 31 December 2023 (Audited)	–	2,620	134,218	136,838

## NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

### 13 PREPAYMENTS, TRADE AND OTHER RECEIVABLES

	<b>30 June 2024</b>	31 December 2023
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Trade receivables	<b>30,435</b>	31,985
Less: Loss allowance for impairment of trade receivables	<b>(328)</b>	(350)
	<hr/>	<hr/>
Trade receivables, net (Note (i))	<b>30,107</b>	31,635
Receivables from gaming customers (Note (ii))	<b>26,472</b>	837
Other receivables	<b>5,297</b>	8,762
Prepayments	<b>26,738</b>	30,369
Value-added tax recoverable	<b>3</b>	3
Deposits	<b>2,256</b>	2,199
Restricted deposit for bank borrowings	<b>52,690</b>	65,548
	<hr/>	<hr/>
	<b>143,563</b>	139,353
Less: Non-current portion	<b>(54,530)</b>	(70,596)
	<hr/>	<hr/>
Current portion	<b>89,033</b>	68,757
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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:

	<b>30 June 2024</b>	31 December 2023
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Within 30 days	<b>29,847</b>	27,657
31 to 60 days	<b>151</b>	2,290
61 to 90 days	<b>83</b>	1,610
Over 90 days	<b>26</b>	78
	<hr/>	<hr/>
	<b>30,107</b>	31,635
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## NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

### 13 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:

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Within 30 days	24,252	707
61 to 90 days	2,220	130
	<u>26,472</u>	<u>837</u>



## NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

### 14 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	<b>30 June 2024</b>	31 December 2023
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Cash and bank balances	<b>206,265</b>	235,831
Short-term time deposits	<b>311</b>	30,212
Restricted cash for the Cash Incident (Note)	<b>57,330</b>	61,174
	<b>263,906</b>	327,217
Less: Restricted cash for the Cash Incident (Note)	<b>(57,330)</b>	(61,174)
Cash and cash equivalents	<b>206,576</b>	266,043

Note:

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\$75,687,000 as at 30 June 2024) (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 in 2021, 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, a 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 Seized Money, found in the premises of the Group of KRW10,150,000,000 (equivalent to HK\$72,325,000) and elsewhere of KRW3,250,000,000 (equivalent to HK\$23,158,000), is anticipated to be part of the missing fund. In October 2023, the police investigation was suspended. As at 31 December 2023 and 30 June 2024, the police investigation was pending for further evidence and recommencement. As at 30 June 2024, the balance of this restricted cash amounted to KRW10,150,000,000 (equivalent to HK\$57,330,000) (31 December 2023: KRW10,150,000,000) and it has been classified as non-current asset since the investigation is not expected to conclude within a year.

## NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

### 15 TRADE AND OTHER PAYABLES

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Trade payables (Note)	7,525	6,136
Deposit received	13,100	14,624
Accrued expenses	77,017	75,146
Accrued employee benefits	60,947	57,195
Other tax payables	56,946	30,526
Other payables (Note)	24,351	64,038
Contract liabilities	73,081	81,675
	<u>312,967</u>	<u>329,340</u>
Less: Non-current portion	<u>(18,105)</u>	<u>(18,417)</u>
Current portion	<u><u>294,862</u></u>	<u><u>310,923</u></u>

Note:

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

### 16 INTEREST-BEARING BANK BORROWINGS

	<u>30 June 2024</u>			<u>31 December 2023</u>		
	Effective interest rate	Maturity	HK\$'000 (Unaudited)	Effective interest rate	Maturity	HK\$'000 (Audited)
<b>Current</b>						
Bank loans – secured	2.75% +Korea CP rate or 8%	2025	1,359,415	–	–	–
<b>Non-current</b>						
Bank loan – secured	–	–	–	2.75% +Korea CP rate	2025	1,417,489
			<u>1,359,415</u>			<u>1,417,489</u>

The bank borrowings are secured by the Group's property, plant and equipment amounting to HK\$1,751,918,000 (31 December 2023: HK\$1,776,727,000), investment properties amounting to HK\$131,198,000 (31 December 2023: HK\$96,090,000), properties under development amounting to HK\$98,181,000 (31 December 2023: HK\$104,764,000) and completed properties for sale amounting to HK\$179,642,000 (31 December 2023: HK\$191,329,000).

## NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

### 17 SHARE CAPITAL

#### Shares

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
<b>Authorised:</b>		
1,000,000,000,000 (31 December 2023: 1,000,000,000,000)		
ordinary shares of HK\$0.01 (31 December 2023: HK\$0.01) each	<b><u>10,000,000</u></b>	<u>10,000,000</u>
<b>Issued and fully paid:</b>		
507,150,231 (31 December 2023: 4,226,252,310)		
ordinary shares of HK\$0.01 (31 December 2023: HK\$0.01) each	<b><u>5,072</u></b>	<u>42,263</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
<b>At 1 January 2024 (Audited)</b>	<b>4,226,252</b>	<b>42,263</b>	<b>14,283,793</b>	<b>14,326,056</b>
Issue of shares (Note(i))	845,250	8,453	20,286	28,739
Share issue expenses (Note(i))	–	–	(33)	(33)
Consolidation of shares (Note(ii))	(4,564,352)	–	–	–
Capital reduction (Note(iii))	–	(45,644)	–	(45,644)
<b>At 30 June 2024 (Unaudited)</b>	<b><u>507,150</u></b>	<b><u>5,072</u></b>	<b><u>14,304,046</u></b>	<b><u>14,309,118</u></b>

## NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

### 17 SHARE CAPITAL (continued)

#### Shares (continued)

Notes:

- (i) On 20 March 2024, pursuant to a subscription agreement dated 1 March 2024, the Company allotted and issued 845,250,000 ordinary shares of the Company to a subscriber, who is an independent third party, at HK\$0.034 per share. The aggregate cash subscription price received, before share issue expenses, was HK\$28,739,000. This transaction resulted in an increase of the issued share capital and share premium account of HK\$8,453,000 and HK\$20,286,000, respectively. Share issue expenses of HK\$33,000 were charged to the share premium account accordingly.
- (ii) Pursuant to a special resolution passed in the special general meeting of the Company on 13 June 2024, every ten ordinary shares of HK\$0.01 each were consolidated into one consolidated share of HK\$0.1 each with effect from 17 June 2024 (the “**Share Consolidation**”).
- (iii) Pursuant to a special resolution passed in the special general meeting of the Company on 13 June 2024, upon completion of Share Consolidation, the issued share capital of the Company was reduced by (i) rounding down the number of consolidated shares in the issued share capital of the Company to the nearest whole number by cancelling any fraction of a consolidated share in the issued share capital of the Company; and (ii) cancelling the paid up capital of the Company to the extent of HK\$0.09 on each of the issued consolidated shares such that the par value of each issued consolidated share will be reduced from HK\$0.10 to HK\$0.01 (collectively, the “**Capital Reorganisation**”). The credit arising from the Capital Reorganisation of HK\$45,644,000 was transferred to the contributed surplus of the Company within the meaning of the Bermuda Companies Act. The Capital Reorganisation became effective on 17 June 2024.

### 18 COMMITMENTS

#### (a) Capital commitments

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

	<b>30 June 2024</b>	31 December 2023
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Contracted, but not provided for:		
Properties under development	<b><u>61,664</u></b>	<u>66,961</u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

### 18 COMMITMENTS (continued)

#### (b) Lease arrangements

##### 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 prevailing market conditions. Rental income recognised by the Group during the six months ended 30 June 2024 was HK\$19,687,000 (Six months ended 30 June 2023: HK\$18,445,000).

At 30 June 2024, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Within one year	26,777	28,484
After one year but within two years	23,612	24,723
After two years but within three years	23,137	22,659
After three years but within four years	21,872	22,173
After four years but within five years	12,981	16,513
After five years	20,585	26,852
	<u>128,964</u>	<u>141,404</u>

### 19. EVENTS AFTER THE REPORTING PERIOD

On 23 July 2024, the Company completed a rights issue on the basis of two rights shares for every one share of the Company held on the record date at the subscription price of HK\$0.26 per rights share (the “Rights Issue”), and gross proceeds of approximately HK\$263,718,000, before Rights Issue expenses, was raised by way of issuing 1,014,300,462 rights shares. Immediately upon completion of the Rights Issue, the issued share capital of the Company increased to approximately HK\$15,215,000 divided into 1,521,450,693 shares. For details, please refer to the Prospectus and the announcement of the Company dated 22 July 2024.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Company is an investment holding company, and during the six months ended 30 June 2023 (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**”).

## FINANCIAL RESULTS

For the Period, the Group’s consolidated revenue was approximately HK\$524,725,000 (2023: approximately HK\$418,094,000), representing an increase of approximately 25.5% when compared to the corresponding period in 2023. During the Period, non-gaming revenue was approximately HK\$409,854,000 (2023: approximately HK\$394,290,000) while gaming revenue was approximately HK\$114,871,000 (2023: approximately HK\$23,804,000).

For the Period, the loss attributable to the owners of the parent is approximately HK\$231,540,000 (2023: approximately HK\$338,939,000). The basic and diluted loss per share attributable to owners of the parent was HK45.62 cents (2023: HK74.34 cents (restated)). The decrease in consolidated net loss for the Period was mainly attributable to (i) the increase in consolidated revenue generated from the gaming business and property development segments; (ii) the decrease in amortisation and depreciation; and (iii) the decrease in finance cost.

As at 30 June 2024, the consolidated net asset value of the Company was approximately HK\$6,757,069,000 (31 December 2023: approximately HK\$7,405,721,000) and the consolidated net asset value per number of ordinary shares in issue attributable to owners of the parent was approximately HK\$13.31 (31 December 2023: approximately HK\$16.24 (restated)).

## **MANAGEMENT DISCUSSION AND ANALYSIS (continued)**

### **OPERATION AND BUSINESS REVIEW**

#### **Integrated Resort Development**

Jeju Shinhwa World, an integrated resort located on Jeju Island, South Korea is the core business of the Group. It is an iconic world-class resort destination in Northeast Asia, comprising a selection of premium hotels, a convention and exhibition centre, a retail mall, food & beverage outlets, a leisure and entertainment complex, a theme park, a water park, and one of the largest foreigners-only casinos in Jeju.

More than 2,000 high-quality guest rooms and suites are available for bookings, including the five-star rated Marriott Resort, the new lifestyle Shinhwa Resort, Landing Resort and the full-serviced Somerset family suites in Jeju. The hotels are strategically positioned in Jeju to cater to all segments of guests, providing the perfect accommodation options for every Jeju trip. All hotels in Jeju Shinhwa World consistently receive high rankings and multiple recommendations from guests and the hospitality industry. The spectacular view of Jeju's natural horizon distinguishes Jeju Shinhwa World as one of the best integrated resorts in Northeast Asia.

Themed with Larva characters from a popular local animated production and offering more than 15 amazing rides and attractions for children and families, including adventure games and a 4D theater, Shinhwa Theme Park attracts both domestic and foreign tourists. It also serves as an ideal venue for mega events, having been used for New Year's Eve countdown party, FIFA World Cup soccer event, dining functions for USPGA golf tournament, and more.

Shinhwa Waterpark is the largest water park in Jeju with 18,000 square meters of space. It features wave pools, water slides, rapids, spas, kids' pool, and a private cabana area suitable for visitors of all ages. Shinhwa Waterpark has established itself as the top water park attraction in Jeju.

Jeju Shinhwa World also boasts the most extensive food and beverage outlets under one roof in Jeju, offering a wide selection of local and international cuisines including legendary tastes of Jeju or Korean specialties, Chinese classics, Western favorites and myriad other styles to suit both tourists and local residents. The bar and pub are the perfect place to relax after dinner or an exploratory day, by enjoying a variety of delicious snacks and the starry night.

## **MANAGEMENT DISCUSSION AND ANALYSIS (continued)**

### **OPERATION AND BUSINESS REVIEW (continued)**

#### **Integrated Resort Development (continued)**

The MICE business capitalises on the largest column-free ballroom in Jeju and the adjacent conference room facilities, the Convention Centre in Jeju Shinhwa World has hosted many high-profile regional and international events and is an ideal place for various conferences, including wedding and family banquet. In addition, the Shinsegae Simon Jeju Premium Center in Jeju Shinhwa World offers one-stop shopping from foreign luxury brands to domestic fashion, golf, kids' items and cosmetics, attracting both domestic and foreign tourists.

During the Period, the Group faced stiff competition from numerous hotels in Jeju, thereby room prices and occupancy rates of our hotels were under pressure. Our marketing team continued to offer a series of promotional events bundled package with our accommodations, water and theme parks, as well as food and beverage options. We also launched a wide variety of membership promotion, attraction events such as Sky pool party, Earth Day, lighting show with fireworks, music live show, artists' serene busking performance, art gallery, and seasonal gourmet tasting, to enrich our customers' experiences. In addition, our marketing team made more efforts in digital marketing to promote our amusements and services during the Period in order to enhance geographic reach and connection with target customers.

For the Period, the Integrated Resort Development generated segment revenue of approximately HK\$339,336,000 (2023: approximately HK\$347,838,000), which was mainly derived from its hotels, food and beverage services, MICE events, attraction theme park, water parks, and merchandise sales as well as leases of retail spaces in the resort, representing a slight decrease of approximately 2% as compared to the corresponding financial period in 2023. The segment loss of the Integrated Resort Development was approximately HK\$115,416,000 (2023: approximately HK\$145,954,000).



## **MANAGEMENT DISCUSSION AND ANALYSIS (continued)**

### **OPERATION AND BUSINESS REVIEW (continued)**

#### **Gaming Business**

Landing Casino, an integral part of Jeju Shinhwa World, is one of the largest foreigners-only casinos in South Korea with 150 gaming tables, 210 slot machines and electronic table games, occupying an exclusive gaming area of approximately 5,500 square meters.

During the Period, resulting from the growing visitation and the increasing rolling volume and non-rolling volume compared with the corresponding period in 2023, the Group recorded remarkable improvement in the Gaming Business segment.

For the Period, the Gaming Business recorded net revenue of approximately HK\$114,871,000 (2023: approximately HK\$23,804,000), representing a substantial increase of over 380% as compared with the corresponding period in 2023; and the segment loss from the Gaming Business was approximately HK\$55,849,000 (2023: approximately HK\$107,801,000).

Based on the recoverable amount of the cash-generating unit of the Gaming Business which has been determined by value-in-use calculations using cash flow projections of financial budgets and referencing to the segment performance, no impairment was made on the relevant intangible assets of the Casino for the Period (2023: Nil). Besides, no impairment was recorded on the relevant property, plant and equipment after the assessment.

#### **Property Development**

The property market in South Korea was hit hard when the Bank of Korea increased the base rate multiple times from the end of 2021 to the beginning of 2023 in response to COVID-related market impacts and inflation. Despite such negative impact, the sales activities of resort condominiums and villas in zone R of Jeju Shinhwa World increased and the sales revenue increased during the Period.

For the Period, revenue generated from sales of residential properties and property management were amounted to approximately HK\$64,450,000 (2023: approximately HK\$41,372,000) and approximately HK\$6,068,000 (2023: approximately HK\$5,080,000), respectively and segment profit of the Property Development was approximately HK\$30,930,000 (2023: approximately HK\$16,153,000), representing a substantial increase of 92% as compared with the corresponding period in 2023.

As of 30 June 2024, approximately HK\$299,631,000 (31 December 2023: approximately HK\$345,807,000) was classified as completed properties for sale.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### OUTLOOK

In recent years, the Group has faced the greatest challenges to sustain and grow its businesses. Despite the pressure on room price and occupancy rate, the Group will strive to grow its market share under the keen competition from some newly built hotels in Jeju. It is believed that if and when the scheduled flights and routes to reach Jeju increase in number in the future, it would significantly boost the Group's business performance.

As the core business of the Group is an integrated resort development, where a wide range of amenities and amusements in Jeju Shinhwa World is the key to the success of the Group. During the Period, the Group made continued progress in the maintenance, renovation, and upgrading of facilities in Jeju Shinhwa World. In order to turnaround the performance of the Group, we will continue to upgrade our facilities and enhance our service, and will also organise gaming tournaments and offer entertainment and compliments for casino VIP patrons in the years ahead. Currently, the Group remains open for the opportunity in a further residential development in zone R of Jeju Shinhwa World. Furthermore, the Group has attempted to explore other opportunities to better utilise the land in Jeju Shinhwa World, thereby broadening the income stream of the Group in the long run.

Continued interest rate uncertainty and inflation have weighed on global economic activities. Notwithstanding that the markets expect interest rate cuts in the second half of 2024, it is believed that interest rates will remain high for some time, and the forthcoming years will remain challenging for the Group. It is therefore the Group will remain cautious in its capital commitments and will act prudently in its future development and investment plans in order to maintain a healthy liquidity position. The Group will continue to evaluate its funding needs and financial position periodically and will explore fund raising and financing facilities if and when opportunities arise.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2024, the Group had non-current assets of approximately HK\$7,729,365,000 (31 December 2023: approximately HK\$8,358,982,000) and net current liabilities of approximately HK\$910,276,000 (2023: net current assets of approximately HK\$529,533,000). The current ratio, expressed as the ratio of the current assets over the current liabilities, was 0.45 as at 30 June 2024 (31 December 2023: 2.69). The decrease in the current ratio is mainly due to the classification of bank borrowings, which will expire in first half of next year, as current liabilities as at 30 June 2024.

For the Period, the impairment of trade and other receivables (net) amounted to approximately HK\$213,000 (2023: impairment of approximately HK\$2,492,000). The provisions mainly consisted of overdue receivables with long aging periods. As at 30 June 2024, the Group had prepayments, trade and other receivables of approximately HK\$143,563,000 (31 December 2023: approximately HK\$139,353,000). As at 30 June 2024, the Group had cash and bank balances of approximately HK\$206,576,000, with approximately HK\$15,979,000, HK\$177,220,000, HK\$354,000 and HK\$10,678,000 held in Hong Kong dollars (“**HKD**”), Korean Won (“**KRW**”), Singapore dollar (“**SGD**”) and United States dollars (“**USD**”), respectively and the remaining balances mainly held in Philippine Pesos (“**PHP**”) (31 December 2023: approximately HK\$266,043,000, with approximately HK\$50,654,000, HK\$201,744,000, HK\$294,000 and HK\$10,283,000 held in HKD, KRW, SGD and USD, respectively and the remaining balances mainly held in PHP).

As at 30 June 2024, the Group had trade and other payables of approximately HK\$312,967,000 (31 December 2023: approximately HK\$329,340,000) and bank borrowings in KRW with floating or fixed interest rate of approximately HK\$1,359,415,000 (31 December 2023: approximately HK\$1,417,489,000) while total liabilities of the Group amounted to approximately HK\$1,717,535,000 (31 December 2023: approximately HK\$1,795,347,000). The Group’s gearing ratio, which was measured on the basis of the Group’s total liabilities divided by total assets, was 20.3% (31 December 2023: 19.5%).

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

#### Investments

##### *Equity investments designated at fair value through other comprehensive income*

As at 30 June 2024, the Group was holding listed equity investment at a fair value of approximately HK\$1,328,000 (representing approximately 0.02% of the consolidated total assets of the Group), which was classified as equity investment designated at fair value through other comprehensive income (31 December 2023: approximately HK\$1,400,000). Net fair value loss in respect of this investment of approximately HK\$72,000, which was resulted from the downward movement of stock price of the equity investment in China Resources Land Limited (the shares of which is listed on Main Board of the Stock Exchange, stock code: 1109), was recognised in the consolidated statement of comprehensive income during the Period. There was no single equity investment representing more than 0.1% of the consolidated total assets of the Group as at 30 June 2024.

Save as disclosed above, there was no other significant investment, material acquisition or disposal during the Period 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 Group 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.

#### CAPITAL STRUCTURE

As at 30 June 2024 and the date of this announcement, the total number of issued ordinary shares of the Company were 507,150,231 shares and 1,521,450,693 shares, respectively, with a nominal value of HK\$0.01 each.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### CAPITAL STRUCTURE (continued)

#### Issue of Shares Under the General Mandate

In order to upgrade the facilities in Jeju Shinhwa World and strengthen the Group's financial position, the Company completed the allotment and issuance of 845,250,000 ordinary shares (the "**Subscription Shares**") on 20 March 2024 under the general mandate to Resplendence Investment Development Limited (the "**Subscriber**"), an independent third party, at a subscription price of HK\$0.034 per share pursuant to the terms and conditions of the subscription agreement dated 1 March 2024, entered between the Company and the Subscriber and its 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, amounted to approximately HK\$28,500,000 was intended to be used by end of 2024 in the following manners: (i) approximately HK\$14,000,000 for upgrade, repair and maintenance of the existing building, equipment and facilities within Jeju Shinhwa World, an integrated leisure and entertainment resort located in Jeju Island, South Korea owned and operated by the Group; (ii) approximately HK\$10,000,000 for payment of interest expense; (iii) approximately HK\$4,500,000 for sales and marketing promotion and advertising expense; and (iv) the remaining balance, if any, for general working capital. For details, please refer to the announcement of the Company dated 4 March 2024.

As at 30 June 2024, the net proceeds from the subscription had been fully utilised as intended.

#### Capital Reorganisation

On 18 April 2024, the Company proposed the capital reorganisation ("**Capital Reorganisation**") to be implemented in the following manners: (i) the share consolidation ("**Share Consolidation**") whereby every ten (10) ordinary shares of HK\$0.01 each in the issued share capital of the Company to be consolidated into one (1) consolidated share ("**Consolidated Share(s)**") of HK\$0.10 each; (ii) the capital reduction ("**Capital Reduction**") whereby the issued share capital of the Company be reduced, by: (a) rounding down the total number of Consolidated Shares in the issued share capital of the Company to the nearest whole number by cancelling any fraction of a Consolidated Share in the total number of Consolidated Shares in the issued share capital of the Company following the Share Consolidation; and (b) cancelling the paid-up share capital of the Company to the extent of HK\$0.09 on each of the issued Consolidated Shares such that the par value of each issued Consolidated Share be reduced from HK\$0.10 to HK\$0.01; and (iii) all the credits arising from the Capital Reduction will be transferred to the contributed surplus account of the Company within the meaning of the Companies Act 1981 of Bermuda.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### CAPITAL STRUCTURE (continued)

#### Capital Reorganisation (continued)

The proposed Capital Reorganisation was approved by a special resolution at the special general meeting (the “SGM”) of the Company on 13 June 2024, and became effective on 17 June 2024. As a result, the issued share capital of the Company was HK\$5,071,502.31 divided into 507,150,231 adjusted shares and the authorised share capital of the Company remains at HK\$10,000,000,000, divided into 1,000,000,000,000 adjusted shares immediately upon the Capital Reorganisation become effective. For details, please refer to the Company’s announcement dated 18 April 2024 and the circular dated 24 May 2024.

#### Rights Issue

On 18 April 2024, the Company announced the proposed rights issue (the “Rights Issue”) on the basis of two (2) rights shares for every one (1) adjusted share held on 26 June 2024 at a subscription price of HK\$0.26 per rights share. The Rights Issue was approved by an ordinary resolution at the SGM and was completed after the reporting period. Details of the Rights Issue were set out in the Company’s announcement dated 18 April 2024, the circular dated 24 May 2024 and the prospectus dated 27 June 2024 (the “Prospectus”).

Subsequent to the reporting period, the Company completed the Rights Issue on 23 July 2024. Further details are set out in the sub-section headed “Events After the Reporting Period”.

### CAPITAL COMMITMENTS

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

	<b>30 June</b> <b>2024</b> <b>HK\$’000</b> <b>(Unaudited)</b>	31 December 2023 HK\$’000 (Audited)
Contracted, but not provided for:		
Properties under development	<u><b>61,664</b></u>	<u>66,961</u>

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

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### CONTINGENT LIABILITY

As at 30 June 2024, the Group did not have any material contingent liabilities (31 December 2023: 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 facilities payable granted to the Group:

	<b>30 June</b>	31 December
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Property, plant and equipment	<b>1,751,918</b>	1,776,727
Investment properties	<b>131,198</b>	96,090
Properties under development	<b>98,181</b>	104,764
Completed properties for sale	<b>179,642</b>	191,329

Save 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 securities, as appropriate. The Group pays 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.

During the Period, the Group engaged in advanced discussions with certain financial institutions to refinance the existing bank loan prior to its expiry in June 2025. Moreover, the management of the Group appraised the terms and conditions of the proposals received and also negotiated for more favorable options. As of the date of this announcement, the management of the Group is in the course of concluding the loan proposals, and the Group has reached the consensus that the new banking facility will be finalized and executed in 2024. In view of these circumstances, the management of the Group believes that the Group will have sufficient financial resources to continue as a going concern.

## **MANAGEMENT DISCUSSION AND ANALYSIS (continued)**

### **CURRENCY AND INTEREST RATE STRUCTURE**

Business transactions of the Group are mainly denominated in HKD, KRW and USD. Currently, the Group has not entered into any agreement to hedge against foreign exchange risk. As the Group's revenue and expenses are mainly derived and incurred in KRW in Korea, there is no material potential currency exposure. However, in view of the fluctuation of KRW and USD in recent years, the Group will continue to monitor the situation closely and will introduce suitable measures as and when appropriate.

The Group's exposure to interest rate risk results from fluctuations in interest rate. As the Group's bank borrowing consists of floating rate debt obligation, an increase in interest rate would raise the interest expenses. Fluctuations in interest rate may also lead to significant fluctuations in the fair value of the debt obligation. On 30 June 2024, the Group had outstanding bank borrowing that bear floating interest linked to Commercial Paper rate of Korea ("CP rate"). Currently, the Group does not hold any derivative financial instrument that linked to interest rates. In view of the trend of CP rate, the Group continues to monitor closely its exposure to interest rate risk and may deploy derivative financial instruments to hedge against risk, if appropriate.

### **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2024, the Group had approximately 1,531 (31 December 2023: approximately 1,495) employees with total staff costs (including directors' remuneration) amounting to approximately HK\$263,912,000 (Six months ended 30 June 2023: approximately HK\$255,864,000) including management and administrative staff. The employees were mainly stationed in South Korea and Hong Kong. The remuneration, promotion and salary increment of employees are assessed according to the individual's performance, as well as professional and working experience, and in accordance with prevailing industry practices. The Group also offers a variety of training schemes to its employees.



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### 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 (equivalent to approximately HK\$103,713,000) cash (the “**Incident**”). As at 30 June 2024, KRW13,400,000,000 (equivalent to approximately HK\$75,687,000) cash found has been retained by the Jeju Police until the investigation process can be recommenced and completed after further evidence is found. To the best knowledge of the Board, none of the suspect is or is related to, any director of the Company. Loss incurred by the Incident in an amount of approximately HK\$28,961,000 was recorded in the consolidated statement of profit or loss of the Group for the year ended 31 December 2020. As the investigation is not expected to be concluded within a year, the cash found amounting to approximately KRW10,150,000,000 (equivalent to HK\$57,330,000) has been classified as non-current asset as at 30 June 2024. Save for the aforesaid, there was no further adjustment or loss made for the Period.

### EVENTS AFTER THE REPORTING PERIOD

#### Rights Issue

On 18 April 2024, the Company announced the proposals to implement (i) the Capital Reorganisation; and (ii) the Rights Issue, to raise up to approximately HK\$263.7 million before expenses, by way of issuing up to 1,014,300,462 rights shares. The underwriter agreed to procure, on a best-effort and non-fully underwritten basis, the subscription for any unsubscribed rights shares subject to the underwriting agreement entered into with the Company on 18 April 2024. Such proposals were put forward at the SGM and the relevant resolutions were duly passed by the shareholders of the Company.

On 23 July 2024, the Company allotted and issued 1,014,300,462 rights shares and the issued Shares of the Company increased to 1,521,450,693 Shares. As disclosed in the Prospectus, the net proceeds of approximately HK\$258.6 million raised from the Rights Issue will be applied as to (a) approximately HK\$80.1 million for maintenance, renovation and upgrade of facilities in Jeju Shinhwa World; (b) approximately HK\$19.9 million for water supply construction in Jeju Shinhwa World; (c) approximately HK\$73.0 million for development of resort business and gaming business of the Group; (d) approximately HK\$50.0 million for interest expenses; and (e) the remaining balance of approximately HK\$35.6 million for general working capital. Details of the Rights Issue were set out in the Prospectus and the announcement of the Company dated 22 July 2024.

## **MANAGEMENT DISCUSSION AND ANALYSIS (continued)**

### **EVENTS AFTER THE REPORTING PERIOD (continued)**

Save as disclosed above, there were no other significant events subsequent to 30 June 2024 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 2.2 to the interim financial information, which indicates that the Group had net current liabilities of HK\$910,276,000 as at 30 June 2024 and incurred a net loss attributable to owners of the parent of HK\$231,540,000 for the six months period ended 30 June 2024. These conditions, along with other matters as set forth in note 2.2, indicate the existence of a material uncertainty that 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.

#### **EMPHASIS OF MATTER – THE GROUP'S CASH INCIDENT**

We also draw attention to note 17 to the interim financial information, which describes the Group's cash incident (the "**Cash Incident**"). As at 30 June 2024, KRW13,400,000,000 (equivalent to HK\$75,687,000) of cash has been seized and retained by the Jeju Special Self-Governing Provincial Police Agency of Korea until the investigation can be recommenced and completed after further evidence is found. Our opinion is not modified in respect of this matter.

## **OTHER INFORMATION (continued)**

### **DIVIDEND**

The Board resolved not to declare an interim dividend for the Period (Six months ended 30 June 2023: Nil).

### **PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES**

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 contained in Appendix C1 to the Listing Rules, except that Mr. Du Peng, an independent non-executive Director, was unable to attend the annual general meeting of the Company held on 13 June 2024 and the SGM since he had other business engagement, which deviated from code provision F.2.2.

### **BYE-LAWS**

A new bye-laws of the Company (the “**New Bye-laws**”) was approved and adopted at the SGM. Full text of the New Bye-laws is available on the website of the Stock Exchange and the website of the Company.

### **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 C3 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.

### **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.

## **OTHER INFORMATION (continued)**

### **BOARD OF DIRECTORS**

As at the date of this announcement, the Board comprises Ms. Chan Mee Sze (*Acting Chairperson*), Dr. Wong Hoi Po 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  
**Shin Hwa World Limited**  
**Chan Mee Sze**  
*Acting Chairperson and Executive Director*

Hong Kong, 28 August 2024

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