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LET GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1383)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023 AND CONTINUED SUSPENSION OF TRADING

FINANCIAL HIGHLIGHTS

- Total revenue from continuing operations decreased by 1% to approximately HK\$369,127,000 (2022: approximately HK\$372,306,000)
- Gross profit from continuing operations increased by 2% to approximately HK\$176,103,000 (2022: approximately HK\$173,360,000)
- Profit for the year attributable to equity holders of the Company of approximately HK\$278,468,000 in 2023 (2022: loss for the year attributable to equity holders of the Company of approximately HK\$138,362,000)
- Basic earnings per share attributable to shareholders of the Company of HK0.12 cents in 2023 (2022: basic loss per share attributable to shareholders of the Company of HK6.13 cents)

The board of directors (the “**Board**”) of LET Group Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Continuing operations			
Revenue	5	369,127	372,306
Cost of sales		<u>(193,024)</u>	<u>(198,946)</u>
Gross profit		176,103	173,360
Other income, gains and losses	6	116,466	109,483
Selling and distribution expenses		(9,652)	(19,391)
Administrative expenses		(232,298)	(194,367)
Other operating expenses		(2,910)	(15,180)
Change in fair value of derivative financial instruments	17	(541)	12,167
Loss on disposal of a subsidiary	20	(2,396)	–
Reversal of (impairment loss) on equity loans to a joint venture	13(a)	137,842	(17,643)
Reversal of (impairment loss) on loans to a joint venture	13(d)	207,153	(12,155)
Reversal of (impairment loss) on amounts due from a joint venture	13(d)	67,526	(44,538)
Impairment loss on property, operating right and equipment		(483,107)	–
Share of loss of a joint venture		–	(160,854)
Reversal of share of loss of a joint venture	13(a)	112,327	–
Finance costs	7	<u>(34,054)</u>	<u>(192,656)</u>
Profit (loss) before taxation		52,459	(361,774)
Income tax (expense) credit	9	<u>(26,319)</u>	<u>17,462</u>
Profit (loss) for the year from continuing operations	8	<u>26,140</u>	<u>(344,312)</u>
Discontinued operations			
(Loss) profit for the year from discontinued operations	19, 20	<u>(2,045)</u>	<u>137,644</u>
Profit (loss) for the year		<u><u>24,095</u></u>	<u><u>(206,668)</u></u>

	Notes	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Other comprehensive income (expense) :			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		62,258	(303,644)
Reclassification of exchange reserve upon disposal of subsidiaries	20	643	(9,477)
Share of other comprehensive income of a joint venture, net of related income tax		<u>14,201</u>	<u>2,081</u>
Other comprehensive income (expense) for the year		<u>77,102</u>	<u>(311,040)</u>
Total comprehensive income (expense) for the year		<u>101,197</u>	<u>(517,708)</u>
Profit (loss) for the year attributable to:			
– Equity holders of the Company:			
– Shareholders of the Company		8,169	(408,762)
– Holder of perpetual securities	21	<u>270,299</u>	<u>270,400</u>
		278,468	(138,362)
– Non-controlling interests		<u>(254,373)</u>	<u>(68,306)</u>
		<u>24,095</u>	<u>(206,668)</u>
Total comprehensive income (expense) for the year attributable to:			
– Equity holders of the Company:			
– Shareholders of the Company		99,276	(681,272)
– Holder of perpetual securities	21	<u>270,299</u>	<u>270,400</u>
		369,575	(410,872)
– Non-controlling interests		<u>(268,378)</u>	<u>(106,836)</u>
		<u>101,197</u>	<u>(517,708)</u>

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Total comprehensive income (expense) for the year attributable to equity holders of the Company arose from:			
- Continuing operations		372,609	(563,598)
- Discontinued operations	<i>19, 20</i>	<u>(3,034)</u>	<u>152,726</u>
		<u>369,575</u>	<u>(410,872)</u>
Earnings (loss) per share attributable to shareholders of the Company:			
Basic (<i>HK cents</i>)			
- For profit (loss) for the year	<i>11</i>	0.12	(6.13)
- For profit (loss) from continuing operations		<u>0.15</u>	<u>(8.19)</u>
Diluted (<i>HK cents</i>)			
- For profit (loss) for the year	<i>11</i>	0.12	(6.43)
- For profit (loss) from continuing operations		<u>0.15</u>	<u>(8.49)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

		<u>As at 31 December</u>	
	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Property, operating right and equipment		3,613,078	3,242,864
Right-of-use assets		1,604,232	1,767,020
Intangible assets		250	13,243
Prepayments and deposits for non-current assets	<i>12</i>	360,114	275,628
Interest in a joint venture	<i>13</i>	–	–
Loans to a joint venture	<i>13</i>	–	97,024
Amounts due from a joint venture	<i>13</i>	–	6,863
Derivative financial instrument	<i>17(c)</i>	4,787	3,232
		<u>5,582,461</u>	<u>5,405,874</u>
Current assets			
Inventories		4,693	4,452
Trade and other receivables and prepayments	<i>14</i>	286,323	211,732
Loans to a joint venture	<i>13</i>	–	90,050
Amounts due from a joint venture	<i>13</i>	–	39,359
Pledged bank deposit	<i>15</i>	–	485
Bank balances and cash		<u>1,210,861</u>	<u>1,036,314</u>
		<u>1,501,877</u>	<u>1,382,392</u>

		<u>As at 31 December</u>	
		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Trade and other payables	16	144,602	177,648
Amounts due to a non-controlling shareholders of a subsidiary		71,455	6,204
Loan from a non-controlling shareholder of a subsidiary		–	77,660
Contract liabilities		4,735	6,560
Rent and other deposits		–	5,377
Other borrowing	18	–	400,000
Lease liabilities		3,850	10,326
Bond payables	17(a)	–	628,442
Derivative financial instrument	17(b)	2,227	167
Current tax liabilities		30,782	5,374
		<u>257,651</u>	<u>1,317,758</u>
Net current assets		<u>1,244,226</u>	<u>64,634</u>
Total assets less current liabilities		<u>6,826,687</u>	<u>5,470,508</u>

		<u>As at 31 December</u>	
		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Bank borrowing	<i>18</i>	1,172,713	–
Other payables	<i>16</i>	121,572	79,369
Lease liabilities		885,398	923,085
Amount due to immediate holding company		1,516	–
Loan from immediate holding company		46,938	–
Loans from non-controlling shareholders of a subsidiary		14,669	138,748
Convertible bonds	<i>17(b)</i>	20,510	19,073
		<u>2,263,316</u>	<u>1,160,275</u>
Net assets		<u>4,563,371</u>	<u>4,310,233</u>
Capital and reserves			
Share capital		693,697	666,797
Perpetual securities	<i>21</i>	6,294,962	6,036,663
Reserves		<u>(3,587,074)</u>	<u>(3,674,087)</u>
Equity attributable to equity holders of the Company		3,401,585	3,029,373
Non-controlling interests		<u>1,161,786</u>	<u>1,280,860</u>
Total equity		<u>4,563,371</u>	<u>4,310,233</u>

Notes:

1. GENERAL INFORMATION

LET Group Holdings Limited is a public company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). As at the date of this announcement, the registered office of the Company is at Citrus Grove, Ground Floor, 106 Goring Avenue, George Town, Grand Cayman, Cayman Islands. The principal place of business of the Company is at Unit 1705, 17/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong. Its immediate holding company is Major Success Group Limited (“**Major Success**”), a company incorporated in the British Virgin Islands (the “**BVI**”) and Mr. Lo Kai Bong (“**Mr. Lo**”) is the ultimate controlling party of the Company.

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

The principal activity of the Company is investment holding. The Group is principally engaged in (i) through Suntrust Resort Holdings, Inc. (“**Suntrust**”) and its subsidiaries (collectively referred to as the “**Suntrust Group**”), the development and operation of a 5-star hotel and casino complex (the “**Main Hotel Casino**”) in the Philippines; (ii) through Summit Ascent Holdings Limited (“**Summit Ascent**”) and its subsidiaries (collectively referred to as the “**Summit Ascent Group**”), the operation of the hotel and gaming business in the Integrated Entertainment Zone of the Primorye Region (“**IEZ Primorye**”) in the Russian Federation; and (iii) property development in Japan.

Restatements due to discontinued operations

The presentation of comparative information in respect of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022 has been restated in order to disclose the discontinued operations separately from continuing operations pursuant to the Dongyang Disposal as mentioned in Note 3. Details are set out in Note 20. As the restatements do not affect the consolidated statement of financial position, it is not necessary to disclose comparative information as at 1 January 2022.

2. BASIS OF PREPARATION

The Group incurred a net operating cash outflow of approximately HK\$16,861,000 and HK\$109,671,000 for the year ended 31 December 2023 and 2024 respectively. Subsequent to the end of the reporting period, during the year ended 31 December 2024, the Company defaulted the repayment of other borrowing with principal amount of HK\$137,500,000. Subsequent to the end of the reporting period, the abovementioned other borrowing has not yet been settled.

In addition, as at 31 December 2023 and 2024, the Group had entered into agreements which will involve capital commitments of approximately HK\$2,219,656,000 and HK\$1,892,203,000 respectively, mainly in relation to the construction project of the Main Hotel Casino. Pursuant to the agreement of bank borrowing, the Group is required to complete the construction of the Main Hotel Casino by 31 December 2025 or such later date as the bank and the Group may mutually agree upon writing, otherwise, it will constitute default of the bank borrowing. Based on the latest estimates, the completion and opening of the Main Hotel Casino are now targeted for Q3 of 2026. As at 31 December 2024, the remaining available facilities of the bank borrowing is approximately HK\$1,870,083,000, which may not be sufficient to complete the construction of the Main Hotel Casino and further funds are required.

As at 31 December 2023 and 2024, the Group reported net current assets and net assets, primarily attributable to Summit Ascent and Suntrust Group. Excluding Summit Ascent and Suntrust Group, the Group would have net current liabilities. Since Summit Ascent and Suntrust Group are both publicly listed companies, the distribution of their assets to the Company is subject to relevant rules and regulations. As such, those assets may not be readily available for use by the Company to settle the abovementioned borrowing in default or to support its operations in the foreseeable future.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

In view of these circumstances, the directors of the Company have given consideration to the future liquidity of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Subsequent to 31 December 2024, the directors of the Company considered that the fair value of pledged assets can fully cover the other borrowing in default. In addition, the directors of the Company prepared the Group's cash flow projection which covers a period of at least 12 months from 31 December 2024.

The following plans and measures have been taken by the Group during the year and subsequent to the end of the reporting period to mitigate the liquidity risk and to improve the financial position of the Group which include, but not limited to the following:

- (i) negotiate with the lenders so that they would not demand immediate repayment of the other borrowing or take further actions against the Group even though there was an event of default;
- (ii) plan and negotiate for the disposal of certain of the Group's non-core assets;
- (iii) continue to perform value-added procedures on the non-current assets to enhance their salable value for disposal;
- (iv) continue to negotiate with the bank in relation to the release of the covenants and continue to fulfil the conditions of the bank loan agreement and draw down the bank loan by installments to fund in part of the capital commitments of Suntrust in the construction of the Main Hotel Casino;
- (v) continue to take active measures to control operating expenses of the Group; and
- (vi) continue to explore other debt and/or equity financing of the Company and/or subsidiaries of the Group.

Taking into account of the plans and measures as described above, the Directors are of the opinion that the Group will have sufficient working capital to maintain its operations and to meet its financial obligations and to raise adequate funds to finance the development of the Main Hotel Casino project in the next twelve months from 31 December 2024. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

3. SIGNIFICANT EVENTS IN THE CURRENT REPORTING PERIOD

- (a) On 18 May 2023, Summit Ascent, entered into two conditional sale and purchase agreements (the “**Miyako Sale and Purchase Agreements**”) with the Company and an independent vendor, Solid Impact Limited (the “**Independent Vendor**”), respectively, pursuant to which amongst other things, (i) the Company (as seller) conditionally agreed to sell (the “**Miyako Disposal**”), and Summit Ascent (as buyer) conditionally agreed to acquire, the entire issued share capital of Modest Achieve Limited (“**Target Company A**”) and the outstanding non-interest bearing liabilities owed by Target Company A to the Company as at the completion date (the “**Sale Loan A**”) at a consideration of HK\$142.8 million; and (ii) the Independent Vendor (as seller) conditionally agreed to sell, and Summit Ascent (as buyer) conditionally agreed to acquire, the entire issued share capital of Joyful Award Limited (“**Target Company B**”) and the outstanding non-interest bearing liabilities owed by Target Company B to the Independent Vendor as at the completion date (the “**Sale Loan B**”) at a consideration of HK\$137.2 million (the two acquisitions by Summit Ascent under (i) and (ii) are collectively referred to as the “**Miyako Acquisition**”). Target Company A directly holds and Target Company B indirectly holds 51% and 49% interest respectively in MSRDC Corporation Limited (a company incorporated in Japan and an indirect 51% owned subsidiary of the Company), whose sole material asset is a plot of land with a total site area of 108,799 m² located in Miyakojima City, Okinawa Prefecture, Japan (the “**Miyako Land Parcel**”).

On 14 July 2023, all the conditions precedent to the Miyako Acquisition were fulfilled, the Miyako Acquisition was completed on that day. Upon completion of the Miyako Disposal and the Miyako Acquisition, Target Company A and Target Company B become directly wholly-owned subsidiaries of the Group held through its non-wholly owned Summit Ascent and Summit Ascent become interested in 100% of the Miyako Land Parcel.

- (b) On 21 September 2023, the Group entered into a sale and purchase agreement (the “**Dongyang S&P Agreement**”) with an independent third party (the “**Dongyang Purchaser**”). Pursuant to the Dongyang S&P Agreement, the Company agreed to sell and the Dongyang Purchaser agreed to purchase the entire equity interest of Dongyang Xinguang Pacific Enterprises Limited (“**Dongyang Xinguang**”), a wholly-owned subsidiary of the Company, at a total cash consideration of RMB20,000,000 (equivalent to approximately HK\$ 21,395,000) subject to the terms and conditions of the Dongyang S&P Agreement (the “**Dongyang Disposal**”) and the Dongyang Disposal was completed on 18 October 2023.

On 26 October 2023, the Group entered into a sale and purchase agreement (the “**Faith Best S&P Agreement**”) with an independent third party (the “**Faith Best Purchaser**”). Pursuant to the Faith Best S&P Agreement, the Company agreed to sell and the Faith Best Purchaser agreed to purchase the entire equity interest of Faith Best Asia (HK) Limited (“**Faith Best**”), a wholly-owned subsidiary of the Company, at a total cash consideration of HK\$19,950,000 subject to the terms and conditions of the Faith Best S&P Agreement (the “**Faith Best Disposal**”) and the Faith Best Disposal was completed on 26 October 2023.

Details of the above disposals are set out in Note 20.

4. MATERIAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Application of new and amendments to HKFRSs

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

HKFRS 17 and related amendments	<i>Insurance Contracts</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform-Pillar Two Model Rules</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

5. REVENUE AND SEGMENT INFORMATION

Segment Information

Information reported to the executive Director, being the chief operating decision maker (“CODM”) for the purpose of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group’s operating and reportable segments are as follows:

(a) Continuing operations

- (1) Operation of integrated resort in the Philippines – Development and operation of an integrated resort at the Entertainment City, Manila, the Philippines through a non-wholly owned subsidiary, Suntrust;
- (2) Operation of integrated resort in the Russian Federation – Operation of the hotel and gaming business in the IEZ Primorye in the Russian Federation through a non-wholly owned subsidiary, Summit Ascent; and
- (3) Property development – Development and sales of properties and hotel premises in Japan.

(b) Discontinued operations

- (1) Property development – Development and sales of office premises, residential and retail properties in Chaohu, Anhui Province and Shenzhen, the PRC;
- (2) Travel related products and services – Sales of travel related products, provision of travel agency services and aircraft chartering services;
- (3) Hotel and integrated resort general consultancy services – Provision of hotel and integrated resort general consultancy services; and
- (4) Management and operation of malls – Management and operation of malls in the PRC through a wholly-owned subsidiary, Dongyang Xinguang.

Pursuant to the Dongyang Disposal as mentioned in Note 3, the entire management and operation of malls segment was reported as discontinued operations for the year ended 31 December 2023. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated as if the operations discontinued during the current period had been discontinued at the beginning of the comparative period. Details are set out in Note 20.

Performance obligations for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2023 and 2022 and the expected timing of recognising revenue are as follows:

	Revenue from gaming and hotel operations <i>HK\$'000</i>	Revenue from management and operation of malls <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2023			
Within one year	<u>4,735</u>	<u>–</u>	<u>4,735</u>
As at 31 December 2022			
Within one year	<u>4,602</u>	<u>1,958</u>	<u>6,560</u>

Information about major customers

No customers represented over 10% of total revenue of the Group for both years ended 31 December 2023 and 2022.

Segment revenue and results

Segment	Continuing operations						Discontinued operations							
	Operation of integrated resort in the Philippines		Operation of integrated resort in the Russian Federation		Property development		Travel related products and services		Hotel and integrated resort general consultancy services		Management and operation of malls		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue from external customers	-	-	369,127	372,306	-	-	-	-	-	-	13,783	22,034	382,910	394,340
Segment (loss) profit	(57,307)	(26,841)	(435,648)	28,046	36,622	(2,063)	(456,333)	(858)	-	377	(3,535)	46	(459,868)	(812)
Change in fair value of derivative financial instruments							(541)	12,167					(541)	12,167
(Loss) gain on disposal of subsidiaries							(2,396)	-			1,386	196,463	(1,010)	196,463
Reversal of (impairment) loss on equity loans to a joint venture							137,842	(17,643)					137,842	(17,643)
Reversal of (impairment) loss on loans to a joint venture							207,153	(12,155)					207,153	(12,155)
Reversal of (impairment) loss on amounts due from a joint venture							67,526	(44,538)					67,526	(44,538)
Share of loss of a joint venture							-	(160,854)					-	(160,854)
Reversal of share of loss of a joint venture							112,327	-					112,327	-
Unallocated other income, gains and losses							48,552	79,322				36,823	48,552	116,145
Unallocated finance costs							(25,206)	(177,528)				(94,002)	(25,206)	(271,530)
Unallocated expenses							(36,465)	(39,687)				(975)	(36,465)	(40,662)
Profit (loss) before taxation							52,459	(361,774)			(2,149)	138,355	50,310	(223,419)
Income tax (expense) credit							(26,319)	17,462			104	(711)	(26,215)	16,751
Profit (loss) for the year							26,140	(344,312)			(2,045)	137,644	24,095	(206,668)

Segment results represent the profit earned by/loss from each segment without allocation of certain other income, gains and losses, certain finance costs, change in fair value of derivative financial instruments, (loss) gain on disposal of subsidiaries, reversal of (impairment) losses on equity loans to, loans to and amounts due from a joint venture, share of loss of a joint venture, reversal of share of loss of a joint venture, and corporate expenses. This is the measure reported to the CODM for the purpose of resources allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segments:

	<u>As at 31 December</u>	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets		
Operation of integrated resort in the Philippines	5,622,799	3,959,680
Operation of integrated resort in the Russian Federation	1,018,132	2,037,064
Travel related products and services	–	9,084
Hotel and integrated resort general consultancy services	–	375
Property development	418,344	440,280
Management and operation of malls	–	83,053
	<hr/>	<hr/>
Total segment assets	7,059,275	6,529,536
Unallocated assets:		
Interest in a joint venture	–	–
Loans to a joint venture	–	187,074
Amounts due from a joint venture	–	46,222
Property, operating right and equipment	126	328
Right-of-use assets	886	–
Derivative financial instrument	4,787	3,232
Bank balances and cash	17,414	2,812
Others	1,850	19,062
	<hr/>	<hr/>
Consolidated total assets	<u>7,084,338</u>	<u>6,788,266</u>

	<u>As at 31 December</u>	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Segment liabilities</i>		
Operation of integrated resort in the Philippines	2,294,617	1,006,755
Operation of integrated resort in the Russian Federation	137,080	221,046
Travel related products and services	–	140
Hotel and integrated resort general consultancy services	–	2,492
Property development	53	83,883
Management and operation of malls	–	71,171
	<hr/>	<hr/>
Total segment liabilities	2,431,750	1,385,487
Unallocated liabilities:		
Current tax liabilities	30,782	5,374
Convertible bonds	20,510	19,073
Bond payables	–	628,442
Derivative financial instrument	2,227	167
Lease liabilities	841	–
Other borrowing	–	400,000
Others	34,857	39,490
	<hr/>	<hr/>
Consolidated total liabilities	<u>2,520,967</u>	<u>2,478,033</u>

For the purposes of monitoring segment performance and allocating resources among segments:

- all assets are allocated to operating segments other than interest in a joint venture, loans to and amounts due from a joint venture, certain right-of-use assets, derivative financial instrument, certain property, operating right and equipment, certain bank balances and cash, and corporate assets of investment holding companies; and
- all liabilities are allocated to operating segments other than certain lease liabilities, convertible bonds, bond payables, derivative financial instrument, current tax liabilities, other borrowing, and corporate liabilities of investment holding companies.

6. OTHER INCOME, GAINS AND LOSSES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Bank interest income	19,284	29,250
Interest income on loans to a joint venture	19,116	73,993
Imputed interest income on loans to a joint venture	<u>7,996</u>	<u>32,628</u>
 Total interest income	 46,396	 135,871
Gain on early repayment of loans to a joint venture (<i>Note 13(c)</i>)	98,439	–
Loss on disposal of property, operating right and equipment	(683)	(372)
Written-off of other payables	9,307	–
Gain on forfeiture of deposits from the sale of properties	37,828	–
Exchange losses, net	(76,082)	(27,584)
Others	<u>1,261</u>	<u>1,568</u>
	<u><u>116,466</u></u>	<u><u>109,483</u></u>

7. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Imputed interest expense on convertible bonds (<i>Notes 17(a)</i> <i>and (b)</i>)	1,411	111,112
Imputed interest expense on promissory note	–	42,187
Imputed interest expense on loans from non-controlling shareholders of a subsidiary	5,570	8,765
Imputed interest expense on VAT arrangements	207	2,353
Interest on promissory note	–	4,350
Interest on loan from immediate holding company	1,635	–
Interest on loans from non-controlling shareholders of a subsidiary	972	1,896
Interest on bank borrowing	27,479	–
Interest on other borrowings	25,199	21,154
Interest on lease liabilities	<u>35,861</u>	<u>34,725</u>
 Total finance costs	 98,334	 226,542
Less: capitalised in construction in progress included in property, operating right and equipment	<u>(64,280)</u>	<u>(33,886)</u>
 Finance costs expensed	 <u><u>34,054</u></u>	 <u><u>192,656</u></u>

8. PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Profit (loss) for the year from continuing operations has been arrived at after charging (crediting) the following:		
Depreciation of property, operating right and equipment	73,243	71,050
Depreciation of right-of-use assets	108,351	112,338
Amortisation of intangible assets	9	4
	<hr/>	<hr/>
Total depreciation and amortisation	181,603	183,392
Less: capitalised in construction in progress included in property, operating right and equipment	(102,411)	(104,549)
	<hr/>	<hr/>
Total depreciation and amortisation expensed	<u>79,192</u>	<u>78,843</u>
Total depreciation and amortisation expensed is presented in the consolidated statement of profit or loss as:		
– Cost of sales	57,279	56,066
– Administrative expenses	21,913	22,777
	<hr/>	<hr/>
	<u>79,192</u>	<u>78,843</u>
Auditor's remuneration	<u>3,150</u>	<u>7,680</u>
Directors' remuneration	13,634	9,564
Staff costs, excluding Directors		
– salaries and wages	148,048	125,155
– share-based compensation benefits	–	153
– retirements benefits scheme contributions*	23,260	26,178
	<hr/>	<hr/>
Staff costs, excluding Directors	<u>171,308</u>	<u>151,486</u>
Total staff costs	184,942	161,050
Less: capitalised in construction in progress included in property, operating right and equipment	(7,699)	(173)
	<hr/>	<hr/>
Total staff costs expensed	<u>177,243</u>	<u>160,877</u>
Impairment loss recognised in respect of other receivables, prepayments and deposits	<u>2,013</u>	<u>3</u>
Short-term and variable lease payments	<u>1,747</u>	<u>927</u>
Cost of sales		
– operating expenses of gaming and hotel operations	<u>193,024</u>	<u>198,946</u>

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

9. INCOME TAX EXPENSE (CREDIT)

	2023 HK\$'000	2022 HK\$'000 (Restated)
Current		
– Philippines withholding tax	26,124	83
– Russian corporate tax	195	173
	<u>26,319</u>	<u>256</u>
Overprovision in prior years		
– Philippines withholding tax	–	(17,718)
	<u>26,319</u>	<u>(17,462)</u>

(a) Hong Kong Profits Tax

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for taxation in Hong Kong has been made as the Group’s income neither arises in, nor is derived from, Hong Kong.

(b) PRC EIT

Under the Law of the PRC on the PRC EIT (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the Group’s PRC subsidiaries is 25% for both years.

According to the EIT Law and the Implementation Regulation of the EIT Law of the PRC, an entity eligible as a small low-profit enterprise (“**Small Low-profit Enterprise**”) is subject to preferential tax treatments, a Small Low-profit Enterprise with annual taxable income not more than RMB1,000,000 is subject to PRC EIT calculated at 25% of its taxable income at a tax rate of 20%; a Small Low-profit Enterprise with annual taxable income which exceeds RMB1,000,000 but does not exceed RMB3,000,000 is subject to PRC EIT calculated at 50% of its taxable income at a tax rate of 20%. For both years, none of the subsidiaries of the Group is eligible as a Small Low-profit Enterprise.

(c) PRC withholding income tax

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries for those registered as foreign-investment enterprises under the laws of the PRC from 1 January 2008 onwards. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are incorporated or operated in Hong Kong and fulfil the requirements of the tax treaty arrangements between the PRC and Hong Kong.

For the years ended 31 December 2023 and 2022, no deferred taxation has been provided for in the consolidated financial statements as no accumulated profits are generated by PRC subsidiaries of the Group registered as foreign-investment enterprises.

(d) Overseas income tax

The Company and a subsidiary were incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 of the Cayman Islands and accordingly, are exempted from the Cayman Islands income tax. Pursuant to the rules and regulations of the BVI and Bermuda, the Company's subsidiaries are not subject to any income tax in the respective jurisdictions.

(e) Macau Complementary Income Tax ("CIT")

Macau CIT is calculated at the progressive rate on the estimated assessable profits. The maximum tax rate is 12% for both years.

(f) Philippines Corporate Income Tax ("PCIT")

PCIT is calculated at 25% of the estimated profits for the years ended 31 December 2023 and 2022. No provision for PCIT has been made for both years as no assessable profits are earned by subsidiaries incorporated in the Philippines.

(g) Philippines withholding tax

Philippines withholding tax of 25% shall be levied on the dividend declared by the companies incorporated in the Philippines to non-resident foreign corporations in the Philippines.

Interests on bank savings and time deposits received by the companies incorporated in the Philippines and gross interest income from intergroup borrowings are subject to a final tax between 15% to 20%.

(h) Japan corporate income tax

Corporate tax in Japan is calculated on the estimated assessable profit for both years at the rates of taxation prevailing in Japan in which the Group operates. No provision for Japan corporate income tax has been made for both years as the Japan subsidiaries incurred losses for both years.

(i) Russian corporate tax

Russian corporate tax is calculated at a rate of 20% of the estimated assessable profit for both years. However, no Russian corporate tax is levied on the Group's gaming activities in the Russian Federation in accordance with Russian legislation.

10. DIVIDENDS

The Board does not recommend the payment of a final dividend for each of the years ended 31 December 2023 and 2022.

11. EARNINGS (LOSS) PER SHARE

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

Earnings (loss) figures are calculated as follows:

	2023 HK\$'000	2022 <i>HK\$'000</i> (Restated)
Earnings (Loss)		
Profit (loss) for the year attributable to shareholders of the Company for the purpose for calculating basic earnings (loss) per share		
– Continuing operations	10,214	(546,406)
– Discontinued operations	(2,045)	137,644
	8,169	(408,762)
Effect of dilutive potential ordinary shares:		
– Adjustment to the share of loss of Suntrust based on dilution of its loss per share	–	(19,697)
Profit (loss) for the purpose of calculating diluted earnings (loss) per share	8,169	(428,459)
Attributable to:		
– Continuing operations	10,214	(566,103)
– Discontinued operations	(2,045)	137,644
	8,169	(428,459)
	Number of shares	
	2023	2022
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	6,894,227,541	6,667,972,746

For the years ended 31 December 2023 and 2022, the calculation of diluted earnings (loss) per share does not assume the exercise of the Company's outstanding share options because exercise price of those share options exceed the average market price of the Company's shares of the both reporting periods.

For the years ended 31 December 2023 and 2022, the calculation of diluted earnings (loss) per share does not assume the exercise of the outstanding share options issued by Summit Ascent and conversion of outstanding convertible bonds issued by Summit Ascent because the exercise price of those share options exceed the average market price of Summit Ascent's shares of the both reporting periods and the assumed conversion of those convertible bonds would have anti-dilutive effect on the basic earnings (loss) per share from continuing operations presented.

For the year ended 31 December 2023, the calculation of diluted earnings per share does not assume the conversion of outstanding convertible bonds issued by Suntrust to the Group because the assumed conversion of those convertible bonds would have anti-dilutive effect on the basic earnings per share from continuing operations presented.

12. PREPAYMENTS AND DEPOSITS FOR NON-CURRENT ASSETS

	<u>As at 31 December</u>	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Long-term prepayments (<i>Note (a)</i>)	–	13,533
Deposits in relation to construction of the Main Hotel Casino (<i>Note (b)</i>)	357,417	237,514
Deposits for purchase of property, operating right and equipment	<u>11,544</u>	<u>33,561</u>
	368,961	284,608
Less: Allowance for impairment	<u>(8,847)</u>	<u>(8,980)</u>
	<u>360,114</u>	<u>275,628</u>

Notes:

- (a) Long-term prepayments represent prepayments for connection to the utility infrastructure network located in the IEZ Primorye in the Russian Federation and were transferred to construction in progress for the year ended 31 December 2023.
- (b) The balance mainly represents the advance deposits paid to the main contractor for the construction of the Main Hotel Casino.

13. INTEREST IN A JOINT VENTURE/LOANS TO AND AMOUNTS DUE FROM A JOINT VENTURE

	<u>As at 31 December</u>	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest in a joint venture		
Cost of unlisted investment	414,998	414,998
Share of post-acquisition losses and other comprehensive expenses	(415,136)	(415,136)
Exchange realignment	138	138
	–	–
Equity loans to a joint venture (<i>Note (a)</i>)	243,496	507,086
Allowance for impairment (<i>Note (d)</i>)	–	(137,254)
Deemed capital contribution (<i>Notes (b) and (c)</i>)	208,141	208,141
Share of post-acquisition losses and other comprehensive expenses in excess of the cost of investment (<i>Note (e)</i>)	(446,872)	(573,400)
Exchange realignment	(4,765)	(4,573)
Interest in a joint venture	–	–
Loans to a joint venture		
– Current (<i>Note (b)</i>)	–	233,895
– Allowance for impairment (<i>Note (d)</i>)	–	(143,845)
	–	90,050
– Non-current (<i>Note (c)</i>)	–	159,453
– Allowance for impairment (<i>Note (d)</i>)	–	(62,429)
	–	97,024
Loans to a joint venture	–	187,074
Amounts due from a joint venture		
– Current	–	102,182
– Allowance for impairment (<i>Note (d)</i>)	–	(62,823)
	–	39,359
– Non-current	–	11,282
– Allowance for impairment (<i>Note (d)</i>)	–	(4,419)
	–	6,863
Amounts due from a joint venture	–	46,222

Notes:

- (a) The loans in the aggregate amount of approximately HK\$507,086,000 to a joint venture are interest-free, unsecured and with no fixed repayment term. Such loans form the Group's net investment in the joint venture. On 17 March 2023, certain outstanding amount of equity loans to a joint venture of approximately US\$33,765,000 (equivalent to approximately HK\$263,367,000 at the repayment date) was partially repaid.

The carrying amount of equity loan had been fully reduced to zero by recognition of allowance for impairment and share of post-acquisition losses and other comprehensive expenses as at 31 December 2022. As a result of the repayment, reversal of allowance for impairment of HK\$137,842,000, reversal of share of loss of a joint venture of HK\$112,327,000 and share of other comprehensive income of a joint venture of HK\$14,201,000 have been recognised during the year ended 31 December 2023.

- (b) During the year ended 31 December 2020, the Group advanced a loan in principal amount of US\$30,000,000 (equivalent to approximately HK\$232,500,000 at the drawdown date) to a joint venture ("**Loan A**"). Loan A was interest bearing at 14% per annum, unsecured and repayable after 12 months from the first drawdown date of the facility and the maturity date may be extended up to 28 February 2022, and therefore was classified as current asset as at 31 December 2022. Loan A has not yet been repaid by 28 February 2022 and became interest bearing at 25% per annum with effect from 1 March 2022.

The total current amount due from a joint venture represented the interest on Loan A receivable by the Group. As the interest rate charged on Loan A was below prevailing market interest rate, aggregated imputed interest of approximately HK\$25,957,000 of Loan A upon initial recognition was calculated based on the difference between the prevailing market interest rate and the coupon interest rate has been recognised as deemed contribution to a joint venture as at 31 December 2023 and 2022. The prevailing market interest rate of the loan was 29.54% per annum.

On 17 March 2023, the entire principal amount of Loan A (equivalent to approximately HK\$234,000,000 at the repayment date), together with the total current amount due from a joint venture which represents the interest receivables of Loan A accrued up to 17 March 2023 of US\$15,437,000 (equivalent to approximately HK\$120,494,000 at the repayment date) was repaid by the joint venture on 17 March 2023.

- (c) During the year ended 31 December 2020, the Group advanced loans in aggregate principal amount of US\$34,045,000 (equivalent to approximately HK\$263,849,000 at the drawdown date) to a joint venture ("**Loans B**"). Loans B are interest bearing at 1.5% per annum, unsecured and repayable after 5 years from the first drawdown date of the facilities and therefore are classified as non-current assets as at 31 December 2022.

The total non-current amount due from a joint venture represented interest on Loans B receivable by the Group. As the interest rates charged on Loans B are below prevailing market interest rates, aggregated imputed interest of approximately HK\$182,184,000 of Loans B upon initial recognition were calculated based on the difference between the prevailing market interest rates and the coupon interest rate has been recognised as deemed contribution to a joint venture as at 31 December 2023 and 2022. The prevailing market interest rates of the loans were ranged from 25.63% to 28.90% per annum.

On 17 March 2023, the entire principal amount of Loans B (equivalent to approximately HK\$265,551,000 at the repayment date), together with the total non-current amounts due from a joint venture which represents the interest receivables of Loans B accrued up to 17 March 2023 of US\$1,553,000 (equivalent to approximately HK\$12,116,000 at the repayment date) was repaid by the joint venture on 17 March 2023.

The difference of HK\$98,439,000 between the aggregate principal amount and the carrying amount of Loans B up to the date of repayment was recognised as gain on early repayment of loans to a joint venture in other income (Note 6) for the year ended 31 December 2023.

- (d) After considering the quantitative and qualitative information that is reasonable and supportive forward-looking information and the financial position of the joint venture, the management of the Group considered that the credit risk on the equity loans to, loans to and the amounts due from a joint venture had significantly increased during the year ended 31 December 2022. In view of this, the management of the Group started to assess the expected credit losses (“ECL”) on the equity loans, loans to and the amounts due from the joint venture based on lifetime ECL during the year ended 31 December 2022.

During the year ended 31 December 2023, the management of the Group considered the credit quality of the equity loans to a joint venture improved and therefore the Group reversed the previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-month ECL.

During the year ended 31 December 2023, the Group has recorded reversal of impairment losses on the equity loans to a joint venture, loans to a joint venture and amounts due from a joint venture of approximately HK\$137,842,000, HK\$207,153,000 and HK\$67,526,000 respectively (2022: impairment losses of approximately HK\$17,643,000, HK\$12,155,000 and HK\$44,538,000 respectively).

- (e) As mentioned in Note (a), the equity loans to a joint venture which form the Group’s net investment in the joint venture are partially repaid during the year ended 31 December 2023, the carrying amount of outstanding equity loans to a joint venture and deemed capital contribution before share of loss and other comprehensive expenses in excess of cost of investment in the joint venture is approximately HK\$451,637,000 as at 31 December 2023.

The Group limits the recognition of the share of post-acquisition losses and other comprehensive expenses in excess of the cost of investment in the joint venture to approximately HK\$446,872,000 as the carrying amount of its net investment in the joint venture is then zero, the Group reversed the share of loss of the joint venture recognised in previous years of approximately HK\$112,327,000 during the year ended 31 December 2023.

- (f) Impairment assessment

The key measuring parameters of ECL include probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”). Based on the requirements of HKFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group’s PD is adjusted based on the results of the Internal Rating-Based Approach, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor’s point-in-time PD under the current macroeconomic environment;
- LGD refers to the Group’s expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies;
- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

The assessment of credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk. The Group applied experts' judgement in this process, according to the result of experts' judgement, the Group predicts these economic indicators and determines the impact of these economic indicator on the PD and the LGD.

The following table provides information about the Group's exposure to credit risk and ECLs for equity loans to, loans to and amounts due from a joint venture as at 31 December 2023 and 2022:

	As at 31 December 2023			As at 31 December 2022		
	Expected loss rate (%)	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Expected loss rate (%)	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Equity loans to a joint venture	-	243,496	-	27.1	507,086	137,254
Loans to a joint venture	-	-	-	39.2-61.5	393,348	206,274
Amounts due from a joint venture	-	-	-	39.2-61.5	113,464	67,242
		<u>243,496</u>	<u>-</u>		<u>1,013,898</u>	<u>410,770</u>

The following table shows the movement in lifetime ECL that has been recognised for equity loans to a joint venture, loans to a joint venture and amounts due from a joint venture.

	Equity loans to a joint venture HK\$'000	Loans to a joint venture HK\$'000	Amounts due from a joint venture HK\$'000	Total HK\$'000
At 1 January 2022	119,717	194,212	22,906	336,835
Allowance for impairment	17,643	12,155	44,538	74,336
Exchange realignment	(106)	(93)	(202)	(401)
At 31 December 2022 and 1 January 2023	137,254	206,274	67,242	410,770
Reversal of allowance for impairment	(137,842)	(207,153)	(67,526)	(412,521)
Exchange realignment	588	879	284	1,751
As at 31 December 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

- (g) The Group has discontinued recognition of its share of loss of a joint venture. The amount of unrecognised share of loss of a joint venture is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Unrecognised share of loss of interest in a joint venture for the year	<u>541,025</u>	<u>70,084</u>

	<u>As at 31 December</u>	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Unrecognised share of loss of interest in a joint venture cumulatively	<u>611,109</u>	<u>70,084</u>

14. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	<u>As at 31 December</u>	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables (<i>Note (a)</i>)	–	1,347
	–	1,347
Other receivables	9,817	20,264
Indirect tax recoverable (<i>Note (b)</i>)	221,353	141,980
Other deposits	2,173	2,944
Prepayments	<u>55,196</u>	<u>45,614</u>
	288,539	212,149
Less: Allowance for impairment	<u>(2,216)</u>	<u>(417)</u>
	<u>286,323</u>	<u>211,732</u>

Notes:

- (a) Amount represented the trade receivables from management and operation of malls. For the service income for management and operation of malls, the Group generally allowed a credit period ranging from 0 to 30 days to its customers.

An aging analysis of the trade receivables as at the end of the reporting period, based on the invoice dates and net of loss allowances is as follows:

	<u>As at 31 December</u>	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	<u>–</u>	<u>1,347</u>

- (b) Amount represents mainly input VAT paid by Suntrust Group for the construction of the Main Hotel Casino.

15. PLEDGED BANK DEPOSIT

Pledged bank deposit represents deposit for the following purpose:

	<u>As at 31 December</u>	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Security for the license granted by the local regulatory body	<u>–</u>	<u>485</u>

For the year ended 31 December 2022, pledged bank deposit was subjected to floating interest rate of 0.3% per annum.

16. TRADE AND OTHER PAYABLES

	<u>As at 31 December</u>	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables (<i>Note</i>)	367	954
Interest payables	17,064	2,449
Payable in respect of transfer of connection right to local electricity supply network	–	11,286
Liabilities for VAT arrangements	16,186	29,619
Retention payables	112,641	59,051
Other tax payables	10,409	13,923
Provision for indemnity (<i>Note 22</i>)	22,462	22,927
Construction cost payables	34,136	70,252
Other payables and accruals	52,909	46,556
	<u>266,174</u>	<u>257,017</u>
Amounts presented as:		
– Current	144,602	177,648
– Non-current	121,572	79,369
	<u>266,174</u>	<u>257,017</u>

Note: The credit period of trade payables ranges from 30 to 180 days.

An aging analysis of trade payables at the end of each reporting period based on invoice dates is as follows:

	<u>As at 31 December</u>	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–90 days	<u>367</u>	<u>954</u>

17. CONVERTIBLE BONDS/DERIVATIVE FINANCIAL INSTRUMENTS/BOND PAYABLES

(a) Convertible bonds/bond payables issued by the Company

2016 Convertible Bond/2016 Bond Payable

On 8 December 2016, the Company issued a convertible bond (“**2016 Convertible Bond**”) with a principal amount of HK\$570,000,000 to Fame Select Limited (“**Fame Select**”), the former major shareholder of the Company to set off the balance of the loan from and the related accrued interest due to Fame Select on a dollar-for-dollar basis against the total subscription price payable by Fame Select in respect of the subscription of the 2016 Convertible Bond.

On 13 May 2022, the 2016 Convertible Bond was acquired by Major Success, a company wholly-owned by Mr. Lo, an executive Director of the Company.

The 2016 Convertible Bond matured on 7 December 2022, the principal amount of HK\$402,000,000 remained unpaid. Upon the maturity of the 2016 Convertible Bond, the 2016 CB Conversion Option lapsed and was no longer exercisable, therefore, 2016 Convertible Bond was reclassified as bond payable (“**2016 Bond Payable**”) on 7 December 2022.

During the year ended 31 December 2023, the Company redeemed all outstanding 2016 Bond Payable with principal amount of approximately HK\$402,000,000.

2018 Convertible Bond/2018 Bond Payable

On 28 August 2018, the Company issued a convertible bond (“**2018 Convertible Bond**”) with a principal amount of HK\$297,000,000 to Star Hope Limited (“**Star Hope**”) and Better Linkage Limited (“**Better Linkage**”) a company wholly-owned by Mr. Lo, an executive Director of the Company for the acquisition of the entire equity interest of Star Admiral Limited and shareholder’s loan owed by Star Admiral Limited.

On 13 May 2022, the 2018 Convertible Bond was acquired by Major Success, a company wholly-owned by Mr. Lo, an executive Director of the Company.

On 29 August 2022, the 2018 Convertible Bond in the principal amount of HK\$297,000,000 due on 28 August 2022 (or if that is not a business day, the first business day thereafter, i.e. 29 August 2022) remained unpaid, the non-payment constituted an event of default (“**2018 CB Event of Default**”). The 2018 CB Event of Default had triggered a cross default in respect of the 2016 Convertible Bond.

The 2018 Convertible Bond matured on 29 August 2022, the principal amount of HK\$297,000,000 remained unpaid on the maturity date. Upon the maturity of the 2018 Convertible Bond, the 2018 CB Conversion Option lapsed and was no longer exercisable, therefore, 2018 Convertible Bond was reclassified as bond payable (“**2018 Bond Payable**”) on 29 August 2022.

In September 2022, 2018 Bond Payable with principal amount of approximately HK\$70,558,000 was redeemed by the Company and the 2018 Bond Payable in the principal amount of approximately HK\$226,442,000 remains outstanding as at 31 December 2022.

During the year ended 31 December 2023, the Company redeemed all outstanding 2018 Bond Payable with principal amount of approximately HK\$226,442,000.

The movements of the debt component and derivative financial instruments of the 2016 Convertible Bond and the 2018 Convertible Bond are shown as follows:

	Debt component <i>HK\$'000</i>	Derivative financial instruments <i>HK\$'000</i>	Total <i>HK\$'000</i>
2016 Convertible Bond			
At 1 January 2022	333,569	12,952	346,521
Credit to profit or loss	–	(12,952)	(12,952)
Imputed interest expense (<i>Note 7</i>)	68,431	–	68,431
Reclassified as bond payables	<u>(402,000)</u>	<u>–</u>	<u>(402,000)</u>
At 31 December 2022	<u>–</u>	<u>–</u>	<u>–</u>
2018 Convertible Bond			
At 1 January 2022	255,634	63	255,697
Credit to profit or loss	–	(63)	(63)
Imputed interest expense (<i>Note 7</i>)	41,366	–	41,366
Reclassified as bond payables	<u>(297,000)</u>	<u>–</u>	<u>(297,000)</u>
At 31 December 2022	<u>–</u>	<u>–</u>	<u>–</u>
Total			
At 31 December 2022	<u>–</u>	<u>–</u>	<u>–</u>

The movements of 2016 Bond Payable and 2018 Bond Payable are shown as follows:

	2016 Bond Payable <i>HK\$'000</i>	2018 Bond Payable <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2022	–	–	–
Reclassified from convertible bonds	402,000	297,000	699,000
Redemption	<u>–</u>	<u>(70,558)</u>	<u>(70,558)</u>
As at 31 December 2022 and 1 January 2023	402,000	226,442	628,442
Redemption	<u>(402,000)</u>	<u>(226,442)</u>	<u>(628,442)</u>
At 31 December 2023	<u>–</u>	<u>–</u>	<u>–</u>

(b) **Convertible bonds payable issued by Summit Ascent (“Summit Ascent CB”)**

On 16 November 2020, a non-wholly owned subsidiary of the Company, Summit Ascent, issued convertible bonds denominated in United States dollars (“US\$”) for acquisition of additional interests in its subsidiary from a non-controlling shareholder in an aggregate principal amount of US\$3,000,000 with an initial conversion price of HK\$3.50 (to be translated to US\$ at a fixed rate of HK\$7.75 to US\$1.00) per share with adjustments clauses, which will mature on the fifth anniversary of the respective issue dates. The Summit Ascent CB carries no interest.

The Summit Ascent CB contained two components, a debt component and a derivative financial instrument. The derivative financial instrument represented the conversion option given to the holder the right at any time to convert the Summit Ascent CB into ordinary shares of Summit Ascent (“**Summit Ascent Shares**”). However, since the conversion option would be settled other than by the exchange of a fixed amount of Summit Ascent’s own equity instruments, the conversion option was accounted for as a derivative financial instrument.

At initial recognition, the derivative financial instrument in the Summit Ascent CB is measured at fair value and is separately presented. Any excess of the fair values of the Summit Ascent CB over the amounts initially recognised as the derivative financial instrument in Summit Ascent CB is recognised as debt component in the Summit Ascent CB.

At the end of the reporting period, the fair value of the derivative financial instrument in the Summit Ascent CB is remeasured and the gain or loss on remeasurement to the fair value is recognised in profit or loss.

The debt component in the Summit Ascent CB is subsequently carried at amortised cost with interest expenses calculated using the effective interest method recognised in profit or loss. The effective interest rate of the debt component in the Summit Ascent CB is 7.37% per annum.

When the Summit Ascent CB is converted, the Summit Ascent Shares to be issued are measured at fair value and any difference between the fair value of Summit Ascent Shares to be issued and the carrying amounts of the derivative financial instrument and debt component in the Summit Ascent CB is recognised in profit or loss.

The fair value of the Summit Ascent CB as at 31 December 2023 and 31 December 2022 is determined by Valplus Consulting Limited, an independent and professionally qualified valuer not connected to the Group, based on the Binomial Option Pricing Model (the “**Binomial Model**”).

The significant inputs used for the calculation of fair value of the Summit Ascent CB and the derivative financial instrument of the Summit Ascent CB are as follows:

	31 December 2023	31 December 2022
Summit Ascent CB		
Share price of Summit Ascent	HK\$0.05	HK\$0.17
Conversion price	HK\$3.5	HK\$3.50
Expected volatility (<i>Note (a)</i>)	58.63%	111.39%
Expected remaining life	1.88 Years	2.88 Years
Expected dividend yield (<i>Note (b)</i>)	Zero	Zero
Risk-free rate (<i>Note (c)</i>)	4.30%	4.26%

Notes:

- (a) The expected volatility was determined by using the historical volatility of Summit Ascent's share price over a period commensurate with the remaining term.
- (b) The expected dividend yield was estimated with reference to the historical dividend payment record and the expected dividend payment in the remaining term of Summit Ascent.
- (c) Risk-free rate is estimated with reference to the US Treasury Yield Curve of similar remaining tenure.

The movements of the debt component and derivative financial instrument of Summit Ascent CB are shown as follows:

	Debt component HK\$'000	Derivative financial instrument HK\$'000	Total HK\$'000
At 1 January 2022	17,767	286	18,053
Credit to profit or loss	–	(119)	(119)
Imputed interest expense (<i>Note 7</i>)	1,315	–	1,315
Exchange difference recognised in profit or loss	(9)	–	(9)
At 31 December 2022 and 1 January 2023	19,073	167	19,240
Charge to profit or loss	–	2,060	2,060
Imputed interest expense (<i>Note 7</i>)	1,411	–	1,411
Exchange difference recognised in profit or loss	26	–	26
At 31 December 2023	<u>20,510</u>	<u>2,227</u>	<u>22,737</u>

(c) **Put option**

On 28 October 2019, the Group has entered into an agreement with Westside City Resorts World Inc. (“**Westside**”) and Travellers International Hotel Group Inc. (“**Travellers**”), related companies of a non-controlling shareholder of Suntrust. Pursuant to the agreement, the Group is entitled, at its sole discretion, to exercise a put option in relation to its equity interest in Suntrust with consideration of approximately HK\$169,382,000 plus interest of 3.5% per annum to Westside and Travellers upon the occurrence of events stated in the agreement.

The fair value of the derivative financial instrument of the put option as at 31 December 2023 and 31 December 2022 were approximately HK\$4,787,000 and HK\$3,232,000, respectively, which are determined by Grant Sherman Appraisal Limited, an independent and professionally qualified valuer not connected to the Group, based on the Binomial Model.

The significant input used for the calculation of fair values of the derivative financial instrument of the put option are as follows:

	31 December 2023	31 December 2022
Put option		
Share price of Suntrust	PHP0.850	PHP0.990
Expected volatility (<i>Note (a)</i>)	53.22%	46.82%
Expected option life (<i>Note (b)</i>)	1.25 Years	1.92 Years
Expected dividend yield (<i>Note (c)</i>)	Zero	Zero
Risk-free rate (<i>Note (d)</i>)	5.07%	5.05%

Notes:

- (a) The expected volatility was determined by using the historical volatility of Suntrust’s share price over a period commensurate with the remaining term.
- (b) The option period is assumed to be expiring in 2025 (2022: 2024), being the date of expected commencement of operation of the Main Hotel Casino. The expected option life used in the model is based on management’s best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.
- (c) The expected dividend yield was estimated with reference to the historical dividend payment record and the expected dividend payment during the expected option life of Suntrust.
- (d) Risk-free rate is estimated based on the yield-to-maturity in continuous compounding of the Philippines peso swap rates with a similar remaining tenure.

The movements of the fair value of the derivative financial instrument of the put option are as follows:

	<i>HK\$'000</i>
At 1 January 2022	4,570
Charge to profit or loss	(967)
Exchange difference	<u>(371)</u>
At 31 December 2022 and 1 January 2023	3,232
Credit to profit or loss	1,519
Exchange difference	<u>36</u>
At 31 December 2023	<u><u>4,787</u></u>

18. BANK AND OTHER BORROWINGS

	<u>As at 31 December</u>	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank borrowing – Secured (<i>Note (a)</i>)	<u>1,172,713</u>	<u>–</u>
Other borrowing – Secured (<i>Note (b)</i>)	<u>–</u>	<u>400,000</u>
	<u><u>1,172,713</u></u>	<u><u>400,000</u></u>

(a) Bank borrowing

(i) The maturity profile of bank borrowing is as follows:

	<u>As at 31 December</u>	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Over five years	<u>1,172,713</u>	<u>–</u>
Less : Amounts due for settlement within one year (shown under current liabilities)	<u>–</u>	<u>–</u>
Amounts due for settlement after one year	<u><u>1,172,713</u></u>	<u><u>–</u></u>

(ii) During the year ended 31 December 2023, the Group obtained a term loan facility in principal amount of up to PHP25.0 billion (equivalent to approximately HK\$3.6 billion), subject to the satisfaction of certain conditions, for a term of 8 years from China Banking Corporation (the “**Loan Facility**”). The Loan Facility is guaranteed by Mr. Lo and bearing interest at a 5-year Bloomberg Valuation Services reference rate provided by Bloomberg LP plus an agreed interest premium factor, subject to repricing after 5 years since the initial drawdown. As at 31 December 2023, the Group has drawn PHP8.74 billion (equivalent to approximately HK\$1,214 million) from the Loan Facility.

The Loan Facility is secured by:

- all assets of Suntrust with a carrying amount of approximately HK\$5,628 million as at 31 December 2023 and material contracts entered into by Suntrust in relation to the construction of the Main Hotel Casino;
- certain shares of the subsidiary of the Company; and
- a first charge and an assignment over all present and future convertible bonds issued by Suntrust that subscribed by the Group.

As at 31 December 2023, none of the covenants relating to drawn down facilities have been breached.

(b) Other borrowing

- (i) The maturity profile of other borrowing is as follows:

	<u>As at 31 December</u>	
	2023 HK\$'000	2022 <i>HK\$'000</i>
Within one year	–	400,000
Less: Amounts due for settlement within one year	<u>–</u>	<u>(400,000)</u>
Amounts due for settlement after one year	<u>–</u>	<u>–</u>

- (ii) During the year ended 31 December 2023, there was a new other borrowing of HK\$150,000,000 raised from an independent third party lender. The new other borrowing, being a loan facility for a term of 6 months, is secured by certain shares of a subsidiary of the Company and a debenture, with interest bearing at 24% per annum. The other borrowing of HK\$150,000,000 has been repaid in July 2023.

During the year ended 31 December 2022, there was a new other borrowing of HK\$400,000,000 raised from four independent third party lenders. The new other borrowing, being a loan facility for a term of 12 months, was secured by certain shares of a subsidiary of the Company and a debenture, with interest bearing at the higher of (i) 18% per annum; or (ii) the aggregate of 13% per annum and the HK\$ prime lending rate as may be offered by The Hongkong and Shanghai Banking Corporation Limited from time to time.

The facility is secured by a debenture incorporating a first fixed charge and a first floating charge over certain undertaking, property and assets of the Group with a carrying value of approximately HK\$6,506 million as at 31 December 2022. The Facility has been repaid in March 2023, and the securities have been released on 20 March 2023.

19. DISCONTINUED OPERATIONS

Cessation of businesses for travel related products and services and hotel and integrated resort general consultancy services

On 1 April 2022, the Board decided to cease the Group's travel related products and services and hotel and integrated resort general consultancy services businesses (the "Ceased Businesses"). With effect from 1 April 2022, the Group ceased and discontinued the operations in travel related products and services and hotel and integrated resort general consultancy services businesses (the "Cessation").

(i) Results of the discontinued operations in relation to the Ceased Businesses have been included in the consolidated statement of profit or loss and other comprehensive income:

The Cessation was effective from 1 April 2022 and was reported in the consolidated financial statements for the year ended 31 December 2022 as discontinued operations. Financial results relating to the discontinued operations in relation to the Ceased Businesses for the year are set below.

The financial performance and cash flow information presented reflects the discontinued operations in relation to the Ceased Businesses for the year ended 31 December 2022.

	Travel related products and services 2022 HK\$'000	Hotel and integrated resort general consultancy services 2022 HK\$'000
Revenue	–	–
Cost of sales	–	–
Gross profit	–	–
Other income, gains and losses	296	798
Selling and distribution expenses	–	–
Administrative expenses	(404)	(281)
Other operating expenses	–	–
Finance costs	–	–
(Loss) profit before taxation	(108)	517
Income tax expense	–	–
(Loss) profit for the year from discontinued operations in relation to the Ceased Businesses	(108)	517
Profit and total comprehensive income for the year from discontinued operations in relation to the Ceased Businesses	146	517

	Travel related products and services	Hotel and integrated resort general consultancy services
	2022	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash flows from (used in) operating activities	1,579	(1,857)
Net cash flows from investing activities	4	–
Net cash flows used in financing activities	–	–
Net increase (decrease) in cash and cash equivalents	<u>1,583</u>	<u>(1,857)</u>
Basic (loss) earnings per share from discontinued operations in relation to the Ceased Businesses attributable to shareholders of the Company (<i>HK cent</i>)	<u>(0.002)</u>	<u>0.008</u>
Diluted (loss) earnings per share from discontinued operations in relation to the Ceased Businesses attributable to shareholders of the Company (<i>HK cent</i>)	<u>(0.002)</u>	<u>0.008</u>

(ii) (Loss) profit for the year from discontinued operations in relation to the Ceased Businesses

(Loss) profit for the year from discontinued operations in relation to the Ceased Businesses is stated after charging the following:

	Travel related products and services	Hotel and integrated resort general consultancy services
	2022	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, operating right and equipment	–	–
Depreciation of right-of-use assets	–	–
Total depreciation and amortisation	<u>–</u>	<u>–</u>
Staff costs, excluding Directors		
– salaries and wages	31	–
– retirements benefits scheme contributions	–	–
Total staff costs, excluding Directors	<u>31</u>	<u>–</u>

	Travel related products and services 2022 HK\$'000	Hotel and integrated resort general consultancy services 2022 HK\$'000
Impairment loss recognised in respect of trade receivables	–	–
Impairment loss recognised in respect of an amount due from a related company	–	–
Short-term and variable lease payments (including COVID-19 related rent concessions of Nil)	–	–
Cost of sales		
– cost of travel related products sold	–	–
	<u>–</u>	<u>–</u>

20. DISPOSAL OF SUBSIDIARIES

(a) Disposal of subsidiaries during the year ended 31 December 2023

Dongyang Disposal

On 21 September 2023, the Group entered into the Dongyang S&P Agreement with the Dongyang Purchaser. Pursuant to the Dongyang S&P Agreement, the Company agreed to sell and the Dongyang Purchaser agreed to purchase the entire equity interest of Dongyang Xinguang, a wholly-owned subsidiary of the Company, at a total cash consideration of RMB20,000,000 (equivalent to approximately HK\$21,395,000) subject to the terms and conditions of the Dongyang S&P Agreement. The Dongyang Disposal was completed on 18 October 2023.

Dongyang Xinguang is principally engaged in management and operation of malls in the PRC.

Faith Best Disposal

On 26 October 2023, the Group entered into the Faith Best S&P Agreement with the Faith Best Purchaser. Pursuant to the Faith Best S&P Agreement, the Company agreed to sell and the Faith Best Purchaser agreed to purchase the entire equity interest of Faith Best, a wholly-owned subsidiary of the Company, at a total cash consideration of HK\$19,950,000 subject to the terms and conditions of the Faith Best S&P Agreement. The Faith Best Disposal was completed on 26 October 2023.

Faith Best is principally an investment holding company with no business operations.

(i) *The net assets at the date of the disposal of subsidiaries are as follows:*

	Dongyang Xinguang <i>HK\$'000</i>	Faith Best <i>HK\$'000</i>	Total <i>HK\$'000</i>
Net assets disposed of			
Property, operating right and equipment	126	–	126
Right-of-use assets	50,554	–	50,554
Intangible assets	12,408	–	12,408
Inventories	653	–	653
Trade and other receivables and prepayments	7,436	21,245	28,681
Bank balances and cash	12,575	–	12,575
Trade and other payables	(4,975)	–	(4,975)
Contract liabilities	(1,637)	–	(1,637)
Rent and other deposits	(4,701)	–	(4,701)
Lease liabilities	(52,222)	–	(52,222)
	<u>20,217</u>	<u>21,245</u>	<u>41,462</u>
Net assets disposed of			
Cash consideration received and receivables	21,395	19,950	41,345
Net assets disposed	(20,217)	(21,245)	(41,462)
Other costs directly attributable to the disposal	(250)	–	(250)
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on loss on control of the subsidiaries	<u>458</u>	<u>(1,101)</u>	<u>(643)</u>
Gain (loss) on disposal of subsidiaries	<u>1,386</u>	<u>(2,396)</u>	<u>(1,010)</u>
Analysis of net cash (outflow) inflow in respect of the disposal is as follows:			
Cash consideration received	–	19,950	19,950
Bank balances and cash disposed of	<u>(12,575)</u>	<u>–</u>	<u>(12,575)</u>
Total net cash (outflow) inflow from the disposal	<u>(12,575)</u>	<u>19,950</u>	<u>7,375</u>

- (ii) *Results of the discontinued operation have been included in the consolidated statement of profit or loss and other comprehensive income:*

The Dongyang Disposal was completed on 18 October 2023 and was reported in the consolidated financial statements for the year ended 31 December 2023 as discontinued operation. Financial information relating to the discontinued operation for the period to the completion date of the Dongyang Disposal is set below.

The financial performance and cash flow information presented reflect the discontinued operation for the years ended 31 December 2023 and 2022.

	Dongyang Xinguang	
	2023	2022
	HK\$'000	HK\$'000
Revenue	13,783	22,034
Cost of sales	(7,208)	(10,277)
	6,575	11,757
Other income, gains and losses	647	575
Selling expenses	(914)	(1,518)
Administrative expenses	(7,468)	(8,104)
Other operating expenses	(663)	–
Finance costs	(1,712)	(2,394)
(Loss) profit before taxation	(3,535)	316
Income tax credit (expense)	104	(711)
Loss for the year from discontinued operation	<u>(3,431)</u>	<u>(395)</u>
Gain on disposal of a subsidiary	1,386	–
Loss for the year from discontinued operation	<u>(2,045)</u>	<u>(395)</u>
Loss and total comprehensive expense for the year from discontinued operation	<u>(3,034)</u>	<u>(2,755)</u>
Net cash flows from operating activities	243	2,429
Net cash flows (used in) from investing activities	(67)	38
Net cash flows used in financing activities	(232)	(244)
Effect of foreign exchange rate changes	(585)	(1,101)
Net (decrease) increase in cash and cash equivalents	<u>(641)</u>	<u>1,122</u>
Basic loss per share from discontinued operation attributable to shareholders of the Company (<i>HK cents</i>)	<u>0.03</u>	<u>(0.006)</u>
Diluted loss per share from discontinued operation attributable to shareholders of the Company (<i>HK cents</i>)	<u>0.03</u>	<u>(0.006)</u>

(iii) *Loss for the year from discontinued operation*

Loss for the year from discontinued operation is stated after charging the following:

	Dongyang Xinguang	
	2023	2022
	HK\$'000	HK\$'000
Depreciation of property, operating right and equipment	<u>126</u>	<u>511</u>
Depreciation of right-of-use assets	<u>3,816</u>	<u>5,021</u>
	<u>3,942</u>	<u>5,532</u>
Staff costs, excluding Directors		
– salaries and wages	<u>5,210</u>	5,954
– retirements benefits scheme contributions	<u>760</u>	<u>995</u>
Total staff costs, excluding Directors	<u>5,970</u>	<u>6,949</u>
Short-term and variable lease payments	<u>–</u>	<u>–</u>
Cost of sales		
– cost of services rendered	<u>7,208</u>	<u>10,277</u>

(b) Disposal of subsidiaries during the year ended 31 December 2022

On 10 May 2022, the Company entered into the sale and purchase agreement with an independent third party (the “**2022 Purchaser**”). Pursuant to the sale and purchase agreement, the Company agreed to sell and the 2022 Purchaser agreed to purchase the entire equity interest of wholly-owned subsidiaries of the Company including: (i) Goal Explore Investments Limited (“**Goal Explore**”) and its subsidiaries save for Dongyang Xinguang (collectively referred to as “**Disposal Group A**”); and (ii) Boshing Investments Limited (“**Boshing Investments**”) and its subsidiaries (collectively referred to as “**Disposal Group B**”), at a total cash consideration of HK\$1 subject to the terms and conditions of the sale and purchase agreement (the “**2022 Disposal**”). The 2022 Disposal was completed on 22 July 2022.

Goal Explore is an investment holding company and a wholly-owned subsidiary of the Company. Its wholly-owned subsidiaries, Sky Alliance Investments Limited and Shenzhen Sky Alliance Property Company Limited (深圳聯天置業有限公司) are principally engaged in investment holding, Dongyang Xinguang is principally engaged in management and operation of malls in the PRC. Dongyang Xinguang was transferred back to the Group before the completion of the 2022 Disposal.

Boshing Investments is an investment holding company and a wholly-owned subsidiary of the Company. Its wholly-owned subsidiary, Chaohu Baosheng Tourism Development Company Limited (巢湖寶昇旅遊開發有限公司) is principally engaged in property development in Chaohu, Anhui Province, the PRC.

(i) **The net liabilities at the date of the disposal of subsidiaries are as follows:**

	Disposal Group A HK\$'000	Disposal Group B HK\$'000	Total HK\$'000
Net liabilities disposed of			
Property, operating right and equipment	–	42	42
Prepayments and deposits for non-current assets	–	9,457	9,457
Inventories	–	289,352	289,352
Trade and other receivables and prepayments	38,034	2,159	40,193
Loan receivable	578,024	–	578,024
Amounts due from the Group	274,830	–	274,830
Amounts due to the Group	(329,588)	(328,112)	(657,700)
Restricted bank deposits	–	1	1
Bank balances and cash	77	1	78
Trade and other payables	(123,756)	(56,690)	(180,446)
Other borrowings	(924,058)	–	(924,058)
	<u>(486,437)</u>	<u>(83,790)</u>	<u>(570,227)</u>
			Total HK\$'000
Cash consideration received			–*
Net liabilities disposed			570,227
Waiver of net amounts due to group companies			(382,870)
Other costs directly attributable to the disposal			(371)
Cumulative exchange differences in respect of the net liabilities of the subsidiaries reclassified from equity to profit or loss on loss on control of the subsidiaries			<u>9,477</u>
Gain on disposal of subsidiaries			<u>196,463</u>
Analysis of net cash outflow in respect of the 2022 Disposal is as follows:			
			HK\$'000
Cash consideration received			–*
Bank balances and cash disposed of			<u>(78)</u>
Total net cash outflow from the disposal			<u>(78)</u>

* The cash consideration received represents HK\$1

(ii) **Results of the discontinued operations have been included in the consolidated statement of profit or loss and other comprehensive income:**

The disposals of Disposal Group A and Disposal Group B were completed on 22 July 2022 and were reported in the consolidated financial statements for the year ended 31 December 2022 as discontinued operations. Financial information relating to the discontinued operations for the period to the completion date of the 2022 Disposal is set below.

The financial performance and cash flow information presented reflect the discontinued operations for the year ended 31 December 2022.

	Disposal Group A 2022 HK\$'000	Disposal Group B 2022 HK\$'000
Other income, gains and losses	38,027	(742)
Administrative expenses	(958)	(1,142)
Other operating expenses	(16)	–
Finance costs	<u>(94,002)</u>	<u>–</u>
Loss before taxation	(56,949)	(1,884)
Income tax credit	<u>–</u>	<u>–</u>
Loss for the year from discontinued operations	<u>(56,949)</u>	<u>(1,884)</u>
Gain (loss) on disposal of subsidiaries	<u>197,285</u>	<u>(822)</u>
Profit (loss) for the year from discontinued operations	<u>140,336</u>	<u>(2,706)</u>
Profit (loss) and total comprehensive income (expense) for the year from discontinued operations	<u>155,735</u>	<u>(917)</u>
Net cash flows used in operating activities	(693)	–
Net cash flows from investing activities	1	–
Net cash flows used in financing activities	–	–
Effect of foreign exchange rate changes	<u>(19)</u>	<u>–</u>
Net decrease in cash and cash equivalents	<u>(711)</u>	<u>–</u>
Basic earnings (loss) per share from discontinued operations attributable to shareholders of the Company (<i>HK cents</i>)	<u>2.105</u>	<u>(0.041)</u>
Diluted earnings (loss) per share from discontinued operations attributable to shareholders of the Company (<i>HK cents</i>)	<u>2.105</u>	<u>(0.041)</u>

(iii) Profit (loss) for the year from discontinued operations

Profit (loss) for the year from discontinued operations is stated after charging the following:

	Disposal Group A	Disposal Group B
	2022	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, operating right and equipment	<u>–</u>	<u>1</u>
Staff costs, excluding Directors		
– salaries and wages	504	253
– retirements benefits scheme contributions	<u>131</u>	<u>39</u>
Total staff costs, excluding Directors	<u>635</u>	<u>292</u>
Short-term and variable lease payments	<u>–</u>	<u>25</u>

21. PERPETUAL SECURITIES

HK\$'000

Principal

At 1 January 2022 and 31 December 2022	5,408,000
Redemption during the year (<i>Note (a)</i>)	<u>(12,000)</u>

At 31 December 2023 **5,396,000**

Distribution

At 1 January 2022	358,263
Provision for the year (<i>Note (b)</i>)	<u>270,400</u>

At 31 December 2022 and 1 January 2023	628,663
Provision for the year (<i>Note (b)</i>)	<u>270,299</u>

At 31 December 2023 **898,962**

Total

At 31 December 2023 **6,294,962**

At 31 December 2022 **6,036,663**

On 18 August 2020, the Company and Star Hope entered into the subscription agreement, pursuant to which the Company agreed to issue, and Star Hope agreed to subscribe for, the HK\$6,000 million 5.00% perpetual securities of the Company (the “**Perpetual Securities**”).

The Perpetual Securities confer on their holder a right to receive distribution at 5% per annum on the principal amount and has no fixed redemption date. The Company may elect to defer (in whole or in part) any distribution accrued on the Perpetual Securities at its sole and absolute discretion. The Company may elect to redeem (in whole or in part) the Perpetual Securities at 100% of the outstanding principal amount, together with any distribution accrued thereon, on the date falling 10 years after the date of issue of the Perpetual Securities or change of control of the Company.

On 13 May 2022, the Perpetual Securities were acquired by Major Success, a company wholly-owned by Mr. Lo, an executive Director of the Company.

Notes:

- (a) During the year ended 31 December 2023, Major Success agreed and the Company partially redeemed the outstanding principal amount of the Perpetual Securities in the sum of HK\$12,000,000 (the “**Principal Amount**”) at HK\$10,000,000 (the “**Redemption Amount**”), the difference between the Principal Amount and the Redemption Amount has been charged to capital reserve as deemed contribution from a shareholder during the year ended 31 December 2023.
- (b) During the year ended 31 December 2023, the distribution provision in relation to Perpetual Securities issued is approximately HK\$270 million (2022: approximately HK\$270 million).

22. CONTINGENT LIABILITIES

On 30 June 2021, pursuant to the sale and purchase agreement in relation to the disposal of Access Achievement Limited (“**Access Achievement**”) and a deed of indemnity entered into by the Company, the purchaser (the “**Purchaser**”) and Access Achievement, the Company will indemnify the Purchaser against certain tax, litigation and contingent liabilities which, except for litigation liabilities, in aggregate cannot exceed the sum of (i) the consideration of the disposal of Access Achievement amounting to RMB155,290,000 (equivalent to approximately HK\$170,311,000) (2022: RMB155,290,000 (equivalent to approximately HK\$173,839,000)); and (ii) the principal amount of the loan owed by Shenzhen Zirui Real Estate Development Limited to Shenzhen Sky Alliance Property Company Limited amounting to RMB519,249,000 (equivalent to approximately HK\$569,477,000) (2022: RMB519,249,000 (equivalent to approximately HK\$581,271,000)), in the aggregate amount of RMB674,539,000 (equivalent to approximately HK\$739,788,000) (2022: RMB674,539,000 (equivalent to approximately HK\$755,110,000)). In this regard, approximately RMB20,481,000 (equivalent to approximately HK\$22,462,000) (2022: approximately RMB20,481,000 (equivalent to approximately HK\$22,927,000)) was recorded as provision for indemnity included in “other payables” in the consolidated financial statements as at 31 December 2023 and 31 December 2022.

23. CAPITAL COMMITMENTS

The Group has the following material commitments in respect of property, operating right and equipment which are not provided for in the consolidated financial statements at the end of the reporting period:

	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
Contracted but not provided for*	<u>2,219,656</u>	<u>4,457,905</u>

- * The amount included approximately HK\$2,219,264,000 (2022: approximately HK\$4,418,457,000) in relation to the construction project of the Main Hotel Casino.

24. EVENTS AFTER THE END OF THE REPORTING PERIOD

1. On 15 January 2024, Oriental Regent Limited (“**ORL**”), an indirect non-wholly owned subsidiary of the Company, as seller, entered into a binding agreement with to an independent third party buyer (the “**Buyer**”) incorporated in the Russian Federation for the sale and purchase of the entire equity interest G1 Entertainment Limited Liability Company (“**G1 Entertainment**”) at a consideration of US\$116 million (subject to adjustment). This sale and purchase agreement was terminated on 19 February 2024. Details of which are set out in the announcements of the Company dated 17 January 2024 and 22 February 2024.
2. On 14 February 2024, the Securities and Futures Commission has directed the Stock Exchange to suspend all dealings in the shares of the Company under Section 8(1) of the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) with effect from 9:00 a.m. on 14 February 2024.
3. On 18 April 2024, Gold Yield Enterprises Limited, a 50% joint venture of the Company repaid the remaining outstanding shareholder’s loan due to the Group in the aggregate amount of US\$31.2 million (equivalent to HK\$243.4 million). Details of which are disclosed in the announcement of the Company dated 18 April 2024.
4. On 14 May 2024, Suntrust and China Communications Services Philippines Corporation (“**Contractor (CCSPC)**”), a company incorporated in the Philippines and an independent third party entered into (i) the Letter of Award in respect of the Design, Supply, and Delivery of Structured Cabling System dated 14 May 2024 (the “**DSD Agreement**”) pursuant to which Suntrust appointed Contractor (CCSPC) as the contractor to undertake the design, supply and delivery of structured cabling system set out in DSD Agreement of the Main Hotel Casino, at the contract sum of PHP332,264,950.12 (equivalent to approximately HK\$45,516,000) and (ii) the Letter of Award in respect of the installation of Structured Cabling System dated 14 May 2024 (the “**Installation Agreement**”) issued by Suntrust to Contractor (CCSPC) and accepted and confirmed by Contractor (CCSPC) in relation to the installation of structured cabling system set out in the Installation Agreement of the Main Hotel Casino, at the contract sum of PHP135,382,787 (equivalent to approximately HK\$18,546,000). Details of which are set out in the announcements of the Company dated 14 May 2024 and 17 May 2024.
5. On 16 May 2024, Suntrust and Gomeco Metal Corporation (“**Gomeco**”), a company incorporated in the Philippines and an independent third party, entered into (i) the supply agreements pursuant to which Suntrust appointed Gomeco as the contractor to undertake the supply works for the Main Hotel Casino at the aggregate contract sum of PHP10,294,582 (equivalent to approximately HK\$26,068,000) and (ii) the installation agreements pursuant to which Suntrust appointed Gomeco as the contractor to undertake the installation works for the Main Hotel Casino at the aggregate contract sum of PHP6,689,080 (equivalent to approximately HK\$917,000). Details of which are set out in the announcement of the Company dated 16 May 2024.

6. On 12 July 2024, (i) Suntrust and Empire Automation Philippines Inc. (“**Contractor (Empire Philippines)**”) entered into a memorandum of agreement (“**Supply Agreement I**”) pursuant to which Suntrust appointed the Contractor (Empire Philippines) as the contractor to undertake the supply and delivery of certain equipment (“**Equipment I**”) at the contract sum of US\$376,782.44 (equivalent to approximately HK\$2,938,900) under the Supply Agreement I; (ii) Suntrust and Empire Automation (Singapore) Pte. Ltd. (“**the Contractor (Empire Singapore)**”) entered into memorandum of agreement (“**Supply Agreement II**”) pursuant to which Suntrust appointed the Contractor (Empire Singapore) to undertake the supply and delivery of certain equipment (“**Equipment II**”) at the contract sum of US\$4,363,032.32 (equivalent to approximately HK\$34,031,700); and (iii) Suntrust and the Contractor (Empire Philippines) entered into installation works agreement (“**Installation Agreement**”) in respect of the installation of Equipment I and Equipment II pursuant to which Suntrust appointed the Contractor (Empire Philippines) as the contractor to undertake the installation works for the relevant project at the contract sum of US\$1,522,079.03 (equivalent to approximately HK\$11,872,200) under the Installation Agreement. Details of which are set out in the announcement of the Company dated 12 July 2024.

7. On 16 July 2024, (i) Suntrust and Systech Lighting & Controls Inc. (the “**Contractor**”) entered into a memorandum of agreement (the “**Supply Agreement**”) pursuant to which Suntrust appointed the Contractor as the contractor to undertake the supply and delivery of certain equipment at the contract sum of PHP144,731,206.80 (equivalent to approximately HK\$19,298,000) under the Supply Agreement; and (ii) Suntrust and the Contractor entered into a memorandum of agreement (the “**Systech Installation Agreement**”) pursuant to which Suntrust appointed the Contractor as the contractor to undertake the installation of certain equipment for the relevant at the contract sum of PHP11,768,793.20 (equivalent to approximately HK\$1,569,000) under the Systech Installation Agreement. Details of which are set out in the announcement of the Company dated 16 July 2024.

8. On 15 August 2024, Suntrust and the E.E. Black Ltd. (“**Contractor EE Black**”), a foreign company incorporated in Hawaii, U.S. and conducts business in the Philippines and an independent third party entered into (i) the Letter of Award in respect of the supply and delivery of commercial construction materials dated 15 August 2024 pursuant to which Suntrust appointed the Contractor (EE Black) as the contractor to undertake the supply and delivery of commercial construction materials for Casino and VIP Gaming (Front of House and 3 Food and Beverage’s GF to L1) of the Main Hotel Casino, at the contract sum of PHP719,405,733.11 (equivalent to approximately HK\$95,921,000) and (ii) the Letter of Award in respect of the installation of commercial construction materials dated 15 August 2024 pursuant to which Suntrust appointed the Contractor (EE Black) as the contractor to undertake the installation of commercial construction materials for Casino and VIP Gaming (Front of House and 3 Food and Beverage’s GF to L1) of the Main Hotel Casino, at the contract sum of PHP180,347,137.56 (equivalent to approximately HK\$24,046,000). Details of which are set out in the announcements of the Company dated 15 August 2024, 23 August 2024 and 20 September 2024 and the circular of the Company dated 25 September 2024.

9. On 15 August 2024, Suntrust and Multi Development and Construction Corporation (“**Contract (MDCC)**”), a company incorporated in the Philippines and an independent third party entered into the Fit Out Agreements Supplemental (MDCC) to revise and supplement the Fit Out Agreement (MDCC), at an aggregate amount of PHP430,993,341.57 (equivalent to approximately HK\$57,466,000) under the Fit Out Agreement Supplemental (SD-MDCC) and at the contract sum of PHP65,659,049.08 (equivalent to approximately HK\$8,755,000) under the Fit Out Agreement Supplemental (Installation-MDCC). Details of which are set out in the announcements of the Company dated 15 August 2024, 23 August 2024 and 20 September 2024 and the circular of the Company dated 25 September 2024.
10. On 9 September 2024, Suntrust and GMI Construction Corp. (“**Contractor (GMI)**”), a company incorporated in the Philippines and an Independent Third Party entered into a memorandum pursuant to which Suntrust engaged the Contractor (GMI) to perform the supply and delivery of fit-out materials for the construction of Hotel Guest Rooms L5 – L10 of Tower 1 and 2 (North Tower and South Tower) and the L3 Lobby Check-in Lounge package of the Main Hotel Casino at a contract sum of US\$9 million (equivalent to HK\$70,200,000). Details of which are set out in the announcement of the Company dated 9 September 2024.
11. On 11 October 2024, Suntrust and IGT Asia Pte Ltd. (“**Contractor IGT**”), a company incorporated in Singapore and an indirect wholly-owned subsidiary of International Game Technology PLC, which is listed on the New York Stock Exchange under the trading symbol “IGT” and an independent third party enter into agreement pursuant which Suntrust will appoint the Contractor (IGT) as the contractor to undertake the supply and maintenance of equipment, software and services at the aggregate contract sum of US\$5,287,285 (equivalent to approximately HK\$41,241,000). Details of which are set out in the announcement of the Company dated 14 October 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group recorded a profit attributable to equity holders of the Company of approximately HK\$278.5 million for the year ended 31 December 2023 (“**FY2023**”), significantly increased from the loss attributable to equity holders of the Company of approximately HK\$138.4 million for the year ended 31 December 2022 (“**FY2022**”). Consolidated Adjusted EBITDA from continuing operations was approximately positive HK\$33.9 million versus approximately positive HK\$69.3 million for FY2022.

The profit for the year attributable to equity holders of the Company in FY2023 was mainly attributable to (i) the reversal of impairment loss on equity loans to, loans to and amounts due from a joint venture of approximately HK\$412.5 million; (ii) the reversal of share of loss of a joint venture of approximately HK\$112.3 million; and (iii) partially offset by (a) the finance costs of approximately HK\$34.1 million; and (b) the impairment loss on property, operating right and equipment of approximately HK\$483.1 million.

In FY2023, Summit Ascent’s 77.5%-owned integrated resort located in the IEZ Primorye in the Russian Federation, Tigre de Cristal, contributed revenue from gaming and hotel operations of approximately HK\$369.1 million to the Group, and a contribution of approximately HK\$408.0 million total gross gaming revenue (“**GGR**”) to the Group.

Group Key Financial Data

	FY2023 HK\$'000	FY2022 <i>HK\$'000</i> (Restated)
Revenue:		
Operation of integrated resort in the Russian Federation		
– Tigre de Cristal:		
– Gaming operations	335,688	340,898
– Hotel operations	33,439	31,408
	369,127	372,306
Other segment:		
– Property development	–	–
Total revenue from continuing operations	<u>369,127</u>	<u>372,306</u>
Consolidated Adjusted EBITDA from continuing operations	<u>33,890</u>	<u>69,263</u>

The following is a reconciliation of profit (loss) for the year to Consolidated Adjusted EBITDA from continuing operations of the Group:

	FY2023 HK\$'000	FY2022 HK\$'000 (Restated)
Profit (loss) for the year	24,095	(206,668)
Add (deduct):		
Loss (profit) for the year from discontinued operations	2,045	(137,644)
Income tax expense (credit)	26,319	(17,462)
Change in fair value of derivative financial instruments	541	(12,167)
Loss on disposal of a subsidiary	2,396	–
Loss on disposal of property, operating right and equipment	683	372
(Reversal of) impairment loss on equity loans to a joint venture	(137,842)	17,643
(Reversal of) impairment loss on loans to a joint venture	(207,153)	12,155
(Reversal of) impairment loss on amounts due from a joint venture	(67,526)	44,538
Impairment loss on property, operating right and equipment	483,107	–
Share of loss of a joint venture	–	160,854
Reversal of share of loss of a joint venture	(112,327)	–
Finance costs	34,054	192,656
Interest income and imputed interest income on loans to a joint venture	(27,112)	(106,621)
Gain on early repayment of loans to a joint venture	(98,439)	–
Written-off of other payables	(9,307)	–
Gain on forfeiture of deposits from the sale of properties	(37,828)	–
Other operating expenses	2,910	15,180
Depreciation and amortisation	79,192	78,843
Exchange losses, net	76,082	27,584
Consolidated Adjusted EBITDA from continuing operations	<u>33,890</u>	<u>69,263</u>

Revenue

Revenue from continuing operations in FY2023 was approximately HK\$369.1 million, decreased by approximately HK\$3.2 million or 0.9% when compared to approximately HK\$372.3 million in FY2022. Such decrease was mainly attributable to the decrease in revenue from Summit Ascent Group in FY2023.

- (i) **Operation of integrated resort in the Philippines** – through an indirect 51% owned subsidiary of the Company, Suntrust, the Group is currently developing a 5-star hotel and casino complex at the Entertainment City, Manila, the Philippines (the “**Main Hotel Casino**” or the “**Westside City Project**”) of which Suntrust would be the sole and exclusive operator and manager to operate and manage the Main Hotel Casino upon commencement of operation of the Main Hotel Casino in 2025. As at 31 December 2023, the construction of structural work and tower facade up to roof level have been completed. The major mechanical, electrical, and plumbing equipment has been delivered to construction site and are undergoing installation. Architectural builders and fit out works, and external civil works were in progress. No revenue was recognised during the year.
- (ii) **Operation of integrated resort in the Russian Federation** – Summit Ascent, the 69.66% owned subsidiary of the Company, contributed revenue from gaming and hotel operations in the IEZ Primorye in the Russian Federation through its approximately 77.5% owned subsidiary of approximately HK\$369.1 million to the Group during FY2023 (FY2022: approximately HK\$372.3 million).
- (iii) **Property development** – the Group engaged in the development and sales of properties and hotel premises in Japan, and had two property development projects located in Japan as at 31 December 2023. In FY2023, both projects were in the development planning stage, hence no revenue was generated from this segment.

Other income, gains and losses

The increase in other income, gains and losses during FY2023 was mainly due to the gain on early repayment of loans to a joint venture of approximately HK\$98.4 million and the gain on forfeiture of deposits from the sale of properties of approximately HK\$37.8 million, offset by the net exchange losses recognised in FY2023 of approximately HK\$76.1 million (FY2022: net exchange losses of approximately HK\$27.6 million).

Selling and distribution expenses

Selling and distribution expenses decreased significantly in FY2023, which comprised mainly salaries and benefits of sales and marketing staff, advertising and promotion expenses.

Administrative expenses

Administrative expenses comprised mainly salaries and benefits of employees, legal and professional fees, and depreciation and amortisation. The increase in administrative expenses during FY2023 was mainly due to the increase in staff costs and operating costs of Suntrust Group.

Other operating expenses

The other operating expenses decreased in FY2023 as there were no significant legal and professional fees or tax incurred during FY2023, whereas certain legal and professional fees or tax for the issuance of the 2022 Summit Ascent Subscribed CB (defined below) by Suntrust was recorded in FY2022.

Change in fair value of derivative financial instruments

It mainly represented the change in fair value of Summit Ascent CB and put option. The fair values of the derivative financial instruments as at 31 December 2023 were assessed by independent professional valuers.

Loss on disposal of a subsidiary

During FY2023, the Group disposed of its entire equity interest in Faith Best Asia (HK) Limited, a wholly-owned subsidiary of the Company, at the consideration of HK\$19,950,000.

Reversal of share of loss of a joint venture/Share of loss of a joint venture

The amount represented the reversal of share of loss of a joint venture/share of loss of the Group's joint venture, which is owned by Star Admiral Limited ("**Star Admiral**", an indirect wholly-owned subsidiary of the Company). The principal asset of Star Admiral is approximately 34% indirect equity interest in the integrated resort development project located in Hoi An South, Quang Nam Province, Vietnam ("**Hoiana**"). Hoiana was opened for preview on 28 June 2020. As a tourist-dependent property, Hoiana was in loss making position during FY 2023. During FY2023, the Group recorded reversal of share of loss of a joint venture of approximately HK\$112.3 million as compared to the share of loss of a joint venture of HK\$160.9 million during FY2022. As the joint venture is still in a net liability position with accumulated losses, and the carrying amount of the interest in the joint venture is reported as zero as at 31 December 2023 and 2022 respectively, the Group has discontinued recognition of share of loss of the joint venture since 2022.

Reversal of (impairment losses) on equity loans to a joint venture, loans to/amounts due from a joint venture

As at 31 December 2021, Star Admiral, an indirect wholly-owned subsidiary of the Company has made advances to Gold Yield Enterprises Limited (“**GYE**”), a 50% owned joint venture of the Group, in the aggregate amount of approximately US\$64,955,799 (equivalent to approximately HK\$507,086,000) (“**Advances A**”). Such Advances A have been provided by the Group to GYE with support the development of Hoiana. The Advances A have been provided on a pro-rata basis by reference to the percentage of shareholdings held by the Group in GYE which are interest-free, unsecured and no fixed repayment term.

In addition, Star Admiral has advanced loans in the aggregate principal amount of US\$34,045,000 (equivalent to approximately HK\$263,849,000 at the drawdown date) to GYE (“**Advances B**”). Advances B are interest bearing at 1.5% per annum, unsecured and repayable after 5 years from the first drawdown date of the facilities.

Furthermore, Star Admiral has advanced loan in the aggregate principal amount of US\$30,000,000 (equivalent to approximately HK\$232,500,000 at the drawdown date) to GYE (“**Advance C**”) in July 2020. Advance C is interest bearing at 14% per annum, unsecured and repayable after 12 months from the first drawdown date of the facility and the maturity date may be extended up to 28 February 2022. GYE has not repaid Advance C together with interest accrued thereon by the due date (i.e. 28 February 2022) and such amount became immediately payable. Advance C has not yet been repaid by 28 February 2022 and is interest bearing at 25% per annum with effect from 1 March 2022.

On 17 March 2023, certain outstanding amount of the Advances A, the whole outstanding amount of Advances B and C and interest accrued thereon in the aggregate amount of approximately US\$114.8 million (equivalent to approximately of HK\$895.4 million at the repayment date) has been repaid by GYE. Further details of the repayment were disclosed in the announcement of the Company dated 19 March 2023.

During FY2023, the management of the Group considered the credit quality of the equity loans to a joint venture improved and therefore the Group reversed the previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-month ECL.

In determining the expected loss rates of loans to and amounts due from the joint venture, the financial position and performance of the joint venture and its subsidiaries including but not limited to financial information, business prospects and business forecasts of the joint venture and its subsidiaries were assessed and a credit rating was assigned. The ECL and expected loss rates of loans to and amounts due from the joint venture as at 31 December 2022 were determined by reference to the valuation carried out by an independent professional valuer.

During FY2023, the Group has recorded reversal of impairment losses on the equity loans to a joint venture, loans to a joint venture and amounts due from a joint venture of approximately HK\$137.8 million, HK\$207.2 million and HK\$67.5 million respectively (FY2022: impairment losses of approximately HK\$17.6 million, HK\$12.2 million and HK\$44.5 million respectively).

Impairment loss on property, operating right and equipment

As of 31 December 2023, the valuation date of the valuation report of Summit Ascent in relation to property, operating right and equipment for 2023 (the “**2023 SA Valuation Report**”), the management of Summit Ascent adopted revised assumptions in the 2023 SA Valuation Report reflecting the suspension of development plan of Tigre de Cristal Phase II (the “**TdC Phase II**”), which is significantly different from the assumptions used in the previous valuation report of Summit Ascent in relation to property, operating right and equipment for 2021 (the “**2021 SA Valuation Report**”). During FY2023, an impairment loss of approximately HK\$483.1 million was recognised after the reassessment of the fair values of Summit Ascent Group’s property, operating right and equipment in relation to Tigre de Cristal and the changes in cash flow projections. The underlying reasons/business factors leading to the change in fair values of Summit Ascent Group’s property, operating right and equipment in relation to Tigre de Cristal during FY2023, include:

Suspension of the development of TdC Phase II

COVID-19 epidemic has had serious negative impacts on the global economy and severely affected tourism since the beginning of 2020, which also hindered the pre-construction phase, including design, procurement of construction materials, tendering and associated payments, of TdC Phase II. While the Russian tourism industry is slowly recovering from the COVID-19 pandemic, it now faces huge uncertainty from the impact of the significant escalation in the Russia-Ukraine Conflict since late February 2022. The United States, the European Union and their allies have imposed an unprecedented range of sanctions and export controls on Russia, which aim at weakening its ability to finance the special military operation including, but not limited to, removal of major Russian banks from the SWIFT messaging system operated by the Society for Worldwide Interbank Financial Telecommunication. Several governments have banned Russian aircraft from their airspace and have issued travel advisories calling on their nationals to avoid travel to Russia. The Russian government responded with a mutual ban for these countries. The escalation in conflict and sanctions has a negative effect on the motivation and choices for international tourists to freely travel into and out of Russia, which affects Tigre de Cristal’s customer base. Up to the end of 2023, there is no indication on when the military conflict and the related sanctions will end.

Taking into account the abovementioned effects and uncertainties of the Russia-Ukraine Conflict, the board of directors of Summit Ascent is in the opinion that development of TdC Phase II would result in significantly increased expenditures with minimal potential return on investment in the such economic environment. Accordingly, the board of directors of Summit Ascent resolved to suspend the development of TdC Phase II during FY2023.

Due to these unfavourable factors have significant impacts on the Summit Ascent Group, the management has to revisit the assumptions previously used in the 2021 SA Valuation Report and the forecasted revenues used in the 2023 SA Valuation Report were adjusted downward to reflect the unfavourable changes such as i) the suspension of the development of TdC Phase II, ii) the ongoing Russia-Ukraine conflict, particularly the associated sanctions levied against Russia and the economic uncertainties and iii) the decrease in volume of rolling chip business, accordingly. For valuation purposes, the forecasted revenues used in the 2021 SA Valuation Report and the 2023 SA Valuation Report are adopted with the average revenue growth rates of 21.65%% and 9.53% respectively.

Finance costs

Finance costs for FY2023 comprise mainly (i) interest on interest-bearing other borrowing, (ii) interest on bank borrowing, (iii) interest on lease liabilities, and (iv) interest and imputed interest expense on loans from non-controlling shareholders of subsidiaries. The decrease in finance costs during FY2023 was mainly attributable to the decrease in imputed interest expenses on convertible bonds and promissory note.

Income tax (expense) credit

Income tax (expense) credit comprises current tax and the increase for FY2023 was mainly due to the Philippines withholding tax on gross interest income earned by Summit Ascent Group on intragroup convertible bonds and borrowings advanced to Suntrust in FY2023 and a tax credit recorded in FY2022 for the overprovision of the Philippines withholding tax and no such overprovision is recognised in FY2023.

Convertible Bonds/Bond Payables

As at 31 December 2021, the Company had convertible bonds with outstanding principal amount of HK\$402.0 million (“**2016 Convertible Bond**”) held by Fame Select Limited (“**Fame Select**”), the former major shareholder of the Company. The Company had convertible bonds with outstanding aggregate principal amount of HK\$297.0 million (“**2018 Convertible Bond**”) held by Star Hope Limited (“**Star Hope**”) and Better Linkage Limited (“**Better Linkage**”) as at 31 December 2021. During FY2022, the 2016 Convertible Bond and the 2018 Convertible Bond were acquired by Major Success Group Limited, the current major shareholder of the Company. The 2016 Convertible Bond and the 2018 Convertible Bond matured on 7 December 2022 and 28 August 2022, respectively, both the 2016 Convertible Bond and the 2018 Convertible Bond had not been repaid upon the respective maturity date and constituted events of default. Upon the maturity of the 2016 Convertible Bond and the 2018 Convertible Bond, the conversion options attached to the 2016 Convertible Bond and the 2018 Convertible Bond lapsed and were no longer exercisable, therefore, the 2016 Convertible Bond and 2018 Convertible Bond were reclassified as bond payables (“**2016 Bond Payable**” and “**2018 Bond Payable**”) as at 31 December 2022.

In September 2022, the 2018 Bond Payable with principal amount of approximately HK\$70,558,000 was redeemed by the Company. The 2016 Bond Payable in the principal amount of HK\$402,000,000, and the 2018 Bond Payable in the principal amount of approximately HK\$226,442,000 remain outstanding as at 31 December 2022.

During FY2023, the Company redeemed all outstanding 2016 Bond Payable with principal amount of HK\$402,000,000 and all outstanding 2018 Bond Payable with principal amount of approximately HK\$226,442,000.

SEGMENT ANALYSIS

In FY2023 and FY2022, revenue from gaming and hotel operations in the Russian Federation accounted for 100% of total revenue from continuing operations of the Group. No revenue was generated from the property development segment in FY2023 and FY2022.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

Bank balances and cash, pledged bank deposit, in aggregate, as at 31 December 2023 amounted to approximately HK\$1,210.9 million (31 December 2022: HK\$1,036.8 million).

The Group had total bank borrowing for a term of 8 years of approximately HK\$1,172.7 million as at 31 December 2023 which were denominated in Philippines Peso (“**PHP**”) (31 December 2022: other borrowing of approximately HK\$400.0 million) which were obtained by the Group during the year ended 31 December 2023. The Group’s bank borrowing carried interest at fixed interest rate, which is interest bearing based on a 5-year Bloomberg Valuation Services reference rate plus an agreed interest premium factor, subject to repricing after 5 years since the initial drawdown.

As at 31 December 2023, the Group had a loan from immediate holding company for a term of 5 years of US\$6.0 million (equivalent to approximately HK\$46.9 million) at fixed interest rate, which is unsecured, interest bearing at 5.5% per annum (31 December 2022: Nil).

The Group had loans from non-controlling shareholders of a subsidiary of approximately HK\$14.7 million as at 31 December 2023 (31 December 2022: loans from non-controlling shareholders of subsidiaries of approximately HK\$216.4 million), which is unsecured, interest-free and will not be repaid unless there are sufficient free cash flows generated from the operations to make the repayment.

The Group had convertible bonds and derivative financial instruments liabilities of approximately HK\$20.5 million (31 December 2022: approximately HK\$19.1 million) and approximately HK\$2.2 million (31 December 2022: approximately HK\$0.2 million), respectively.

As at 31 December 2023, the Group had bond payables of Nil (31 December 2022: approximately HK\$628.4 million).

The gearing ratio, expressed as a percentage of total bank and other borrowings, loan from immediate holding company, loans from non-controlling shareholders of a subsidiary, bond payables, convertible bonds and derivative financial instruments liabilities divided by consolidated total equity of the Group as at 31 December 2023 is approximately 27.5% (31 December 2022: 29.3%).

As at 31 December 2023, the Group had current assets of approximately HK\$1,501.9 million (31 December 2022: approximately HK\$1,382.4 million) and current liabilities of approximately HK\$257.7 million (31 December 2022: approximately HK\$1,317.8 million).

As at 31 December 2023, the aggregate perpetual securities facilities with principal amount of up to HK\$6,000.0 million have been granted by a related company to the Group, of which approximately HK\$5,408.0 million have been issued. During FY2023, the perpetual securities with an outstanding principal amount of HK\$12.0 million were redeemed. As at 31 December 2023, the outstanding principal amount of perpetual securities was HK\$5,396.0 million (31 December 2022: HK\$5,408.0 million).

On 27 January 2023, the Company, as borrower, entered into a revolving loan agreement (the “**Revolving Loan Agreement**”) with Summit Ascent, as lender, pursuant to which Summit Ascent conditionally agreed to grant a revolving loan in the principal amount up to HK\$500,000,000 to the Company (the “**Revolving Loan**”) and the Company should pay an arrangement fee of HK\$10,000,000 to Summit Ascent under the terms of the Revolving Loan Agreement. On 10 May 2023, the Company and Summit Ascent mutually agreed to terminate the Revolving Loan Agreement and entered into a deed of termination to terminate the Revolving Loan Agreement and to release and discharge their respective obligations and liabilities under the Revolving Loan Agreement with immediate effect. Further details of the Revolving Loan were disclosed in the joint announcements of the Company and Summit Ascent dated 27 January 2023 and 10 May 2023.

CHARGE ON ASSETS

As at 31 December 2023, bank borrowing of approximately HK\$1,172.7 million were secured by (1) all assets of Suntrust with a carrying amount of approximately HK\$5,628 million as at 31 December 2023 and material contracts entered into by Suntrust in relation to the construction of the Main Hotel Casino; (2) certain shares of the subsidiary of the Company; and (3) a first charge and an assignment over all present and future convertible bonds issued by Suntrust that subscribed by the Group.

As at 31 December 2022, an other borrowing of HK\$400.0 million was secured by certain shares of a subsidiary of the Group and a debenture incorporating a first fixed charge and a first floating charge over certain undertaking, property and assets of the Group with carrying value of approximately HK\$6,506.1 million. The other borrowing of HK\$400.0 million was repaid in March 2023, first fixed charge and a first floating charge over certain undertaking, property and assets of the Group has been released in March 2023.

As at 31 December 2023, no bank deposits (31 December 2022: approximately HK\$0.5 million) were pledged for the license in relation to Sun Travel Ltd..

As at 31 December 2022, loans from non-controlling shareholder(s) of a subsidiary of the Company of approximately HK\$77.7 million (31 December 2023: Nil) were secured by parcels of land under property, operating right and equipment of the Group of approximately HK\$268.7 million.

As at 31 December 2023 and 2022, the indirect equity interest of approximately 34% in Hoi An South Development Limited (“**HASD**”) was pledged to a bank for the banking facilities granted to HASD.

As at 31 December 2023, the indirect equity interest of approximately 68% in Hoi An South investment Pte. Limited, the immediate holding company of HASD, was pledged to certain independent lenders for loans granted to GYE, and the approximately 66% equity interest of HASD were pledged to certain lenders for loans granted to HASD.

As at 31 December 2022, the indirect equity interest of approximately 68% in Hoi An South Investment Pte. Limited, the immediate holding company of HASD, and the approximately 66% equity interest of HASD were pledged to a joint venture partner for a loan granted to HASD.

EQUITY FINANCING AND USE OF PROCEEDS

On 3 February 2023, the Company entered into a conditional placing agreement (“**Placing Agreement**”) with Merdeka Securities Limited and Morton Securities Limited (“**Joint Placing Agents**”), pursuant to which the Joint Placing Agents conditionally agreed, as agents of the Company, to procure, on a best effort basis, not less than six independent placees (the “**2023 Shares Placing**”) to subscribe for a maximum of 269,000,000 new shares (“**Placing Shares**”) of the Company at the placing price of HK\$0.186 per Placing Share under the general mandate granted to the Directors on 27 June 2022.

Completion of the 2023 Shares Placing took place on 24 February 2023 in accordance with the Placing Agreement and 269,000,000 Placing Shares were placed to the independent placees and represent approximately 3.88% of the issued share capital of the Company immediately after completion of the 2023 Shares Placing.

For details, please refer to the announcements of the Company dated 3 February 2023 and 24 February 2023.

Use of Proceeds

The Company raised net proceeds of approximately HK\$48,683,000 from the 2023 Shares Placing on 24 February 2023. The detailed breakdown and description of the net proceeds and the unutilised amounts up to 31 December 2023 are set out as follows:

	Unutilised amount as at 24 February 2023	Change in use of proceeds for the period from 24 February 2023 to 31 December 2023	Actual amount utilised for the period from 24 February 2023 to 31 December 2023	Unutilised amount as at 31 December 2023	Expected timeline of application of the unutilised amount
	HK\$'000	Notes 1 & 2 HK\$'000	HK\$'000	HK\$'000	
Repayment of the interest on the other borrowing	19,000	(424) ¹	(18,576)	-	N/A
Arrangement fee of the Revolving Loan	10,000	(10,000) ²	-	-	N/A
General working capital	19,683	10,424	(30,107)	-	N/A
Total	<u>48,683</u>	<u>-</u>	<u>(48,683)</u>	<u>-</u>	

Notes:

1. The actual amount of the interest payment of the outstanding other borrowing was approximately HK\$18,576,000 which is less than the proposed use of proceed of HK\$19,000,000, the unutilised amount of approximately HK\$424,000 was reallocated and applied to general working capital of the Company.
2. As the Revolving Loan Agreement in relation to the Revolving Loan was terminated on 10 May 2023, the proposed use of proceed of HK\$10,000,000 for arrangement fee of the Revolving Loan was reallocated and applied to general working capital of the Company.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The functional currency of the Company and the presentation currency of the consolidated financial statements of the Company are in Hong Kong Dollars (“**HK\$**”). The income and expenses, assets and liabilities and interest in a joint venture of the Company and its subsidiaries which are denominated in currencies other than the functional currency are converted into HK\$ for financial reporting purpose. Fluctuations in exchange rates may have an impact on the Group’s financial position and results. The Group monitors the exposure to fluctuations in exchange rates and takes appropriate measures to mitigate and manage the risk on a timely and effective manner. The Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its statement of financial position exposure to fluctuations in exchange rates as at 31 December 2023.

In respect of Summit Ascent, the significant fluctuation in the exchange rate of the Russian Ruble (“**RUB**”) due to the Russia-Ukraine conflict since late February 2022 would lead to a significant fluctuation in the Group’s asset values denominated in RUB when the consolidated financial statements of the Group are presented in HK\$.

CONTINGENT LIABILITIES

For the details of contingent liabilities, please refer to Note 22 of this announcement.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

- i) On 28 April 2023, an indirect wholly-owned subsidiary of the Company, as seller (the “**Seller**”) entered into a legally binding conditional heads of agreement (the “**Heads of Agreement**”) with an independent third party (the “**Original Niseko Property Buyer**”) for the sale of certain of plots of land parcels with a total site area of 220,194 m² located at Hokkaido, Japan (the “**Niseko Property**”) to the Original Niseko Property Buyer at a consideration of US\$27 million (equivalent to approximately HK\$211.95 million) (the “**Niseko Property Disposal**”). The consideration in the amount of US\$1 million (equivalent to approximately HK\$7.85 million) to the Seller (the “**First Installment**”) was paid by the Original Niseko Property Buyer to the Seller on the date of the Heads of Agreement.

On 31 July 2023, the Seller entered into an assignment of the Heads of Agreement, pursuant to which the Original Niseko Property Buyer assigned, transferred and delivered to another independent third party buyer (the “**New Niseko Property Buyer**”) all its contractual position, rights, title, obligations and interest in, to and under the Heads of Agreement (including but not limited to the right in the First Installment and the mortgage over the Niseko Property). On the same date, the Seller as vendor entered into a real estate purchase and sale agreement (the “**Niseko Sale and Purchase Agreement**”) with the New Niseko Property Buyer as buyer in respect of the Niseko Property Disposal. Upon the entering into of the Niseko Sale and Purchase Agreement, the second installment of the consideration in the amount of US\$1.7 million (equivalent to approximately HK\$13.35 million) was paid by the New Niseko Property Buyer to the Seller. Further details of the Niseko Property Disposal were disclosed in the announcements of the Company dated 28 April 2023, 31 July 2023 and 4 August 2023.

On 25 September 2023, the Seller and the New Niseko Property Buyer entered into an amendment agreement (the “**Amendment Agreement**”) to amend the Niseko Sale and Purchase Agreement. On 29 September 2023, the Seller and the New Niseko Property Buyer entered into another amendment agreement (the “**Second Amendment Agreement**”). Details of the First Amendment Agreement and Second Amendment Agreement were disclosed in the announcements of the Company dated 25 September 2023 and 29 September 2023.

The New Niseko Property Buyer has failed to pay the remaining balance of the purchase price by 31 October 2023, which constitutes an uncurable default under the Niseko Sale and Purchase Agreement (as amended and supplemented by the Amendment Agreement and the Second Amendment Agreement). On 1 November 2023, the Seller has given a notice to the New Niseko Property Buyer to terminate the Niseko Sale and Purchase Agreement (as amended and supplemented by the Amendment Agreement and the Second Amendment Agreement). The Seller has been released from any and all obligations (excluding those which are expressly stated to survive the termination of the Niseko Sale and Purchase Agreement (as amended and supplemented by the Amendment Agreement and the Second Amendment Agreement)) under the Niseko Sale and Purchase Agreement (as amended and supplemented by the Amendment Agreement and the Second Amendment Agreement). For further details, please refer to the announcement of the Company dated 1 November 2023.

- ii) On 18 May 2023, Summit Ascent, entered into two conditional sale and purchase agreements (the “**Miyako Sale and Purchase Agreements**”) with the Company and an independent vendor, Solid Impact Limited (the “**Independent Vendor**”), respectively, pursuant to which amongst other things, (i) the Company (as seller) conditionally agreed to sell (the “**Miyako Disposal**”), and Summit Ascent (as buyer) conditionally agreed to acquire, the entire issued share capital of Modest Achieve Limited (“**Target Company A**”) and the outstanding non-interest bearing liabilities owed by Target Company A to the Company as at the completion date (the “**Sale Loan A**”) at a consideration of HK\$142.8 million; and (ii) the Independent Vendor (as seller) conditionally agreed to sell, and Summit Ascent (as buyer) conditionally agreed to acquire, the entire issued share capital of Joyful Award Limited (“**Target Company B**”) and the outstanding non-interest bearing liabilities owed by Target Company B to the Independent Vendor as at the completion date (the “**Sale Loan B**”) at a consideration of HK\$137.2 million (the two acquisitions by Summit Ascent under (i) and (ii) are collectively referred to as the “**Miyako Acquisition**”). Target Company A directly holds and Target Company B indirectly holds 51% and 49% interest respectively in MSRD Corporation Limited (“**MSRD**”) (a company incorporated in Japan and an indirect 51% owned subsidiary of the Company), whose sole material asset is a plot of land with a total site area of 108,799 m² located in Miyakojima City, Okinawa Prefecture, Japan (the “**Miyako Land Parcel**”).

On 14 July 2023, all the conditions precedent to the Miyako Acquisition were fulfilled, the Miyako Acquisition was completed on that day. Upon completion of the Miyako Disposal and the Miyako Acquisition, Target Company A and Target Company B become directly wholly-owned subsidiaries of the Group held through its non-wholly-owned Summit Ascent and Summit Ascent become interested in 100% of the Miyako Land Parcel.

- iii) On 21 September 2023, the Group entered into a sale and purchase agreement (the “**Dongyang S&P Agreement**”) with an independent third party (the “**Dongyang Purchaser**”). Pursuant to the Dongyang S&P Agreement, the Company agreed to sell and the Dongyang Purchaser agreed to purchase the entire equity interest of Dongyang Xinguang Pacific Enterprises Limited (“**Dongyang Xinguang**”), a wholly-owned subsidiary of the Company, at a total cash consideration of RMB20,000,000 (equivalent to approximately HK\$21,395,000) subject to the terms and conditions of the Dongyang S&P Agreement (the “**Dongyang Disposal**”).

On 18 October 2023, all the conditions precedent under the Dongyang S&P Agreement have been fulfilled. The Dongyang Disposal was completed on that day. Further details of the Dongyang Disposal were disclosed in the announcements of the Company dated 21 September 2023 and 19 October 2023.

- iv) On 26 October 2023, the Group entered into a sale and purchase agreement (the “**Faith Best S&P Agreement**”) with an independent third party (the “**Faith Best Purchaser**”). Pursuant to the Faith Best S&P Agreement, the Company agreed to sell and the Faith Best Purchaser agreed to purchase the entire equity interest of Faith Best Asia (HK) Limited, a wholly-owned subsidiary of the Company, at a total cash consideration of HK\$19,950,000 subject to the terms and conditions of the Faith Best S&P Agreement (the “**Faith Best Disposal**”).

On 26 October 2023, all the conditions precedent under the Faith Best S&P Agreement have been fulfilled. The Faith Best Disposal was completed on that day. Further details of the Faith Best Disposal were disclosed in the announcement of the Company dated 26 October 2023.

For further details of the Miyako Disposal, Miyako Acquisition, Dongyang Disposal and Faith Best Disposal, please refer to the announcements of the Company dated 18 May 2023, 14 July 2023, 21 September 2023, 19 October 2023 and 26 October 2023.

Save for the above, the Group had no other significant investments, material acquisitions and disposals of subsidiaries during FY2023.

TREASURY POLICIES AND CAPITAL STRUCTURE

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying business of the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had a staff force of 1,098 (as at 31 December 2022: 1,079) employees. Of this, most were stationed in the Russian Federation and the Philippines. The remuneration of employees was in line with the market trend and commensurable to the level of pay in the industry. Remuneration of the Group's employees includes basic salaries, bonuses and long-term incentives (such as share option scheme). Total staff costs, including directors, incurred for the year ended 31 December 2023 was approximately HK\$190.9 million (2022: approximately HK\$169.0 million).

The Group formulates its human resources allocation and recruitment plans based on its development strategies. The remuneration packages of the employees are structured by reference to job nature (including geographical locations) and prevailing market conditions. The remuneration policy of the Group is subject to periodic review, and year-end bonuses and share options are available to reward employees in line with their individual performances and industry practice.

In addition, the Group encourages its employees to receive training that is suitable for their job nature and caters to their needs of obtaining certain professional qualifications, such as providing or encouraging employees to attend seminars and training for different professional knowledge. Appropriate training programmes and/or seminar subsidies are also offered to ensure continuous staff training and development.

The emoluments of the Directors, comprising Director's fee, salary package, discretionary bonus and share options, are reviewed and determined by the Board based on the recommendations from the remuneration committee of the Company with reference to the Company's performance, the Director's duties and responsibilities with the Company, and the prevailing market conditions. The Director's remuneration will be subject to annual review by the remuneration committee of the Company and the Board with the authorisation granted by shareholders at the annual general meeting of the Company.

The human resources department of the Group is responsible for the collection and administration of the human resources data and for making recommendations to the remuneration committee of the Company for consideration. The remuneration committee of the Company consults with the Board about these recommendations on remuneration policy and structure and remuneration packages. The remuneration committee of the Company is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Group has followed the measures and directives issued by the government and health authorities at the cities with operations and deployed appropriate operation protocols and preventive measures to protect the Group's employees and provide them with healthy and hygienic working environments within the office premises during the reporting period.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

EVENTS AFTER THE REPORTING PERIOD

For the details of events after the reporting period, please refer to Note 24 of this announcement.

BUSINESS REVIEW

During FY2023, the Group engages in the following continuing operations: (i) through Suntrust Group, the development and operation of the Main Hotel Casino in the Philippines; (ii) through Summit Ascent Group, the operation of the hotel and gaming business in the IEZ Primorye in the Russian Federation; and (iii) property development in Japan.

Development, operation and investment in integrated resorts, hotels and gaming business

(i) *Co-Development of Westside City Project at Entertainment City*

The Company, through its wholly-owned subsidiary, Fortune Noble Limited (“**Fortune Noble**”), acquired 51% equity interest in Suntrust on 28 October 2019. Pursuant to the operations and management/services agreement dated 4 May 2020 entered into between Westside as appointer and Suntrust as appointee in relation to the appointment of Suntrust as the sole and exclusive operator and manager to operate and manage the Main Hotel Casino as contemplated under the co-development agreement entered into between Suntrust and Westside on 28 October 2019 (the “**Co-Development Agreement**”), Suntrust will be the sole and exclusive operator and manager of the Main Hotel Casino. The investment in Suntrust marked the first step towards establishing the Group’s footprint in the integrated resort and entertainment market in the Philippines and allowing the Group to tap into this growing market. Further details of the co-development of Westside City Project at Entertainment City were disclosed in the announcements of the Company dated 29 October 2019, 25 November 2019, 20 January 2020, 23 February 2020, 30 March 2020, 4 May 2020, 15 June 2020 and 23 July 2020 as well as the circular of the Company dated 26 March 2020.

On 29 May 2020, Suntrust and Fortune Noble entered into a subscription agreement (the “**CB Subscription Agreement**”) of PHP7.3 billion (equivalent to approximately HK\$1.1 billion) zero coupon convertible bonds of Suntrust to be issued by Suntrust to Fortune Noble for an initial term of 5 years (the “**Fortune Noble Subscribed CB**”). Upon full exercise of the rights to convert the Fortune Noble Subscribed CB into common shares of Suntrust at the initial conversion price of PHP1.1 each into shares of Suntrust (the “**Suntrust Conversion Shares**”), Suntrust will become 74.42% owned by the Group (on the basis of 7,250,000,000 shares of Suntrust in issue as at the date of the CB Subscription Agreement and assuming no change in that number other than by the issuance of the Suntrust Conversion Shares). Further details of the Fortune Noble Subscribed CB were disclosed in the announcement of the Company dated 29 May 2020.

On 1 June 2020, Suntrust (as issuer) and Summit Ascent Investments Limited (“**SA Investments**”), a wholly-owned subsidiary of Summit Ascent (as subscriber), entered into a subscription agreement, pursuant to which, SA Investments conditionally agreed to subscribe for the convertible bonds in the aggregate principal amount of up to PHP5.6 billion (equivalent to approximately HK\$847.0 million) with a 6% coupon rate (or 8% per annum if held until their maturity) for an initial term of 5 years, which are convertible into common shares of Suntrust (the “**2020 Summit Ascent Subscribed CB**”). Further details of the 2020 Summit Ascent Subscribed CB were disclosed in the circular of Summit Ascent dated 14 August 2020.

In December 2020, both the Fortune Noble Subscribed CB and the 2020 Summit Ascent Subscribed CB had been issued by Suntrust to Fortune Noble and SA Investments respectively and the subscription proceeds of the Fortune Noble Subscribed CB and the Summit Ascent Subscribed CB have already been fully utilised as intended for the development of the Main Hotel Casino.

On 18 December 2020, Suntrust entered into a supplemental agreement (the “**Supplemental Agreement**”) with the main contractor of the Main Hotel Casino, Megawide Construction Corporation (“**Megawide**”), to revise the letters of award dated 13 November 2020 by expanding the scope of work of Megawide as main contractor and increasing the contract sum payable by PHP20,000,000,000 (equivalent to approximately HK\$3,211.0 million) in relation to the (i) construction of basement, podium and tower of the Main Hotel Casino and (ii) construction work of the pile cap, excavation and lateral support and additional pile cap area of the Main Hotel Casino (the “**Construction Agreements**”). The terms of the Construction Agreements remain unchanged save as revised by the Supplemental Agreement. Further details of the Supplemental Agreement were disclosed in the circular of the Company dated 11 February 2021.

On 23 February 2021, Suntrust, as borrower entered into a loan agreement (the “**SA Loan Agreement**”) with SA Investments as lender, pursuant to which SA Investments shall provide a loan in the principal amount of US\$120.0 million (equivalent to approximately HK\$930.0 million) (the “**SA Loan**”) to Suntrust. The SA Loan is unsecured, interest-bearing at 6% per annum and shall be matured after three months from the date of the disbursement of the SA Loan, which is extendable not more than three months. The SA Loan was advanced to Suntrust in May 2021. The loan proceeds from the SA Loan will be applied by Suntrust for the development of the Main Hotel Casino. Further details of the SA Loan were disclosed in the announcements of Summit Ascent dated 23 February 2021 and 20 April 2021, respectively and the circular of Summit Ascent dated 26 March 2021.

On 17 August 2021, 17 September 2021 and 17 October 2021, the maturity date of the SA Loan was extended from 18 August 2021 to 18 September 2021, from 18 September 2021 to 18 October 2021 and from 18 October 2021 to 18 November 2021 respectively. SA Investments had agreed to further extend the maturity date of the SA Loan to 18 July 2022 or such other date as SA Investments otherwise agrees to in its sole and absolute discretion. Further details of the extension of SA Loan were disclosed in the announcement and circular of Summit Ascent dated 20 September 2021 and 26 October 2021 respectively.

On 20 September 2021, SA Investments entered into a subscription agreement (the “**Subscription Agreement**”) with Suntrust, pursuant to which Suntrust conditionally agreed to issue and SA Investments conditionally agreed to subscribe for the convertible bonds in the maximum aggregate principal amount of PHP6.4 billion (equivalent to approximately HK\$1.0 billion). The aggregate subscription amount payable by SA Investments under the Subscription Agreement shall be satisfied by setting off the outstanding amount owing by Suntrust to SA Investments under the SA Loan Agreement comprising the principal amount of the SA Loan together with interest accrued up to and including the date of completion of the Subscription Agreement (the “**Indebted Amount**”) with an equal amount of the aggregate subscription amount payable by SA Investments as at the completion of the Subscription Agreement (the “**Completion**”). Under the Subscription Agreement, SA Investments and Suntrust will enter into a set-off deed (the “**Set-Off Deed**”) upon Completion to set-off the Indebted Amount up to a maximum set-off amount (the “**Maximum Set-off Amount**”). The Maximum Set-Off Amount under the Subscription Agreement is US\$128.4 million (equivalent to approximately PHP6.4 billion and HK\$995.1 million) comprising the principal amount of the SA Loan of US\$120.0 million (equivalent to approximately HK\$930.0 million) and the interest accrued up to the 18 July 2022 of approximately US\$8.4 million (equivalent to approximately HK\$65.1 million). Further details of the Subscription Agreement and the Set-off Deed were disclosed in the announcement and circular of Summit Ascent dated 20 September 2021 and 26 October 2021 respectively.

On 10 June 2022, all the conditions precedent under the Subscription Agreement were fulfilled and the convertible bonds in the aggregate principal amount of PHP6.4 billion (the “**2022 Summit Ascent Subscribed CB**”) were issued by Suntrust to SA Investments. Part of the Indebted Amount in the amount of approximately US\$127.7 million as at 10 June 2022 to the extent of US\$120.9 million was set-off against the US\$ equivalent of the subscription amount in the amount of approximately US\$120.9 million pursuant to the Set-Off Deed in accordance with the terms of the Subscription Agreement. Further details of the completion of the Subscription Agreement and the Set-off Deed were disclosed in the joint announcement of the Company and Summit Ascent dated 13 June 2022.

On 8 June 2023, Suntrust proposed to obtain a term loan in principal amount of up to PHP25.0 billion (equivalent to approximately HK\$3.6 billion) (the “**Suntrust Bank Loan**”) from China Banking Corporation (the “**Lender**”) to fund its Main Hotel Casino in the Philippines by entering into an omnibus loan and security agreement dated 8 June 2023 as amended by an amendment agreement dated 26 July 2023 (collectively the “**Suntrust Bank Loan Agreements**”) with Suntrust as borrower, Mr. Lo Kai Bong (“**Mr. Lo**”) (a controlling shareholder of the Company) as surety, Fortune Noble and SA Investments, both being members of the Group, as security providers to provide surety and securities, respectively, to the Lender as securities for all amounts due and owing to and all expenses as may be incurred by the Lender, its facility agent, security trustee and share custodian pursuant to the terms of the Suntrust Bank Loan Agreements and the security documents provided as security therefor, subject to the approval of the independent shareholders of Summit Ascent:

(1) *Subscription of new convertible bonds by SA Investments*

Based on Suntrust’s financial situation, cash flow and capital expenditure needs, Suntrust has not paid to SA Investments (i) the second interest payment of PHP336.0 million due under the 2020 Summit Ascent Subscribed CB on 30 December 2022; and (ii) the first interest payment of PHP382.9 million due under the 2022 Summit Ascent Subscribed CB on 10 June 2023 (collectively the “**Payment Obligations**”). SA Investments has agreed in principle to restructure the Payment Obligations.

On 26 July 2023, SA Investments entered into a conditional subscription agreement with Suntrust, pursuant to which Suntrust conditionally agreed to issue and SA Investments conditionally agreed to subscribe for the zero-coupon convertible bonds in the principal amount of up to PHP13,511.1 million (equivalent to approximately HK\$1.93 billion) at an initial conversion price of PHP1.10 per share of Suntrust for an initial term of 8 years from the date of their issue extendable for a further term of 2 years (the “**2023 Summit Ascent Subscribed CB**”). SA Investments and Suntrust will enter into a set-off deed (the “**2023 Set-Off Deed**”) and the subscription price of the 2023 Summit Ascent Subscribed CB will be applied by Suntrust to redeem the 2020 Summit Ascent Subscribed CB and the 2022 Summit Ascent Subscribed CB by setting off against the outstanding principal amounts of the 2020 Summit Ascent Subscribed CB and the 2022 Summit Ascent Subscribed CB together with accrued interest thereon up to the completion date of the subscription of the 2023 Summit Ascent Subscribed CB (the “**SA CB Indebted Amount**”), either (a) (if the subscription price is equal to or more than the SA CB Indebted Amount) in full; or (b) (if the subscription price is less than the SA CB Indebted Amount) in part to an amount equal to the subscription price with the amount of shortfall to be paid by Suntrust in cash.

Interest Waiver

Pursuant to the terms of the 2020 Summit Ascent Subscribed CB and the 2022 Summit Ascent Subscribed CB, the 2020 Summit Ascent Subscribed CB and the 2022 Summit Ascent Subscribed CB are subject to an overdue interest rate of 8.0% per annum from their respective interest due dates of 30 December 2022 and 10 June 2023 until settlement of the Payment Obligations. Based on arm's length negotiations between Suntrust and SA Investments, SA Investments agreed to calculate the accrued interest based on the non-overdue interest rate of 6.0% per annum, thereby waiving the extra 2.0% interest per annum under the overdue interest rate of 2020 Summit Ascent Subscribed CB and the 2022 Summit Ascent Subscribed CB already accrued and to be accrued until completion of the subscription of the 2023 Summit Ascent Subscribed CB (the "**Interest Waiver**").

As Summit Ascent and Suntrust both are non-wholly-owned subsidiaries of the Company, the transactions between Summit Ascent and Suntrust are eliminated in the consolidated financial statements of the Group, any provision or the Interest Waiver as may be made by Summit Ascent will not have material impact on the condensed consolidated financial results of the Group for 1H 2023.

Conversion Condition and Redemption Condition of the 2023 Summit Ascent Subscribed CB

Until repayment of at least 75% of the Suntrust Bank Loan has been made, SA Investments shall not exercise any 2023 Summit Ascent Subscribed CB conversion rights or agree to any amendment to the terms and conditions of the 2023 Summit Ascent Subscribed CB.

All amounts due and payable under the 2023 Summit Ascent Subscribed CB shall be subordinated to and shall rank junior in payment to the Suntrust Bank Loan until full payment of the Suntrust Bank Loan (the “**Redemption Condition**”). Either Suntrust or SA Investments is entitled to request for early redemption at any time after the first anniversary of the issue date of the 2023 Summit Ascent Subscribed CB and expiring on the maturity date at 100% of the outstanding principal amount together with accrued interest (including default interest) (if any) and an amount that would make up an annual return on the 2023 Summit Ascent Subscribed CB to be redeemed at 6% calculated from the issue date of the 2023 Summit Ascent Subscribed CB up to the date of redemption subject to the Redemption Condition. Unless previously redeemed, converted, purchased or cancelled, Suntrust shall redeem the 2023 Summit Ascent Subscribed CB on its maturity date or if extended, on the maturity date as extended, subject to the Redemption Condition, at the outstanding principal amount up to the maturity date or if extended, the maturity date as extended and an amount that would make up an annual return on the 2023 Summit Ascent Subscribed CB to be redeemed at 6% calculated from the issue date of the 2023 Summit Ascent Subscribed CB up to the maturity date or if extended, the maturity date as extended; and any other outstanding amount due but unpaid under the 2023 Summit Ascent Subscribed CB.

(2) *2023 SA Loan Agreement*

In pursuance of the Suntrust Bank Loan Agreement, Suntrust is required to maintain a credit balance of not less than US\$20 million (equivalent to approximately HK\$155 million) in a construction reserve account to be maintained in the name of a security trustee to the Lender to cover any cost over-runs of the construction of the Main Hotel Casino on or before 30 September 2023 (the “**CRA Reserve Requirement**”). On 26 July 2023, SA Investments as lender entered into a conditional loan agreement with Suntrust (the “**2023 SA Loan Agreement**”), pursuant to which, SA Investments will provide a loan facility of up to US\$20 million (equivalent to approximately HK\$155 million) to Suntrust at an interest rate of 6.0% per annum, available for 10 years from the date of drawdown, for the sole purpose of Suntrust to fulfill the CRA Reserve Requirement subject to approval by the independent shareholders of Summit Ascent.

(3) *Finance Documents*

Security Agreement

Under the security agreement executed by SA Investments and Fortune Noble (the “**Security Agreement**”), which was incorporated as part of the Suntrust Bank Loan Agreement, SA Investments (a) created a first charge and an assignment by way of security of (i) all present and future convertible bonds issued by Suntrust (the “**CBs**”, including without limitation, Fortune Noble Subscribed CB, 2020 Summit Ascent Subscribed CB, the 2022 Summit Ascent Subscribed CB, and the 2023 Summit Ascent Subscribed CB); and (ii) all present and future agreements, contracts, documents or instruments entered into or to be entered into between Suntrust and the Group and/or SA Investments evidencing or relating to loans or advances by the Group and/or SA Investments to Suntrust (including without limitation, the SA Loan Agreement); (b) created a first charge over all shares of Suntrust owned or held or that in the future may be owned or held by Fortune Noble and SA Investments; and (c) undertook to provide additional funding to Suntrust to ensure timely completion of the Main Hotel Casino and timely fund the cost over-runs of the Main Hotel Casino project (the “**Project Support Undertaking**”).

Subordination Agreements

Under two subordination agreements executed by SA Investments dated 26 July 2023 and the Company dated 28 July 2023 (the “**Subordination Agreements**”), each of SA Investments and the Company irrevocably subordinated any and all present and future indebtedness, liabilities or obligations of Suntrust, direct or indirect, contingent or non-contingent, owing to it under all advances and loans to Suntrust to and ranking junior in payment to the Suntrust Bank Loan. Under and pursuant to the Subordination Agreements, each of SA Investments and the Company shall not demand, collect, accept and/or receive from Suntrust, whether directly or indirectly, any principal, interest, default interest, penalties or other amounts payable by Suntrust to SA Investments and the Company (including, the relation to SA Investments, under the SA Loan Agreement).

Supplemental Deed Polls

On 26 July 2023, the supplemental deed polls were executed by Suntrust with Fortune Noble and SA Investments (the “**Supplemental Deed Polls**”) respectively, pursuant to which the Fortune Noble Subscribed CB, 2020 Summit Ascent Subscribed CB and the 2022 Summit Ascent Subscribed CB shall be revised by adding the following:

- (a) Fortune Noble agreed and undertook with the Lender (i) for as long as the Suntrust Bank Loan remains outstanding, there shall be no conversion or amendment of the Fortune Noble Subscribed CB and Fortune Noble shall not exercise any right to conversion of the Fortune Noble Subscribed CB without the prior written consent of the Lender, provided that no such consent shall be required once if at least 75% of the outstanding Suntrust Bank Loan has been repaid; (ii) the payment of all principal, interest (if any), and other amounts payable under any of the Fortune Noble Subscribed CB shall be subordinated to the Suntrust Bank Loan, and any such payment shall only be made if it will not contravene the terms of the Suntrust Bank Loan Agreement; (iii) Fortune Noble undertakes not to make, cause or effect any transfer, assignment or other disposal of all or any of the Fortune Noble Subscribed CB or create or cause or allow the creation of any lien or encumbrance over the Fortune Noble Subscribed CB at any time from the date of the supplemental deed poll until such time that all the outstanding loans under the Suntrust Bank Loan have been indefeasibly repaid in full, except those expressly allowed under the Suntrust Bank Loan Agreements; (iv) upon the maturity date of the supplemental deed poll on the fifth anniversary of the issue date, Fortune Noble undertakes to extend its maturity to the date falling on the tenth anniversary of the issue date, in accordance with the terms of the Fortune Noble Subscribed CB; and (v) any act, deed, or omission undertaken by Suntrust and/or Fortune Noble, directly or indirectly, in breach or violation of any of the foregoing conditions shall be deemed void;

- (b) SA Investments agreed and undertook with the Lender (i) for as long as the Suntrust Bank Loan remains outstanding, there shall be no conversion or amendment of the 2020 Summit Ascent Subscribed CB and the 2022 Summit Ascent Subscribed CB without the prior written consent of the Lender, provided that no such consent shall be needed if at least 75% of the Suntrust Bank Loan has been repaid; (ii) the payment of all principal, interest, and other amounts under any of the 2020 Summit Ascent Subscribed CB and the 2022 Summit Ascent Subscribed CB shall be subordinated to the payment of any and all obligations under the Suntrust Bank Loan, and any such payment shall only be made if it will not contravene the terms of the Suntrust Bank Loan Agreement; and (iii) any conversion, amendment, or payment in violation of any of the foregoing conditions shall be deemed void (collectively the “**Required CB Conditions**”).

- (c) SA Investments agreed to waive the right to declare an event of default under the conditions of the 2020 Summit Ascent Subscribed CB and the 2022 Summit Ascent Subscribed CB on or before its maturity date to comply with the subordination under the Required CB Conditions.

Undertaking

On 26 July 2023, Fortune Noble and SA Investments executed undertakings (the “**Undertakings**”) respectively in favour of the Lender agreeing, committing and undertaking in favor of the Lender that (a) for so long as more than 25% of the principal amount of the Suntrust Bank Loan remains outstanding, Fortune Noble and SA Investments shall seek and obtain the written consent of the Lender prior to exercising any conversion right that it may have under any or all of the Fortune Noble Subscribed CB, 2020 Summit Ascent Subscribed CB and the 2022 Summit Ascent Subscribed CB; (b) for so long as any Suntrust Bank Loan remains outstanding, Fortune Noble and SA Investments shall seek and obtain the written consent of the Lender prior to: (i) selling, assigning, transferring or otherwise disposing of any or all of the Fortune Noble Subscribed CB, 2020 Summit Ascent Subscribed CB and the 2022 Summit Ascent Subscribed CB; (ii) creating or agreeing to create any lien on any or all of the Fortune Noble Subscribed CB, 2020 Summit Ascent Subscribed CB and the 2022 Summit Ascent Subscribed CB; (iii) collecting, demanding and/or receiving from Suntrust, whether directly or indirectly, any principal, interest, default interest, penalties or other amounts payable under any or all of the Fortune Noble Subscribed CB, 2020 Summit Ascent Subscribed CB and the 2022 Summit Ascent Subscribed CB; and/or

(4) *Indemnity granted by the Company to SA Investments*

By a deed of counter-indemnity dated 8 June 2023 executed by the Company in favour of SA Investments, the Company agrees to indemnify and keep SA Investments fully indemnified from and against all direct, indirect and consequential liabilities and losses, payments, damages, demands, claims, costs (including legal fees on a full indemnity basis), expenses of any kind, proceedings, actions and other consequences which SA Investments may incur, suffer or sustain when (a) the Lender makes any request or demand upon SA Investments for payment of any sum of money under or pursuant to any or all of the Security Agreement, the Subordination Agreements and the Supplemental Deed Polls (collectively the “**Finance Documents**”) and/or the Undertakings and/or the Suntrust Bank Loan Agreement; or (b) the Lender enforces any or all of its rights and remedies against SA Investments under any or all the Finance Documents; or (c) the Lender enforces any or all securities created under any or all the Finance Documents; or (d) SA Investments becomes liable to pay any sum of money under or pursuant to any or all the Finance Documents and/or the Undertakings and/or the Suntrust Bank Loan Agreement to the Lender; or (e) they are arising from or as a consequence of any or all the Finance Documents and/or the Undertakings and/or the Suntrust Bank Loan Agreement.

The Suntrust Bank Loan Agreements, the 2023 Summit Ascent Subscribed CB, the Interest Waiver, the 2023 Set-Off Deed, the 2023 SA Loan Agreement, the Project Support Undertaking, and the Finance Documents were approved in the special general meeting of Summit Ascent held on 13 September 2023.

Details of these transactions in relation to the Suntrust Bank Loan are disclosed in Summit Ascent’s announcements dated 9 June 2023, 26 July 2023 and 13 September 2023, and the circular of Summit Ascent dated 24 August 2023.

As at 31 December 2023, the construction of structural work and tower facade up to roof level have been completed. The major mechanical, electrical, and plumbing equipment have been delivered to construction site and are undergoing installation. Architectural builders and fit out works, and external civil works are in progress. Up to 31 December 2023, approximately US\$500.1 million (equivalent to approximately HK\$3,900.8 million) has been paid for development of the Main Hotel Casino project by Suntrust. Suntrust is also starting the employee recruitment process for the Main Hotel Casino’s operations team. The Main Hotel Casino is expected to commence operation in 2025. During FY2023, Suntrust had recorded a loss because of its pre-operating activities under the development phase.

(ii) Tigre de Cristal

Summit Ascent held approximately 77.5% of the controlling interest in an integrated resort named “Tigre de Cristal” in the IEZ Primorye in the Russian Federation. Tigre de Cristal recorded a positive Adjusted EBITDA of approximately HK\$131.5 million in the FY2023, versus a positive Adjusted EBITDA of approximately HK\$105.1 million in the FY2022.

Gaming Operations

Net gaming revenue of Tigre de Cristal, which consists of three main sources namely the rolling chip business, mass table business and electronic gaming business, was approximately HK\$335.7 million during FY2023, decreased by approximately HK\$5.2 million or 2% year-on-year compared to FY2022.

The rolling chip business of Tigre de Cristal primarily targets foreign players. Due to the ban on Russian air space, rolling chip business resumed modestly in the second quarter of 2023.

Mass table drop (measured as the sum of gaming chips purchased or exchanged at the cages) increased by 26% to approximately HK\$908 million in FY2023, compared to approximately HK\$723 million in FY2022. Net win from mass table business increased by 2% to approximately HK\$172 million in FY2023, compared to approximately HK\$169 million in FY2022. Net win rate percentage (represented net win as a percent of mass table drop) decreased slightly from 23.4% in FY2022 to 18.9% in FY2023.

Electronic gaming volume (measured as the total value of electronic gaming credits wagered by players) was approximately HK\$4,651 million in FY2023, decreased by 4% compared to approximately HK\$4,836 million in FY2022. The electronic gaming business recorded net win of approximately HK\$164 million, down 5% compared to approximately HK\$172 million in FY2022. The net win rate percentage decreased to 3.5% in FY2023 from 3.6% in FY2022.

Hotel Operations

Revenue from hotel operations, despite largely dependent on foreign guests before the COVID-19 pandemic, increased to approximately HK\$33.4 million in FY2023 or by 6% compared to FY2022, as a result of an improvement in domestic demand. Average hotel occupancy rates increased to 73% (2022: 61%) during weekends and 42% (2022: 30%) during weekdays in FY2023.

Key Financial Data of Tigre de Cristal

	FY2023 <i>HK\$'000</i>	FY2022 <i>HK\$'000</i>
Revenue:		
Net Gaming	335,688	340,898
Hotel/F&B/Others	33,439	31,408
	<u>369,127</u>	<u>372,306</u>
Total Net Revenue	369,127	372,306
	<u>131,545</u>	<u>105,138</u>
Adjusted EBITDA	131,545	105,138
	36%	28%
Adjusted EBITDA margin		

Gaming Statistics

	Q12023	Q22023	Q32023	Q42023	FY2023	FY2022
<i>(HK\$ million)</i>						
Total GGR ⁽ⁱ⁾	<u>99</u>	<u>98</u>	<u>92</u>	<u>119</u>	<u>408</u>	<u>402</u>
Rolling Chip Volume	–	7	–	3	10	–
Gross Loss Rate %	–	(2.3)%	–	(1.1)%	(2.0)%	N/A
Gross Win	–	(0.2)	–	–	(0.2)	–
Mass Table Drop	178	207	239	284	908	723
Net Win Rate %	21.9%	18.4%	18.0%	18.3%	18.9%	23.4%
Net Win	39	38	43	52	172	169
Electronic Gaming Volume	1,250	1,168	1,054	1,179	4,651	4,836
Net Win Rate %	3.6%	3.9%	3.3%	3.3%	3.5%	3.6%
Net Win	45	45	35	39	164	172

- (i) GGR represents the amount of money players wagered minus the winning payouts to them, before commissions rebated, discounted or complimentary products and services provided and redeemable points earned under the loyalty programs.

(iii) Hoiana

As at 31 December 2023, the Group held approximately 34% indirect equity interest in Hoiana through the investment in a joint venture. The Certificate for the Eligibility for Casino Business in relation to the casino operation of Hoiana in Vietnam was granted in May 2020, and the preview took place on 28 June 2020. Hoiana features an integrated resort with a casino that holds gaming tables, electronic gaming machines, Asian delights and other international cuisine with more than 1,000 hotel rooms and an eighteen-hole golf course. Due to the recovery of the Asian tourism industry in FY2023, the arrivals of international visitors to Vietnam have been significantly increased in FY2023 compared to FY2022. Since then, the visitation to Hoiana and the operations of Hoiana have improved in FY2023.

In FY2023, Hoiana's total net revenue was approximately US\$92.0 million, increased by 151% compared to approximately US\$36.7 million in the FY2022.

Hoiana recorded a negative Adjusted EBITDA of approximately US\$9.8 million in the FY2023, versus a negative EBITDA of approximately US\$38.7 million in the FY2022.

Key Financial Data of Hoiana

	2023	2022
	US\$'000	US\$'000
Revenue:		
Net Gaming	54,612	23,249
Hotel/F&B/Others	37,374	13,439
Total Net Revenue	91,986	36,688
Adjusted EBITDA	(9,829)	(38,689)
Adjusted EBITDA margin	N/A	N/A

Gaming Statistics

	FY2023	FY2022
<i>(In US\$'000)</i>		
Total GGR ⁽ⁱ⁾	<u>203,931</u>	<u>82,599</u>
Rolling Chip Volume	4,979,817	1,986,537
Gross Win Rate %	3.5%	3.5%
Gross Win	173,286	68,870
Mass Table Drop	89,689	27,842
Gross Win Rate %	18.0%	20.7%
Gross Win	16,181	5,760
Electronic Gaming Volume	310,129	159,440
Gross Win Rate %	4.7%	5.0%
Gross Win	14,464	7,969

- (i) GGR represents the amount of money players wagered minus the winning payouts to them, before commissions rebated, discounted or complimentary products and services provided and redeemable points earned under the loyalty programs.

Property development in Japan

As at 31 December 2023, the Group had two property development projects in Japan.

- (a) As at 31 December 2023, the Group through Summit Ascent indirectly owned 100% of the issued share capital of MSRD, which held a plot of land with a total site area of 108,799 m² located on Miyako Island, Okinawa, Japan. Subject to the final development plan to be approved by the Group, MSRD intends to build 40 villas and a hotel of more than 100 rooms on the land.

On 18 May 2023, Summit Ascent, entered into the Miyako Sale and Purchase Agreements with the Company and the Independent Vendor, pursuant to which, Summit Ascent (as buyer) agreed to acquire the 51% and 49% equity interest in MSRD (a company incorporated in Japan which holds the Miyako Land Parcel) respectively.

On 14 July 2023, all the conditions precedent to the Miyako Acquisition were fulfilled, the Miyako Acquisition was completed on that day. Upon completion of the Miyako Disposal and the Miyako Acquisition, MSRD becomes an indirectly wholly-owned subsidiary of the Group held through its non-wholly-owned Summit Ascent and Summit Ascent becomes interested in 100% of the Miyako Land Parcel.

- (b) As at 31 December 2023, the Group owned the entire interest in certain land parcels with a total site area of 220,194 m² located at Niseko, Hokkaido, Japan and the acquisition of the land parcels was completed in January 2021. Subject to the final development plan to be approved by the Group, the Group intends to build over 50 villas and 20 townhouses and a hotel with over 40 rooms on the land.

REVIEW AND OUTLOOK

Market Overview

The Philippines

The Philippine economy continued to grow in 2023, with a 5.5%¹ increase in GDP, reaching US\$437.1 billion² according to the International Monetary Fund. The entertainment industry, particularly the integrated resorts in Manila, continued to benefit from local and international demand. According to the Philippine Amusement and Gaming Corporation (PAGCOR), the total Gross Gaming Revenue (GGR) from licensed casino in the country grew by 33% year-on-year to PHP285.3 billion³ (US\$5.1 million) at the end of 2023. In particular, Entertainment City casinos accounted for 84%⁴ of the Total licensed Casino GGR in 2023. In 2023, over 5.0 million⁵ foreign visitors visited the Philippines, with South Koreans, Americans and Japanese ranked as the top three groups of international tourists arriving the Philippines. The country's tourism inbound tourism receipts climbed to PHP482.5 billion during 2023, an increase of 224%⁶ compared to the tourism revenue generated from 2022.

Russia

According to the International Monetary Fund (IMF), Russia's Gross Domestic Product (GDP) grew by 3.6%⁷ in 2023. Long-term impacts of the Western sanctions resulting from the Russia-Ukraine conflict remained a concern for the country's economy. Meanwhile, tourism industry was experiencing a recovery, Primorsky Krai reported an increase in tourists during 2023 but foreign visitors still representing less than 15% of the total visitors to Primorsky Krai in 2023.

¹ International Monetary Fund

² International Monetary Fund

³ PAGCOR

⁴ PAGCOR

⁵ Department for Tourism, the Philippines

⁶ Department for Tourism, the Philippines

⁷ International Monetary Fund

⁸ International Monetary Fund

⁹ Vietnam National Authority of Tourism

Vietnam

Vietnam's economy grew by 5%⁸ in 2023 according to the International Monetary Fund. In 2023, the country's tourism industry also continued to recover in visitation figures. International visitors to Vietnam in 2023 reached 12.6 million⁹ arrivals, 3.5 times higher than the records in 2022. 75% of foreign tourists are from Asia while the rest are from Europe and the Americas.

Development Update

Westside City Project, Philippines

As at 31 December 2023, the construction of structural work and tower facade up to roof level have been completed. The major mechanical, electrical, and plumbing equipment have been delivered to construction site and are undergoing installation. Architectural builders and fit out works, and external civil works are in progress. The focus of the construction team is to continue building upward. Soft opening is targeted towards the end of 2025, with the grand opening aimed at 2026.

When all phases of Westside City Project are ready, it will consist of:

- Approximately 300 tables
- Over 1,300 electronic gaming machines
- Over 450 five-star hotel rooms including state-of-the-art party rooms and suites
- All sorts of amenities that fits our LET theme Leisure, Entertainment and Taste, including the privileged LET Club, Cigar and Wine bars, night clubs, Wellness Spa, and a Director's Club
- Approximately 1,000 car park spaces

Westside City Project will be integrated with the shopping malls, theatres, restaurants, and shopping streets, etc. to be built by our local partner Westside/Travellers. They will also build additional hotel rooms, a shopping mall, a Grand Opera House, restaurants, a theatre district and an additional of approximately 2,000 car park spaces.

Tigre de Cristal, Russia

Due to the unpredictable and volatile geopolitical tensions, the Company has made the difficult decision to slow down the development of Phase II Tigre de Cristal. We are now taking a conservative approach on investing in Russia.

The Company has been exploring alternative opportunities in other regions, as well as potentially looking for strategic partners who might be able to bring in value in terms of operating the gaming and hotel business in the Russian Far East.

Hoiana, Vietnam

In Hoiana, Hoiana Phase I including Hoiana Shores Golf Club, the casino, Hoiana Hotel & Suites and New World Hoiana Hotel are now operational.

Hoiana Phase II and beyond are planning in progress as land plots are now being prepared for development.

Outlook

Asia remains a fast growing market, most of the countries in Asia recorded strong economic growth in 2023, despite the challenges posed by global economic uncertainties and geopolitical tensions may have an impact on the future growth of global economy. In 2023, the Asia tourism market continued to recover from the effects of the COVID-19 pandemic, countries in Asia and especially in South East Asia countries recorded significant growth in tourist visitation figures in 2023. With our expertise in gaming operations, we believe that there is still considerable potential to invest and develop integrated resorts in Asia market such as the Philippines and Vietnam.

In terms of our integrated resort portfolio perspective, our investment in Westside City Project in the Philippines offers the greatest potential for significant returns compared to Hoiana and Tigre de Cristal in the future. Westside City Project, set to launch at the end of 2025, will be the crowning jewel in the already impressive collection of integrated resorts in the Entertainment City in Manila, the Philippines. The government’s confirmation that there will be no more gaming licenses in Entertainment City further reinforces our position as the most prominent and latest integrated resort, incorporating state-of-the-art technology in the region.

The Manila gaming market has tremendous growth potential, with an estimated compound annual growth rate (CAGR) of over 10% in the coming years, the highest growth rate in the entire Asian region. Entertainment City in Manila stands head and shoulders above other gaming destinations in Asia in terms of growth, boasting an impressive integrated resort cluster-effect that connects the area to the Manila Ninoy International Airport. Westside City Project also has a strategic location advantage, with connectivity to the existing Ayala Mall, and the conjoined access to Megaworld’s largest hotel complex in the country, Westside City Project is seamlessly blending into the heart of Manila’s growing resort metropolis.

Our exclusive agreement with Alliance Global Group Companies, a Philippine leader in the corporate world, adds to the allure of the best minds in the Philippines working together to build the next integrated resort. With the disposal of non-core assets such as the property development business in China, the Group is now fully focused on developing integrated resorts in a location with the highest and best returns.

Together with our flagship Westside City Project in the Philippines, Hoiana in Vietnam, and Tigre de Cristal in Russia, the Group is well-positioned to capture the growth of tourism in Asia.

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

During the year, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company’s listed securities (including sale of treasury shares (the “**Treasury Shares**”) within the meaning under the Listing Rules). As at 31 December 2023, the Company did not hold any Treasury Shares.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 8 August 2025. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 5 August 2025 to 8 August 2025 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the above annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on 4 August 2025.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain high standard of corporate governance standards and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency. The Company has complied with the code provisions (“**CG Code**”) set out in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) during the year ended 31 December 2023 except the following deviations:

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing. Following the resignation of the former Chief Executive Officer, the Company has not appointed an individual to take up the vacancy of the Chief Executive Officer, and the roles and functions of the Chief Executive Officer have been performed by the executive Director(s).

Under code provision C.3.3 of the CG Code, the Company should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. The Company did not have formal letter of appointment for Mr. Lo as executive Director of the Company. However, Mr. Lo is subject to retirement by rotation at least once in every three years in accordance with the Company’s articles of association.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions of Directors and employees (the “**Securities Code**”) no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix C3 to the Listing Rules. On specific enquiries made, all Directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2023.

Employees who are likely to be in possession of unpublished price sensitive information of the Company are also subject to compliance with the Securities Code.

AUDIT COMMITTEE

The Company has an Audit Committee which was established in accordance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group’s financial reporting process, risk management and internal control systems. The consolidated results of the Group for the year ended 31 December 2023 have been reviewed by the Audit Committee. The Audit Committee comprises three members namely Mr. Tou Kin Chuen (Chairman), Mr. Lo Wai Tung John and Ms. Chan Suet Ngan. All of them are independent non-executive Directors.

SCOPE OF WORK OF CROWE (HK) CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit and loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group’s auditor, Crowe (HK) CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe (HK) CPA Limited on the preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS AND 2023 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.letgroupholdings.com). The Company's 2023 annual report containing all the information required under the Listing Rules will be dispatched to the shareholders of the Company and will be published on the respective websites of the Stock Exchange and the Company in due course.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2023 will be published on or before 10 July 2025.

EXTRACTS OF THE INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Company's consolidated financial statements for the year ended 31 December 2023.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to Note 2 to the consolidated financial statements, the Group incurred a net operating cash outflow of approximately HK\$16,861,000 and HK\$109,671,000 for the year ended 31 December 2023 and 2024 respectively. Subsequent to the end of the reporting period, during the year ended 31 December 2024, the Company defaulted the repayment of other borrowing with principal amount of HK\$137,500,000. These conditions, along with the matters as set forth in Note 2 the consolidated financial statements indicate that 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.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been halted with effect from 9:00 a.m. on 11 January 2024 and the Securities and Futures Commission has directed the Stock Exchange to suspend all dealings in the Shares under Section 8(1) of the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) with effect from 9:00 a.m. on 14 February 2024 and will remain suspended until the Company has (i) met all Resumption Guidance (as defined in the Company's announcement dated 8 April 2024 and subsequently revised in the Company's announcements dated 17 May 2024 and 10 February 2025), (ii) remedied the issues causing its trading suspension, and (iii) fully complied with the Listing Rules to the satisfaction of the Stock Exchange.

By order of the Board
LET Group Holdings Limited
Lo Kai Bong
Chairman

Hong Kong, 10 July 2025

As at the date of this announcement, the executive Directors are Mr. Lo Kai Bong (Chairman) and Mr. Lam Hung Tuan and the independent non-executive Directors are Mr. Tou Kin Chuen, Mr. Lo Wai Tung John and Ms. Chan Suet Ngan.