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Landing International Development Limited

藍鼎國際發展有限公司

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

(Stock code: 582)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board of directors (the “**Directors**”) (the “**Board**”) of Landing International Development Limited (the “**Company**”) hereby presents the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022 (the “**Period**”) together with the comparative figures for the corresponding period in 2021. The audit committee of the Company (the “**Audit Committee**”) has reviewed and discussed with the management of the Company the unaudited interim financial information of the Group for the Period.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

| | | For the six months ended 30 June | |
|---|--------------|---|--------------------|
| | | 2022 | 2021 |
| | | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| | <i>Notes</i> | | |
| REVENUE | 4 | 691,554 | 476,627 |
| Cost of properties and inventories sold | | (113,218) | (57,891) |
| Other income and gains/(losses), net | 5 | 4,753 | (4,583) |
| Gaming duties and other related taxes | | (1,415) | (3,093) |
| Amortisation and depreciation | | (269,927) | (302,447) |
| Employee benefit expenses | | (227,895) | (262,544) |
| Other operating expenses | | (216,977) | (208,293) |
| Finance costs, net | 6 | (56,246) | (67,754) |
| Fair value gains/(losses) on investment properties, net | | 40,934 | (33,838) |
| Impairment of intangible assets | | – | (130,883) |
| Reversal of impairment of trade and other receivables, net | | 66,172 | 1,795 |
| | | <hr/> | <hr/> |
| LOSS BEFORE TAX | 7 | (82,265) | (592,904) |
| Income tax expense | 8 | (23,093) | (30,826) |
| | | <hr/> | <hr/> |
| LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT | | (105,358) | (623,730) |
| | | <hr/> <hr/> | <hr/> <hr/> |
| LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT | <i>10</i> | | |
| Basic | | (HK2.49) cents | (HK17.16) cents |
| Diluted | | (HK2.49) cents | (HK17.16) cents |
| | | <hr/> <hr/> | <hr/> <hr/> |

**CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

For the six months ended 30 June 2022

| | For the six months ended 30 June | |
|--|---|-----------------------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| LOSS FOR THE PERIOD | (105,358) | (623,730) |
| | <u> </u> | <u> </u> |
| OTHER COMPREHENSIVE LOSS | | |
| <i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i> | | |
| Exchange differences on translation of foreign operations | (627,794) | (331,305) |
| | <u> </u> | <u> </u> |
| Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods | (627,794) | (331,305) |
| | <u> </u> | <u> </u> |
| <i>Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:</i> | | |
| Equity investments designated at fair value through other comprehensive income: | | |
| Changes in fair value | (6,252) | (5,961) |
| | <u> </u> | <u> </u> |
| Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods | (6,252) | (5,961) |
| | <u> </u> | <u> </u> |
| OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX | (634,046) | (337,266) |
| | <u> </u> | <u> </u> |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT | (739,404) | (960,996) |
| | <u> </u> | <u> </u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

| | | 30 June 2022 | 31 December 2021 |
|---|--------------|---|---|
| | <i>Notes</i> | HK\$'000 (Unaudited) | HK\$'000 (Audited) |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | <i>11</i> | 7,796,618 | 8,787,003 |
| Investment properties | | 668,053 | 666,410 |
| Right-of-use assets | | 2,099 | 2,992 |
| Goodwill | <i>12</i> | – | – |
| Intangible assets | <i>13</i> | 158,046 | 171,643 |
| Equity investments designated at fair value through other comprehensive income | | 11,705 | 17,957 |
| Prepayments, trade and other receivables | <i>14</i> | 101,394 | 4,154 |
| | | <hr style="border-top: 1px solid black;"/> | <hr style="border-top: 1px solid black;"/> |
| Total non-current assets | | 8,737,915 | 9,650,159 |
| CURRENT ASSETS | | | |
| Properties under development | | 105,055 | 113,921 |
| Completed properties for sale | | 538,095 | 609,974 |
| Inventories | | 58,232 | 63,817 |
| Prepayments, trade and other receivables | <i>14</i> | 132,446 | 184,571 |
| Tax recoverable | | 754 | 57 |
| Restricted cash | <i>15</i> | 61,344 | 66,556 |
| Cash and cash equivalents | <i>15</i> | 513,984 | 820,917 |
| | | <hr style="border-top: 1px solid black;"/> | <hr style="border-top: 1px solid black;"/> |
| Total current assets | | 1,409,910 | 1,859,813 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | <i>16</i> | 425,036 | 508,629 |
| Interest-bearing bank borrowing | <i>17</i> | 62,588 | 2,114,515 |
| Lease liabilities | | 1,188 | 1,663 |
| Tax payable | | 9,661 | 16,912 |
| | | <hr style="border-top: 1px solid black;"/> | <hr style="border-top: 1px solid black;"/> |
| Total current liabilities | | 498,473 | 2,641,719 |
| | | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| NET CURRENT ASSETS/(LIABILITIES) | | 911,437 | (781,906) |
| | | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 9,649,352 | 8,868,253 |
| | | <hr style="border-top: 3px double black;"/> | <hr style="border-top: 3px double black;"/> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

As at 30 June 2022

| | | 30 June | 31 December |
|--|--------------|--------------------|-------------|
| | | 2022 | 2021 |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Audited) |
| NON-CURRENT LIABILITIES | | | |
| Trade and other payables | <i>16</i> | 14,430 | 11,890 |
| Interest-bearing bank borrowing | <i>17</i> | 1,520,274 | – |
| Lease liabilities | | 1,184 | 1,664 |
| Deferred tax liabilities | | 42,533 | 44,364 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 1,578,421 | 57,918 |
| | | <hr/> | <hr/> |
| Net assets | | 8,070,931 | 8,810,335 |
| | | <hr/> | <hr/> |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | <i>18</i> | 42,263 | 42,263 |
| Reserves | | 8,028,668 | 8,768,072 |
| | | <hr/> | <hr/> |
| Total equity | | 8,070,931 | 8,810,335 |
| | | <hr/> | <hr/> |

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

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

2 BASIS OF PREPARATION

The interim financial information for the six months ended 30 June 2022 have been prepared in accordance with Hong Kong Accounting Standards (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which also include HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the adoption of the revised HKFRSs as of 1 January 2022 as disclosed in note 3 below. The Group has not yet early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. In the opinion of the directors of the Company, the revised standard is not expected to have a significant impact on the financial position and performance of the Group.

The interim financial information for the six months ended 30 June 2022 has been prepared under the historical cost convention, except for investment properties and equity investments, which have been measured at fair value. The interim financial information is presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of revised HKFRSs effective as of 1 January 2022.

| | |
|--|---|
| Amendments to HKFRS 3 | <i>Reference to the Conceptual Framework</i> |
| Amendments to HKAS 16 | <i>Property, Plant and Equipment: Proceeds before Intended Use</i> |
| Amendments to HKAS 37 | <i>Onerous Contracts - Cost of Fulfilling a Contract</i> |
| <i>Annual Improvements to HKFRSs 2018-2020</i> | Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 |

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

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

4 SEGMENT INFORMATION

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

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

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

The following tables represent revenue and results information regarding the Group's operating segments for the six months ended 30 June 2022 and 2021, respectively:

For the six months ended 30 June 2022

| | Integrated Resort Development | Gaming Business | Property Development | Total |
|--|--|----------------------------|---------------------------------|--------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Segment revenue: | | | | |
| Sales to external customers | <u>448,664</u> | <u>32,636</u> | <u>210,254</u> | <u>691,554</u> |
| Segment results | <u>(82,121)</u> | <u>(49,178)</u> | <u>118,636</u> | <u>(12,663)</u> |
| <i>Reconciliation:</i> | | | | |
| Finance costs, net (other than interest on lease liabilities) | | | | (56,196) |
| Corporate and other unallocated expenses, net | | | | <u>(13,406)</u> |
| Loss before tax | | | | <u>(82,265)</u> |

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

4 SEGMENT INFORMATION (continued)

For the six months ended 30 June 2021

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

Geographical information

Revenue from external customers

| | For the six months ended 30 June | |
|-------------|---|--------------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| South Korea | <u>691,554</u> | <u>476,627</u> |

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

Information about major customers

During the six months ended 30 June 2022 and 2021, no single customer contributed over 10% of the Group's total revenue.

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

5 OTHER INCOME AND GAINS/(LOSSES), NET

| | For the six months ended 30 June | |
|---|-------------------------------------|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Dividend income from equity investments | | |
| at fair value through other comprehensive income | 74 | 66 |
| Gain/(loss) on disposal of items of property, plant and equipment | 129 | (946) |
| Investment properties written off | – | (3,666) |
| Foreign exchange differences, net | (17,486) | (7,666) |
| Other taxes refunded | 20,156 | – |
| Others | 1,880 | 7,629 |
| | <u>4,753</u> | <u>(4,583)</u> |

6 FINANCE COSTS, NET

| | For the six months ended 30 June | |
|---------------------------|-------------------------------------|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Interest expenses: | | |
| – Lease liabilities | (50) | (227) |
| – Bank borrowing | (56,582) | (73,149) |
| Finance costs | <u>(56,632)</u> | <u>(73,376)</u> |
| Interest income: | | |
| – Bank interest income | 381 | 283 |
| – Other interest income | 5 | 5,339 |
| Finance income | <u>386</u> | <u>5,622</u> |
| Finance costs, net | <u>(56,246)</u> | <u>(67,754)</u> |

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

7 LOSS BEFORE TAX

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

| | For the six months ended 30 June | |
|---|---|-------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Cost of properties and inventories sold: | | |
| – Cost of properties sold | 81,339 | 30,729 |
| – Cost of inventories sold | 32,601 | 29,183 |
| – Reversal of provision for inventories | (722) | (2,021) |
| | 113,218 | 57,891 |
| Amortisation and depreciation: | | |
| – Depreciation of property, plant and equipment | 268,903 | 298,094 |
| – Depreciation of right-of-use assets | 862 | 4,176 |
| – Amortisation of intangible assets | 162 | 177 |
| | 269,927 | 302,447 |
| Reversal of impairment of trade and other receivables, net: | | |
| – Impairment of gaming receivables, net | – | 4,685 |
| – Reversal of impairment of other receivables, net | (66,172) | (6,480) |
| | (66,172) | (1,795) |
| Expenses included in “other operating expenses”: | | |
| – Building, equipment and facility maintenance expenses | 64,205 | 60,004 |
| – Sales and marketing, promotion and advertising expenses | 11,772 | 20,527 |
| – Lease payments not included in the measurement of lease liabilities | 2,184 | 3,120 |
| – Utilities expenses | 43,607 | 36,601 |

Note:

For the six months ended 30 June 2022, government grants of HK\$216,000 (Six months ended 30 June 2021: Nil) and HK\$2,514,000 (Six months ended 30 June 2021: HK\$7,862,000) were received under the “Anti-epidemic Fund” of the Government of Hong Kong Special Administrative Region and the “Employment Retention Subsidy” of the Government of South Korea, respectively. Besides, government grant of HK\$43,000 was received under the “Jobs Support Scheme” of the Government of Singapore for the six months ended 30 June 2021. These amounts are included in the “employee benefit expenses” in the condensed consolidated statement of profit or loss and there are no unfulfilled conditions or contingencies related to these grants.

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

8 INCOME TAX

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2022 (Six months ended 30 June 2021: Nil). Taxation on overseas profits have been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

| | For the six months ended 30 June | |
|----------------------------------|-------------------------------------|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Current tax | | |
| – The People's Republic of China | – | 1,334 |
| – South Korea | 23 | 31 |
| Withholding tax | 21,534 | 27,780 |
| Deferred tax | 1,536 | 1,681 |
| | <hr/> | <hr/> |
| Total tax charge for the period | 23,093 | 30,826 |
| | <hr/> <hr/> | <hr/> <hr/> |

9 DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30 June 2022 (Six months ended 30 June 2021: Nil).

10 LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

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

| | For the six months ended 30 June | |
|--|-------------------------------------|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Loss | | |
| Loss attributable to owners of the parent, used in the basic and diluted loss per share calculation: | (105,358) | (623,730) |
| | <hr/> | <hr/> |
| Number of shares | '000 | '000 |
| Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation | 4,226,252 | 3,634,733 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

11 PROPERTY, PLANT AND EQUIPMENT

| | HK\$'000 |
|---|------------------|
| Net book amount as at 31 December 2021 and 1 January 2022 (Audited) | 8,787,003 |
| Additions | 4,354 |
| Depreciation provided for the period | (268,903) |
| Disposals/write-off | (19) |
| Transfers | (54,046) |
| Exchange realignment | (671,771) |
| | <hr/> |
| Net book amount as at 30 June 2022 (Unaudited) | 7,796,618 |
| | <hr/> <hr/> |

12 GOODWILL

| | HK\$'000 |
|---|--------------|
| Cost | |
| As at 31 December 2021 and 1 January 2022 (Audited) | 5,187 |
| Exchange realignment | (406) |
| | <hr/> |
| As at 30 June 2022 (Unaudited) | 4,781 |
| | <hr/> |
| Accumulated impairment | |
| As at 31 December 2021 and 1 January 2022 (Audited) | 5,187 |
| Exchange realignment | (406) |
| | <hr/> |
| As at 30 June 2022 (Unaudited) | 4,781 |
| | <hr/> |
| Net carrying amount | |
| As at 30 June 2022 (Unaudited) | – |
| | <hr/> <hr/> |
| As at 31 December 2021 (Audited) | – |
| | <hr/> <hr/> |

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

13 INTANGIBLE ASSETS

| | HK\$'000 |
|---|------------------------------|
| Cost | |
| As at 31 December 2021 and 1 January 2022 (Audited) | 847,547 |
| Exchange realignment | <u>(66,375)</u> |
| As at 30 June 2022 (Unaudited) | <u>781,172</u> |
| Accumulated amortisation | |
| As at 31 December 2021 and 1 January 2022 (Audited) | 1,144 |
| Amortisation provided during the period | 162 |
| Exchange realignment | <u>(98)</u> |
| As at 30 June 2022 (Unaudited) | <u>1,208</u> |
| Accumulated impairment | |
| As at 31 December 2021 and 1 January 2022 (Audited) | 674,760 |
| Exchange realignment | <u>(52,842)</u> |
| As at 30 June 2022 (Unaudited) | <u>621,918</u> |
| Net carrying amount | |
| As at 30 June 2022 (Unaudited) | <u><u>158,046</u></u> |
| As at 31 December 2021 (Audited) | <u><u>171,643</u></u> |

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

14 PREPAYMENTS, TRADE AND OTHER RECEIVABLES

| | 30 June 2022 HK\$'000 (Unaudited) | 31 December 2021 HK\$'000 (Audited) |
|--|--|--|
| Trade receivables | 35,167 | 23,737 |
| Less: Loss allowance for impairment of trade receivables | (453) | (493) |
| | <hr/> | <hr/> |
| Trade receivables, net (Note (i)) | 34,714 | 23,244 |
| Receivables from gaming customers (Note (ii)) | 1,866 | 224 |
| Other receivables (Note (iii)) | 69,609 | 9,224 |
| Prepayments | 19,047 | 22,954 |
| Value-added tax recoverable | 1,352 | 523 |
| Deposits (Note (iv)) | 8,794 | 10,119 |
| Restricted deposit for bank borrowing | 98,458 | 122,437 |
| | <hr/> | <hr/> |
| | 233,840 | 188,725 |
| Less: Non-current portion | (101,394) | (4,154) |
| | <hr/> | <hr/> |
| Current portion | 132,446 | 184,571 |
| | <hr/> <hr/> | <hr/> <hr/> |

Notes:

(i) Trade receivables, net

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

| | 30 June 2022 HK\$'000 (Unaudited) | 31 December 2021 HK\$'000 (Audited) |
|----------------|--|--|
| Within 30 days | 32,059 | 22,931 |
| 31 to 60 days | 2,362 | 205 |
| 61 to 90 days | 60 | 74 |
| Over 90 days | 233 | 34 |
| | <hr/> | <hr/> |
| | 34,714 | 23,244 |
| | <hr/> <hr/> | <hr/> <hr/> |

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

14 PREPAYMENTS, TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(ii) Receivables from gaming customers

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

| | 30 June 2022 HK\$'000 (Unaudited) | 31 December 2021 HK\$'000 (Audited) |
|----------------|--|--|
| Within 30 days | <u>1,866</u> | <u>224</u> |

(iii) Other receivables

Other receivables from debtors are interest-free and repayable on demand. The Group does not hold any collateral or other credit enhancements over its other receivable balances. Increase in balance during the current period was mainly due to the reversal of impairment of other receivables amounted to HK\$66,172,000.

(iv) Deposits

As at 30 June 2022, included in deposits is HK\$2,417,000 (31 December 2021: HK\$2,623,000), which has been pledged as collateral in relation to a lawsuit in Korea.

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

15 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

| | 30 June 2022 HK\$'000 (Unaudited) | 31 December 2021 HK\$'000 (Audited) |
|--|--|--|
| Cash and bank balances | 413,937 | 650,652 |
| Short-term time deposits | 100,047 | 170,265 |
| Restricted cash for the Cash Incident (Note) | <u>61,344</u> | <u>66,556</u> |
| | 575,328 | 887,473 |
| Less: Restricted cash for the Cash Incident (Note) | <u>(61,344)</u> | <u>(66,556)</u> |
| Cash and cash equivalents | <u>513,984</u> | <u>820,917</u> |

Note:

On 4 January 2021, management of the Group discovered that certain funds amounting to KRW14,555,000,000 (equivalent to HK\$103,713,000) belonging to the Group kept in Jeju, South Korea was missing (the “**Cash Incident**”). The Group was unable to reach the employee-in-charge of the funds and the Cash Incident was reported to the police in South Korea.

Based upon the Investigation Progress Notification issued by Jeju Special Self-Governing Provincial Police Agency of Korea (the “**Jeju Police**”) to the Group in March 2021, the Jeju Police revealed that KRW13,400,000,000 (equivalent to retranslated amount of HK\$80,986,000 as at 30 June 2022) (the “**Seized Money**”) was seized by them in accordance with the due process of Korean law, and are being kept in the deposit account of a bank under the name of the Jeju Police. According to the legal opinions from independent lawyers, the Seized Money is expected to be part of the amount of the Group missed as a result of the Cash Incident and will be retained by the Jeju Police until the investigation process is complete.

Based on the report of factual findings issued by an independent external auditor in Korea, the cash balance in relation to the Cash Incident located in a premises of the Group in Korea and under the Group’s possession as at 31 December 2020 was KRW10,150,000,000 (equivalent to HK\$72,325,000). Accordingly, cash loss of KRW4,405,000,000 (equivalent to HK\$28,961,000) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2020. The remaining balance of the Seized Money were found elsewhere but is anticipated to be part of the missing fund. The investigation is still being conducted by the Jeju Police, and the restricted cash as at 30 June 2022 is amounted to KRW10,150,000,000 (equivalent to HK\$61,344,000) (31 December 2021: KRW10,150,000,000).

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

16 TRADE AND OTHER PAYABLES

| | 30 June 2022 HK\$'000 (Unaudited) | 31 December 2021 HK\$'000 (Audited) |
|---------------------------|--|--|
| Trade payables (Note) | 8,629 | 8,773 |
| Deposit received | 5,865 | 4,773 |
| Deferred revenue | – | 2,208 |
| Accrued expenses | 61,453 | 79,307 |
| Accrued employee benefits | 43,822 | 54,426 |
| Other tax payables | 99,324 | 161,176 |
| Other payables (Note) | 88,467 | 96,735 |
| Contract liabilities | 131,906 | 113,121 |
| | 439,466 | 520,519 |
| Less: Non-current portion | (14,430) | (11,890) |
| Current portion | 425,036 | 508,629 |

Note:

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

17 INTEREST-BEARING BANK BORROWING

| | <u>30 June 2022</u> | | | <u>31 December 2021</u> | | |
|---------------------|----------------------------|-------------|-------------------------|----------------------------|----------|-----------------------|
| | Effective interest rate | Maturity | HK\$'000 (Unaudited) | Effective interest rate | Maturity | HK\$'000 (Audited) |
| Current | | | | | | |
| Bank loan – secured | 2.75% | | | | | |
| | +Korea CP rate | 2023 | 62,588 | 5.98% | 2022 | 2,114,515 |
| Non-current | | | | | | |
| Bank loan – secured | 2.75% | | | | | |
| | +Korea CP rate | 2025 | 1,520,274 | – | – | – |
| | | | 1,582,862 | | | 2,114,515 |

The bank borrowing is secured by the Group's property, plant and equipment amounting to HK\$1,506,262,000 (31 December 2021: HK\$1,375,739,000), investment properties amounting to HK\$85,782,000 (31 December 2021: HK\$62,364,000) and completed properties for sale amounting to HK\$538,095,000 (31 December 2021: HK\$609,974,000).

The effective interest rate of the Group's borrowing is 5.42% (31 December 2021: 5.98%) per annum.

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

18 SHARE CAPITAL

Shares

| | 30 June 2022 HK\$'000 (Unaudited) | 31 December 2021 HK\$'000 (Audited) |
|--|--|--|
| Authorised: | | |
| 1,000,000,000,000 ordinary shares of HK\$0.01 each | <u>10,000,000</u> | <u>10,000,000</u> |
| Issued and fully paid: | | |
| 4,226,252,310 (2021: 4,226,252,310) ordinary shares of HK\$0.01 each | <u>42,263</u> | <u>42,263</u> |

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

| | Number of shares in issue '000 | Issued capital HK\$'000 | Share premium account HK\$'000 | Total HK\$'000 |
|-------------------------------|---|--|---|---------------------------|
| At 1 January 2021 (Audited) | 3,521,878 | 35,219 | 14,152,226 | 14,187,445 |
| Issue of shares (Note) | 704,374 | 7,044 | 131,718 | 138,762 |
| Share issue expenses (Note) | – | – | (151) | (151) |
| At 31 December 2021 (Audited) | <u>4,226,252</u> | <u>42,263</u> | <u>14,283,793</u> | <u>14,326,056</u> |

Note:

On 2 June 2021, pursuant to a subscription agreement, the Company allotted and issued 704,374,800 ordinary shares of the Company to a subscriber, who is an independent third party, at HK\$0.197 per share. The aggregate cash subscription price received, before share issue expenses, was HK\$138,762,000. This transaction resulted in an increase of the issued share capital and share premium account of HK\$7,044,000 and HK\$131,718,000, respectively. Share issue expenses of HK\$151,000 were charged to the share premium account accordingly.

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

19 COMMITMENTS

(a) Capital commitments

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

| | 30 June 2022 HK\$'000 (Unaudited) | 31 December 2021 HK\$'000 (Audited) |
|-----------------------------------|--|--|
| Contracted, but not provided for: | | |
| Property, plant and equipment | <u>253</u> | <u>1,895</u> |

(b) Lease arrangements

The Group as lessor

The Group leases its investment properties consisting of several commercial properties in Korea under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the six months ended 30 June 2022 was HK\$16,511,000 (Six months ended 30 June 2021: HK\$7,409,000).

At 30 June 2022, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

| | 30 June 2022 HK\$'000 (Unaudited) | 31 December 2021 HK\$'000 (Audited) |
|---|--|--|
| Within one year | 9,297 | 9,303 |
| After one year but within two years | 7,560 | 6,162 |
| After two years but within three years | 6,264 | 5,226 |
| After three years but within four years | 3,984 | 4,141 |
| After four years but within five years | 3,145 | 3,448 |
| After five years | <u>12,937</u> | <u>13,925</u> |
| | <u>43,187</u> | <u>42,205</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

The Company is an investment holding company, and during the six months ended 30 June 2022 (the “**Period**”), the principal activities of the Group are (i) development and operation of the integrated leisure and entertainment resort (the “**Integrated Resort Development**”); (ii) operation of gaming and entertainment facilities (the “**Gaming Business**”); and (iii) property development (the “**Property Development**”).

The global economy and operating environment have been severely affected by the COVID-19 pandemic since early 2020. Since the first half of 2022, there seems to have sign of market recovery in some western countries. However, due to the new variant, Omicron emerged, travelling restrictions in most of the Asian countries had yet to be uplifted completely during the Period. With no doubt, tourism is among the most affected sectors under the impact of COVID-19. Our major business in Jeju Island, South Korea, which largely relies on entertainment and hospitality market conditions, especially the gaming business, has been inevitably affected.

FINANCIAL RESULTS

For the Period, the Group’s consolidated revenue was approximately HK\$691,554,000 (2021: approximately HK\$476,627,000), representing an increase of approximately 45.1% when compared to the corresponding period in 2021. The increase in consolidated revenue was mainly attributable to (i) the increase in domestic consumption in our Jeju Shinhwa World under a series of marketing campaigns leading to the increase in revenue generated from the integrated resort segment; and (ii) the increase in residential property sales activities. During the Period, non-gaming revenue was approximately HK\$658,918,000 (2021: approximately HK\$417,974,000) while gaming revenue was approximately HK\$32,636,000 (2021: approximately HK\$58,653,000).

For the Period, the loss attributable to the owners of the Company was approximately HK\$105,358,000 (2021: approximately HK\$623,730,000). The basic and diluted loss per share attributable to owners of the parent was HK2.49 cents (2021: HK17.16 cents). Attributable to the increase in consolidated revenue, the decrease in amortisation and depreciation, the fair value gains of investment properties, the absence of impairment loss on intangible assets, and reversal of trade and other receivables impairment for the Period, together with the stringent cost controls in operating expenses, a substantial decrease of approximately 83.1% in the consolidated net loss for the Period was recorded as compared to the corresponding period in 2021.

As at 30 June 2022, the consolidated net asset value of the Company was approximately HK\$8,070,931,000 (31 December 2021: approximately HK\$8,810,335,000) and the consolidated net asset value per number of ordinary shares in issue attributable to owners of the parent was approximately HK\$1.91 (31 December 2021: approximately HK\$2.08).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

OPERATION AND BUSINESS REVIEW

Integrated Resort Development

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

OPERATION AND BUSINESS REVIEW (continued)

Integrated Resort Development (continued)

Jeju Shinhwa World also houses the most extensive food and beverage outlets under one roof in Jeju, offering a wide selection of local and international cuisines including legendary tastes of Jeju or savour Korean specialties, Chinese classics, Japanese fare, Western favorites and myriad other styles to suit both tourists and local residents. Poolside bar by Shinhwa Resort's signature Sky Pool offers a romantic view of Jeju island's iconic Oreum ridge lines and our sports pub Café Vetro furnish both entertainment and sports activities.

The MICE business capitalising on the largest column-free ballroom in Jeju and the adjacent conference room facilities, Landing Convention Centre in Jeju Shinhwa World has been the host venue for many high profile regional and international events and this is an ideal place for various conferences. In the fourth quarter of 2021, Shinsegae Simon Jeju Premium Center was opened in Jeju Shinhwa World, which offers one-stop healing shopping from foreign luxury brand to domestic fashion, golf, kids and cosmetics, attracting both domestic and foreign tourists.

In response to the decreasing number of cross-border travellers, during the Period, we continued to target domestic market by offering special staycation packages and promotion events bundled with our accommodation, water and theme parks as well as food and beverage. In order to boost market awareness and competitiveness, a wide variety of attraction events such as lighting show with fireworks, kids' activities programs and colourful busking performances were launched to enrich our customer experience. We believed that all those marketing campaigns were the keys to our sustainable growth in revenue.

For the Period, Jeju Shinhwa World generated segment revenue of approximately HK\$448,664,000 (2021: approximately HK\$350,659,000), which was mainly derived from its hotels, MICE events, food and beverage services, attraction theme park, water park, and merchandise sales as well as leases of retail spaces in the resort, representing an increase of approximately 27.9% as compared with the corresponding period in 2021. Segment loss of the Integrated Resort Development was approximately HK\$82,121,000 (2021: approximately HK\$291,737,000).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

OPERATION AND BUSINESS REVIEW (continued)

Gaming Business

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

Under a series of travel restrictions and quarantine control measures, foreigner visitation from China and elsewhere to Jeju had dropped significantly since the beginning of year 2020 and remained substantially below pre-COVID-19 levels. Therefore, the performance of gaming business remained sluggish during the Period.

For the Period, Landing Casino recorded net revenue of approximately HK\$32,636,000 (2021: approximately HK\$58,653,000) and segment loss from the Gaming Business was approximately HK\$49,178,000 (2021: approximately HK\$247,986,000).

No impairment (2021: Impairment of approximately HK\$130,883,000) was made on the relevant intangible assets of the business of Landing Casino for the Period based on the recoverable amount of the cash-generating unit of Gaming Business which has been determined by value-in-use calculations using cash flow projections of financial budgets and referencing to the segment performance. Besides, no impairment was recorded on the relevant property, plant and equipment after the assessment.

Property Development

With the popularity of Jeju Shinhwa World, the growth momentum has strengthened the sales and marketing activities for selling the resort condominiums and villas in zone R of Jeju Shinhwa World during the Period.

For the Period, substantial increases in both segmental revenue and profit derived from sales of residential properties were recorded. Revenue generated from sales of residential properties amounted to approximately HK\$210,254,000 (2021: approximately HK\$67,315,000) and segment profit of the Property Development was approximately HK\$118,636,000 (2021: approximately HK\$27,996,000).

As of 30 June 2022, approximately HK\$538,095,000 (31 December 2021: approximately HK\$609,974,000) was classified as completed properties for sale.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

OUTLOOK

It is believed that the massive vaccination campaigns in many countries have eased the impact of COVID-19 to a certain extent and it is expected that the economic downturn will be starting to recover over a period of time slowly. Given the uncertainties as to when the new variants of COVID-19 will be fully under control and mainland China continues to adopt a stringent policy in travelling, the business impact thereof will remain challenging for the Group in the second half of 2022.

The Group has yet to identify another suitable lease of land to develop an integrated resort in the Philippines for satisfying the requirements of the provisional license during the Period. The Group will continue to explore the issue with Philippine Amusement and Gaming Corporation (“**PAGCOR**”) and to negotiate with PAGCOR for a mutually acceptable solution. The Group will continue to adopt a cautious approach to evaluate the feasibility of relevant lease of land and development should opportunities arise.

During the Period, some foreign countries had gradually lifted their travel restrictions and expected market recovery following the unprecedented disruptions by the outbreak of COVID-19. However, it is perceived that inflation will persist in some countries in the near future. Taking into consideration those macro factors, the Company will remain cautious in capital commitments and future development and investment plans in order to maintain a healthy liquidity position.

The construction plan of a new hotel in Jeju Shinhwa World had been suspended during the Period and the Group has attempted to switch its strategic plan to its property development business. The Group is exploring the feasibility of a further residential development in zone R of Jeju Shinhwa World, and the construction of which is expected to be commenced in 2023 and to be completed in 2024. In the second half of 2022, the Company will continue to progress maintenance, renovation and upgrade of facilities in Jeju Shinhwa World at a small scale. In addition, the Company will continue to evaluate the funding needs and the financial position of the Group from time to time and will also explore fund raising and financing facilities if and when opportunities arise.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2022, the Group had non-current assets of approximately HK\$8,737,915,000 (31 December 2021: approximately HK\$9,650,159,000) and net current assets of approximately HK\$911,437,000 (31 December 2021: net current liabilities of approximately HK\$781,906,000). The current ratio, expressed as the ratio of the current assets over the current liabilities, was 2.83 as at 30 June 2022 (31 December 2021: 0.7). The increase in the current ratio is mainly due to the reclassification of the bank borrowing, which was renewed in June 2022, from current liability to non-current liability as at 30 June 2022.

For the Period, the reversal of impairment of trade and other receivables (net) amounted to approximately HK\$66,172,000 (2021: approximately HK\$1,795,000). The provisions mainly consisted of overdue receivables with long aging periods. As at 30 June 2022, the Group had prepayments, trade and other receivables of approximately HK\$233,840,000 (31 December 2021: approximately HK\$188,725,000). As at 30 June 2022, the Group had cash and bank balances of approximately HK\$513,984,000, with approximately HK\$243,912,000, HK\$262,940,000 and HK\$4,083,000 held in Hong Kong dollars (“**HKD**”), Korean Won (“**KRW**”) and United States dollars (“**USD**”), respectively and the remaining balances mainly held in Philippine Pesos (“**PHP**”) (31 December 2021: approximately HK\$820,917,000, with approximately HK\$392,137,000, HK\$418,674,000 and HK\$4,102,000 held in HKD, KRW and USD, respectively and the remaining balances mainly held in Singapore dollars and PHP).

As at 30 June 2022, the Group had trade and other payables of approximately HK\$439,466,000 (31 December 2021: approximately HK\$520,519,000) and a bank borrowing in KRW with floating interest rate of approximately HK\$1,582,862,000 (31 December 2021: approximately HK\$2,114,515,000) while total liabilities of the Group amounted to approximately HK\$2,076,894,000 (31 December 2021: approximately HK\$2,699,637,000). The Group’s gearing ratio, which was measured on the basis of the Group’s total liabilities divided by total assets, was 20.5% (31 December 2021: 23.5%).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Investments

Equity investments designated at fair value through other comprehensive income

As at 30 June 2022, the Group was holding listed equity investments at a fair value of approximately HK\$11,705,000 (representing approximately 0.1% of the consolidated total assets of the Group), which were classified as equity investments designated at fair value through other comprehensive income (31 December 2021: approximately HK\$17,957,000). Net fair value losses in respect of these investments of approximately HK\$6,252,000, which was mainly resulted from the downward movement of stock price of the equity investment in Kingston Financial Group Limited (the shares of which are listed on Main Board of the Stock Exchange, stock code: 1031), were recognised in the consolidated statement of comprehensive income during the Period. There was no single equity investment representing more than 0.2% of the consolidated total assets of the Group as at 30 June 2022.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

CAPITAL STRUCTURE

As at 30 June 2022 and the date of this announcement, the total number of issued ordinary shares of the Company was 4,226,252,310 shares with a nominal value of HK\$0.01 each.

Use of proceeds from the share subscription

As disclosed in the announcements dated 21 May 2021 (the “**Announcement**”) and 2 June 2021 in relation to the subscription of new shares of the Company (the “**Subscription**”), the gross proceeds and the estimated net proceeds (after deduction of the relevant expenses and fees) from the Subscription amounted to approximately HK\$138,762,000 and HK\$138,500,000, respectively. As disclosed in the Announcement, the Company intended to use the net proceeds from the Subscription (the “**Net Proceeds**”) in the following manner: (i) approximately HK\$47,500,000 for capital expenditure on the maintenance, renovation and upgrade of the existing facilities within Jeju Shinhwa World, an integrated leisure and entertainment resort located in Jeju Island, South Korea owned and operated by the Group, which was expected to be incurred from the second half of 2021 in preparation for the post-pandemic rebound in the tourism industry; (ii) approximately HK\$91,000,000 for capital expenditure on the preliminary development cost for the construction of a new hotel within Jeju Shinhwa World, which was expected to be incurred from the second half of 2021; and (iii) the remaining balance, if any, for the payment of interest expenses and general working capital.

The Company modified and reallocated the intended use of Net Proceeds. The utilisation of the Net Proceeds as at 30 June 2022 is set out as follows:-

| | | | Actual amount utilised during the year ended 31 December 2021 HK\$'000 | Actual amount utilised during the period ended 30 June 2022 HK\$'000 | Unutilised Net Proceeds as at 30 June 2022 HK\$'000 |
|---|--|---|--|--|---|
| Use of Net Proceeds | Proposed use of Net Proceeds as disclosed in the Announcement HK\$'000 | Modification of use of Net Proceeds HK\$'000 | | | |
| Capital expenditure on the maintenance, renovation and upgrade of the existing facilities within Jeju Shinhwa World | 47,500 | – | 27,500 | 4,452 | 15,548 |
| Capital expenditure on the preliminary development cost for the construction of a new hotel within Jeju Shinhwa World | 91,000 | (91,000) | – | – | – |
| Interest expenses | Remaining balance, if any | 91,000 | 68,238 | 22,762 | – |
| General working capital | Remaining balance, if any | – | – | – | – |
| Total | 138,500 | – | 95,738 | 27,214 | 15,548 |

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

CAPITAL STRUCTURE (continued)

Use of proceeds from the share subscription (continued)

Reasons for the reallocation of use of proceeds

In the second half of 2021, the Group faced unprecedented challenges due to the prolonged impact of COVID-19 and therefore, the Group re-evaluated its certain business developments and adopted a cautious approach in the construction plan of a new hotel within Jeju Shinhwa World. As such, the actual utilization of the Net Proceeds has been modified from the original plan as compared with the disclosure made in the Announcement. Moreover, during the second half of 2021, the Group had been in discussion with certain financial institutions for the renewal of its bank borrowing (the “**Renewal**”) (amounted to approximately HK\$2,115 million as at 31 December 2021) which would due to be repaid in June 2022. Following the Subscription, the Group also re-evaluated the pay-back period, potential costs and liabilities arising from the development of a new hotel if and when the construction being kicked off. It was anticipated that the potential deterioration of financial ratios as a result of the construction would thereby affect the negotiation with the financial institutions for the Renewal. In order to address to the banks’ concerns over the financial position of the Group, it is considered that a stronger liquidity of the Group may smoothen the negotiation process with the financial institutions during the global economic downturn. Taking into account the importance of concluding the Renewal successfully at more favourable terms, the Group had reallocated the use of Net Proceeds in varied proportions in September 2021 and the Group reallocated the Net Proceeds from using in the preliminary development cost of a new hotel to interest expenses.

It is expected that if and when the Group resolves to resume the construction of a new hotel within Jeju Shinhwa World, the Group will reassess its internal financial resources and funding needs prior to making material future capital commitments. The Board considered that to reassess and modify the use of Net Proceeds during the period under the distressed global economy in the last 12 months is in the interests of the Company and its shareholders as a whole.

It is expected that the unutilised amount of the Net Proceeds will be fully utilised by end of 2022. As at the date of this announcement, save as disclosed herein, there is no other change in the use of Net Proceeds.

The Group will appraise its strategic developments from time to time and may modify or amend its financial planning and/or development plans, where appropriate, to adapt to the changing market conditions. If there are any further changes in the use of the Net Proceeds, the Company will make further disclosure in due course.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

CAPITAL COMMITMENTS

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

| | 30 June 2022 HK\$'000 (Unaudited) | 31 December 2021 HK\$'000 (Audited) |
|--|--|--|
| Contracted, but not provided for: Property, plant and equipment | <u>253</u> | <u>1,895</u> |

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

CONTINGENT LIABILITY

As at 30 June 2022, the Group did not have any material contingent liabilities (31 December 2021: Nil).

PLEDGE OF ASSETS

At the end of the reporting period, the following assets of the Group were pledged to certain banks or financial institutions to secure general banking facilities and other facilities payable granted to the Group:

| | 30 June 2022 HK\$'000 (Unaudited) | 31 December 2021 HK\$'000 (Audited) |
|-------------------------------|--|--|
| Property, plant and equipment | 1,506,262 | 1,375,739 |
| Investment properties | 85,782 | 62,364 |
| Completed properties for sale | <u>538,095</u> | <u>609,974</u> |

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

SEGMENT INFORMATION

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

CASH FLOW MANAGEMENT AND LIQUIDITY RISK

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

CURRENCY AND INTEREST RATE STRUCTURE

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

The Group's exposure to interest rate risk results from fluctuations in interest rate. The Group's bank borrowing consists of floating rate debt obligation, increases in interest rate would raise the interest expenses. Fluctuations in interest rate may also lead to significant fluctuations in the fair value of the debt obligation. On 30 June 2022, the Group had outstanding bank borrowing that bear floating interest linked to Commercial Paper Rate of Korea ("**CP rate**"). Currently, the Group does not hold any derivative financial instrument that linked to interest rates. In view of the trend of CP rate, the Group continues to monitor closely its exposure to interest rate risk and may employ derivative financial instruments to hedge against risk, if necessary.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had approximately 1,357 (31 December 2021: approximately 1,364) full-time employees with total staff costs (including Directors' remuneration) amounting to approximately HK\$227,895,000 (Six months ended 30 June 2021: approximately HK\$262,544,000) including management and administrative staff. The employees were mainly stationed in South Korea and Hong Kong. The remuneration, promotion and salary increment of employees are assessed according to the individual's performance, as well as professional and working experience, and in accordance with prevailing industry practices. The Group also offers a variety of training schemes to its employees.

CASH INCIDENT

As previously disclosed, the Group reported to Jeju Special Self-Governing Provincial Police Agency of Korea (the "**Jeju Police**") in Jeju, South Korea in early January 2021 in relation to the missing fund of approximately KRW14,555,000,000 cash (equivalent to approximately HK\$103,713,000) (the "**Incident**"). As at the date of this announcement, the investigation is still being conducted in Jeju and KRW13,400,000,000 cash (equivalent to approximately HK\$80,986,000) found has been retained by the Jeju Police until the investigation process is complete. To the best knowledge of the Board, none of the suspect is or is related to, any director of the Company. Save as the loss incurred by the Incident in an amount of approximately HK\$28,961,000 being recorded in the consolidated statement of profit or loss of the Group for the year ended 31 December 2020, there was no further adjustment or loss made for the Period.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

EVENTS AFTER THE REPORTING PERIOD

There were no other significant events subsequent to 30 June 2022 which would materially affect the Group's operating and financial performance as of the date of this announcement.

OTHER INFORMATION

EXTRACT OF INDEPENDENT REVIEW REPORT ON THE INTERIM FINANCIAL INFORMATION

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

Conclusion

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

Update On Cash Incident

We also draw attention to note 18 to the interim financial information, which describes the Group's cash incident (the "**Cash Incident**"). As at the reporting date, the Cash Incident is still under investigation by the Jeju Special Self Governing Provincial Police Agency of Korea (the "**Jeju Police**"), together with restricted cash of KRW10,150,000,000 (equivalent to HK\$61,344,000) and subsequent cash found by the Jeju Police, totalling of KRW13,400,000,000 (equivalent to HK\$80,986,000) has been seized and retained by the Jeju Police until the investigation process of the Cash Incident is complete. Our opinion is not modified in respect of this matter.

DIVIDEND

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

OTHER INFORMATION (continued)

CORPORATE GOVERNANCE

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

Dr. Yang Zhihui, the chairman and executive Director of the Company, was unable to attend the annual general meeting of the Company held on 23 June 2022 since he had other business engagement out of Hong Kong, which deviated from code provision F.2.2.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE REVIEW

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

OTHER INFORMATION (continued)

BOARD OF DIRECTORS

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

By order of the Board
Landing International Development Limited
Wong Hoi Po
Executive Director

Hong Kong, 29 August 2022

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