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LEISURE ENTERTAINMENT TASTE

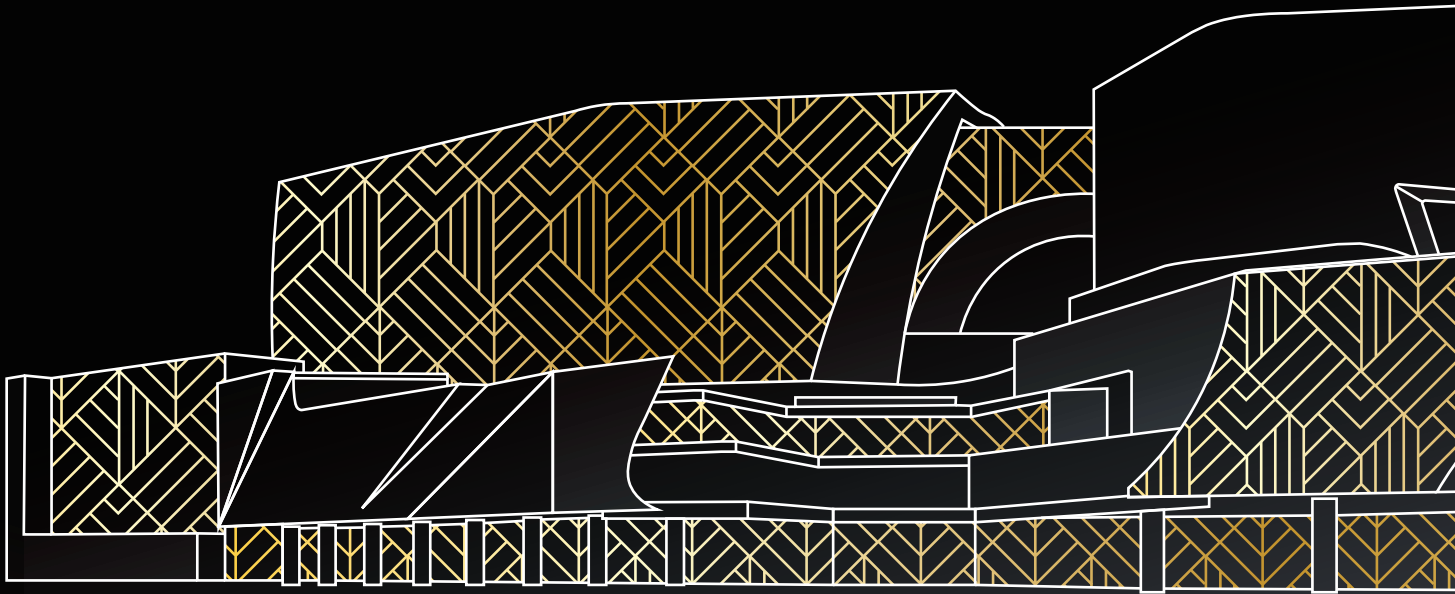
# LET Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1383)

# 2023

INTERIM REPORT



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Director

Mr. Lo Kai Bong (*Chairman*)

### Independent Non-Executive Directors

Mr. Tou Kin Chuen  
Dr. Wu Kam Fun Roderick  
Mr. Lo Wai Tung John

## COMPANY SECRETARY

Mr. Chiu King Yan

## AUDITOR

Crowe (HK) CPA Limited  
*Registered Public Interest Entity Auditors*

## REGISTERED OFFICE

P.O. Box 31119,  
Grand Pavilion, Hibiscus Way  
802 West Bay Road  
Grand Cayman KY1-1205  
Cayman Islands  
(with effect from 7 February 2023)

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1705, 17/F., West Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Suntera (Cayman) Limited  
Suite 3204, Unit 2A, Block 3, Building D  
P.O. Box 1586  
Gardenia Court, Camana Bay  
Grand Cayman KY1-1110  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

# Corporate Information

## PRINCIPAL BANKERS

### In Hong Kong:

Dah Sing Bank, Limited  
Bank of Communications Co., Ltd.  
Hong Kong Branch  
Bank of Communications (Hong Kong) Limited

### In the People's Republic of China:

Industrial and Commercial Bank of China Limited

### In the Philippines:

China Banking Corporation  
Union Bank of the Philippines

### In Russian Federation:

PJSC Bank Primorye  
PJSC Sberbank  
Alfa-Bank

### In Japan:

Sumitomo Mitsui Banking Corporation

## STOCK CODE

1383 (Listed on the Hong Kong Stock Exchange)

## WEBSITE

[www.letgroupholdings.com](http://www.letgroupholdings.com)

## INVESTOR RELATIONS

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# Chairman's Statement

*Dear valued Shareholders and Stakeholders,*

I extend my warmest greetings to each and every one of you. As the Chairman of LET Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**” or “**LET Group**”), it is with great pleasure that I provide you with an update on our organisation’s current flagship project, Westside City Project, in the Philippines. Likewise, I wish to emphasise our unwavering commitment to delivering unparalleled Asian hospitality experiences to our esteemed guests when Westside City Project soft opens in late 2024.

Since assuming the role of Chairman in August 2022, I am delighted to report that LET Group has achieved significant milestones. Through meticulous efforts, we successfully rebranded our Company, restructured our balance sheet to reduce debt, and secured a substantial loan from a prominent local financial institution. These decisive actions have empowered us to persevere in the face of prevailing market sentiment adversities within the gaming sector hindered by travel restrictions previously.

I am pleased to inform you that our subsidiary Suntrust Resort Holdings, Inc., the operator of Westside City Project, has made strides in securing its future financial stability. The successful drawdown of the loan signifies not only the confidence bestowed upon the Group’s managerial prowess and operational capabilities, but also serves as a resounding vote of confidence from financial institutions familiar with the local business environment. This development stands as a significant milestone, bolstering our shareholders’ confidence in LET Group’s ability to execute the delivery of an exceptional integrated resort with superior profitability. Furthermore, the financial backing received serves as a testament that the project remains on track, both in terms of timely completion and adherence to the budget.

As Chairman of LET Group, I take immense pride in leading an exceptional team that is wholeheartedly committed to the creation and delivery of a truly extraordinary integrated resort entertainment complex. Our newly created brand LETX Lifestyle is characterised by its youthful dynamism and distinguished by the provision of bespoke care and exceptional product offerings, accompanied by authentic services. Allow me to assert that every endeavour undertaken by us is aimed at surpassing the realms of conventional excellence.

Our core values of Leisure, Entertainment, and Taste serve as the guiding principles in our pursuit of creating a transcendent experience that seamlessly merges contemporary and traditional luxury. Westside City Project is poised to emerge as the iconic destination for both local residents and Asian tourists seeking respite and entertainment, particularly those from Japan and South Korea. To cater to their discerning tastes, we offer an array of exceptional food and beverage offerings. I have also searched globally for the finest whiskeys and cigars to stock Asia’s finest cigar and whiskey bar. As a member of the rapidly growing economy in the developing country, the middle class in the Philippines is increasingly pursuing a higher quality of life with increasing sophistication. Our brand epitomises a lifestyle incubator, where bespoke care, authentic services, and exceptional product offerings converge, creating an oasis of tranquillity amidst the ceaseless clamour of our dynamic world.

# Chairman's Statement

Meanwhile, in Vietnam, Hoiana is experiencing a surge in demand from both domestic and international visitors. It is noteworthy that, for the first time in our financial reporting history, Hoiana's Adjusted EBITDA has surpassed that of Tigre de Cristal's in the first half of 2023, a true testament of the quality of Hoiana as an integrated resort when travel restrictions is no longer in force. Encouraging arrival data signals the return of tourists to Vietnam, and our dedicated team remains steadfast in providing our esteemed guests with superlative services and authentic experiences. In Russia, the persisting political instability has been a source of disappointment; nonetheless, local business contribution has been stable while we remain resolute in our pursuit of exploring new opportunities to diversify our operations to locations that yield the highest and most favourable returns.

At LET Group, we take pride in our unwavering commitment to delivering exceptional product offerings and bespoke care that transcend the ordinary. Our valued guests, partners, and stakeholders have played a pivotal role in our success. With your unwavering support, we harbour utmost confidence that our flagship resort, Westside City Project, will flourish in the years ahead.

Thank you for your trust and confidence in LET Group.

Warm regards,

**Mr. Lo Kai Bong**

*Chairman*

**LET Group Holdings Limited**

# Management Discussion and Analysis

## FINANCIAL REVIEW

The Group recorded a profit attributable to equity holders of the Company of HK\$584.7 million for the six months ended 30 June 2023 (“**1H 2023**”), significantly increased from loss attributable to equity holders of the Company of HK\$253.0 million for the corresponding period in 2022. Consolidated Adjusted EBITDA from continuing operations was approximately positive HK\$21.0 million versus approximately positive HK\$50.6 million for the six months ended 30 June 2022 (“**1H 2022**”).

The profit attributable to equity holders of the Company for 1H 2023 was mainly attributable to (i) the finance costs of approximately HK\$28.7 million; (ii) the share of profit of a joint venture of approximately HK\$124.1 million; and (iii) the reversal of impairment loss on equity loans to, loans to and amounts due from a joint venture of approximately HK\$413.2 million.

In 1H 2023, the 77.5%-owned integrated resort of Summit Ascent Holdings Limited (“**Summit Ascent**”, together with its subsidiaries as “**Summit Ascent Group**”) located in the Integrated Entertainment Zone of the Primorye Region (the “**IEZ Primorye**”) in the Russian Federation, Tigre de Cristal, contributed revenue from gaming and hotel operations of approximately HK\$182.0 million to the Group, with contribution of approximately HK\$197.0 million total gross gaming revenue (“**GGR**”) to the Group.

### Group Key Financial Data

	<b>1H 2023</b> <b>HK\$'000</b>	1H 2022 HK\$'000
Revenue:		
Operation of integrated resort in the Russian Federation		
– Tigre de Cristal:		
– Gaming operations	<b>167,275</b>	167,623
– Hotel operations	<b>14,699</b>	10,269
	<b>181,974</b>	177,892
Other segments:		
– Management and operation of malls	<b>8,944</b>	12,553
– Property development	–	–
	<b>8,944</b>	12,553
Total revenue from continuing operations	<b>190,918</b>	190,445
Consolidated Adjusted EBITDA from continuing operations	<b>21,029</b>	50,558

# Management Discussion and Analysis

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

	1H 2023 HK\$'000	1H 2022 HK\$'000
Profit (loss) for the period	569,143	(234,014)
Add (deduct):		
Loss for the period from discontinued operations	–	52,722
Income tax expense (credit)	4	(332)
Change in fair value of derivative financial instruments	(608)	(13,185)
(Gain) loss on disposal/written-off of property, operating right and equipment	(244)	308
(Reversal of) impairment loss on equity loans to a joint venture	(138,055)	18,226
(Reversal of) impairment loss on loans to a joint venture	(207,472)	9,846
(Reversal of) impairment loss on amounts due from a joint venture	(67,631)	19,275
Gain on early repayment of loans to a joint venture	(98,591)	–
Share of (profit) loss of a joint venture	(124,136)	160,331
Finance costs	28,676	111,009
Interest income and imputed interest income on loans to a joint venture	(27,153)	(46,920)
Other operating expenses	1,048	12,361
Depreciation and amortisation	42,819	42,784
Net exchange losses (gains)	43,229	(81,853)
Consolidated Adjusted EBITDA from continuing operations	21,029	50,558

## Revenue

Revenue from continuing operations in 1H 2023 was approximately HK\$190.9 million, increased by approximately HK\$0.5 million or 0.3% when compared to approximately HK\$190.4 million in 1H 2022. The increase was mainly attributable to the growth of revenue from Summit Ascent Group in 1H 2023.

- i) **Operation of integrated resort in the Philippines** – through an indirect 51% owned subsidiary of the Company, Suntrust Resort Holdings, Inc. (“**Suntrust**”, together with its subsidiaries as “**Suntrust Group**”), 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 2024. In 1H 2023, the construction of structural work up to roof level has been completed whereas the façade works were in the progress. The major mechanical, electrical, and plumbing equipment had been delivered to construction site. No revenue was recognised during the period.



# Management Discussion and Analysis

- 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\$182.0 million to the Group during 1H 2023 (1H 2022: HK\$177.9 million).
- iii) **Management and operation of malls** – The revenue for concessionaire sales and provision of retail management and related services from the management and operation of the Group's leased assets, namely Phase 1 Shopping Mall and Phase 2 Living Mall of Xinguang Tiandi in Zhejiang Province, the PRC. The occupancy rates of Phase 1 Shopping Mall and Phase 2 Living Mall of Xinguang Tiandi as at 30 June 2023 were approximately 78% and 75%, respectively.
- iv) **Property development** – The Group engaged in development and sales of properties and hotel premises in Japan, and had two property development projects located in Japan as at 30 June 2023. During 1H 2023, both projects were in development planning stage, hence no revenue was generated from this segment during the period.

## Other income, gains and losses

The decrease in other income, gains and losses during 1H 2023 was mainly due to the net exchange losses recognised in 1H 2023 of approximately HK\$43.2 million (1H 2022: net exchange gains of HK\$81.9 million) which was primarily due to the translation of assets and liabilities which are denominated in foreign currencies during the period and offset against the gain on early repayment of loans to a joint venture of approximately HK\$98.6 million.

## Selling and distribution expenses

Selling and distribution expenses decreased slightly in 1H 2023, which comprised mainly salaries and benefits of sales and marketing staff, advertising and promotion expenses.

## Administrative expenses

Administrative expenses, which comprised mainly salaries and benefits of employees, legal and professional fees, and depreciation and amortisation. Administrative expenses increased during 1H 2023 was mainly due to the increase in staff costs and operating costs of Suntrust Group.

## Other operating expenses

The other operating expenses decreased in 1H 2023 as there were no significant legal and professional fees or tax incurred during 1H 2023, 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 1H 2022.

# Management Discussion and Analysis

## 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 30 June 2023 were assessed by independent professional valuers.

## Share of profit (loss) of a joint venture

The amount represented the share of profit (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 1H 2023. During 1H 2023, the Group recorded share of profit of a joint venture of approximately HK\$124.1 million as compared to the share of loss of a joint venture of HK\$160.3 million for the corresponding period in 2022, which represents a reversal of the share of loss of the joint venture recognised in previous years. 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 30 June 2023 and 31 December 2022 respectively, the Group has discontinued recognition of share of loss of the joint venture since 1H 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 to 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.

# Management Discussion and Analysis

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 the 1H 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.

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 1H 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\$138.1 million, HK\$207.5 million and HK\$67.6 million respectively (six months ended 30 June 2022: impairment losses of approximately HK\$18.2 million, HK\$9.8 million and HK\$19.3 million respectively).

## Finance costs

Finance costs from continuing operations for 1H 2023 comprise mainly (i) interest on lease liabilities; (ii) interest on other borrowings; and (iii) interest and imputed interest expense on loans from non-controlling shareholders of subsidiaries. The decrease in finance costs during 1H 2023 was mainly attributable to the decrease in imputed interest expenses on convertible bonds and promissory note.

# Management Discussion and Analysis

## Income tax (expense) credit

Income tax expense comprises current tax and the increase for 1H 2023 was mainly due to a tax credit recorded in 1H 2022 for the overprovision of the Philippines withholding tax and no such overprovision is recognised in 1H 2023.

## SEGMENT ANALYSIS

In 1H 2023, (i) revenue from gaming and hotel operations in the Russian Federation; and (ii) revenue from management and operation of malls accounted for 95.3% (six months ended 30 June 2022: 93.4%) and 4.7% (six months ended 30 June 2022: 6.6%) of total revenue from continuing operations of the Group respectively. No revenue was generated from property development segment in 1H 2023.

## LIQUIDITY, FINANCIAL RESOURCES AND GEARING

Bank balances and cash and pledged bank deposit, in aggregate, as at 30 June 2023 amounted to approximately HK\$874.0 million (31 December 2022: HK\$1,036.8 million).

The Group had total other borrowing being a loan facility for a term of 6 months of HK\$150.0 million as at 30 June 2023 (31 December 2022: other borrowing of approximately HK\$400.0 million) which was obtained by the Group during 1H 2023.

The Group's other borrowing carried interest at fixed interest rate, which is interest bearing at 24% per annum (31 December 2022: The Group's other borrowing carried interest at floating interest rate, which is 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).

As at 30 June 2023, the Group had a loan from immediate holding company for a term of 5 years of US\$6.0 million at fixed interest rate, which is unsecured, interest bearing at 5.5% per annum (equivalent to approximately HK\$47.0 million) (31 December 2022: Nil).

The Group had loans from non-controlling shareholders of subsidiaries of approximately HK\$171.4 million as at 30 June 2023 (31 December 2022: approximately HK\$216.4 million), in which (i) an amount of approximately HK\$71.7 million which is secured by parcels of land (included in property, operating right and equipment), interest bearing at 2.4% and repayable on 21 July 2023, and (ii) an amount of approximately HK\$99.7 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\$19.9 million (31 December 2022: approximately HK\$19.1 million) and approximately HK\$0.2 million (31 December 2022: approximately HK\$0.2 million), respectively.

# Management Discussion and Analysis

As at 30 June 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 other borrowings, loan from immediate holding company, loans from non-controlling shareholders of subsidiaries, bond payables, convertible bonds and derivative financial instruments liabilities divided by consolidated total equity of the Group as at 30 June 2023 is approximately 7.6% (31 December 2022: 29.3%).

As at 30 June 2023, the Group had current assets of approximately HK\$1,314.8 million (31 December 2022: approximately HK\$1,382.4 million) and current liabilities of approximately HK\$668.3 million (31 December 2022: approximately HK\$1,317.8 million).

As at 30 June 2023, the aggregate perpetual securities facilities with principal amount of up to HK\$6,000.0 million (31 December 2022: HK\$6,000.0 million) have been granted by the immediate holding company to the Group, of which approximately HK\$5,408.0 million (31 December 2022: HK\$5,408.0 million) have been issued and the unissued amount of the facilities is approximately HK\$592.0 million (31 December 2022: HK\$592.0 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 “**SA 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 SA 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 30 June 2023, an other borrowing of HK\$150.0 million was secured by certain shares of a subsidiary of the Company 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\$6,564.4 million. The other borrowing of HK\$150.0 million has been repaid in July 2023, the first fixed charge and the first floating charge over certain undertaking, property and assets of the Group has been released in July 2023.

As at 31 December 2022, an other borrowing of HK\$400.0 million was secured by certain shares of a subsidiary of the Company 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.

# Management Discussion and Analysis

As at 30 June 2023, pledged bank deposits of approximately HK\$0.5 million (31 December 2022: approximately HK\$0.5 million) were pledged for the license in relation to Sun Travel Ltd..

As at 30 June 2023, loans from non-controlling shareholder(s) of a subsidiary of approximately HK\$71.7 million (31 December 2022: approximately HK\$77.7 million) were secured by parcels of land under property, operating right and equipment of the Group of approximately HK\$248.1 million (31 December 2022: approximately HK\$268.7 million).

As at 30 June 2023, the Group granted a mortgage over certain parcels of land under property, operating right and equipment of the Group of approximately HK\$146.2 million (31 December 2022: Nil) in favor of the Original Niseko Property Buyer (as defined in “Significant investments, material acquisitions and disposals” below) to secure against the Seller’s (as defined below) obligation to repay the first installment of the consideration in amount of US\$1 million in relation to Niseko Property Disposal (as defined in “Significant investments, material acquisitions and disposals” below).

As at 30 June 2023 and 31 December 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 30 June 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 two securities firms, 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.

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 on 3 February 2023 and 24 February 2023.

# Management Discussion and Analysis

## 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 30 June 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 30 June 2023	Actual amount utilised for the period from 24 February 2023 to 30 June 2023	Unutilised amount as at 30 June 2023	Expected timeline of application of the unutilised amount
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	
Repayment of the interest on the other borrowing	19,000	(424) <sup>1</sup>	(18,576)	-	N/A
Arrangement fee of the SA Loan	10,000	(10,000) <sup>2</sup>	-	-	N/A
General working capital	19,683	10,424	(23,215)	6,892	By 31 December 2023
<b>Total</b>	<b>48,683</b>	<b>-</b>	<b>(41,791)</b>	<b>6,892</b>	

Notes:

- 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 HK\$424,000 was reallocated and applied to general working capital of the Company.
- As the Revolving Loan Agreement in relation to the SA Loan was terminated on 10 May 2023, the proposed use of proceed of HK\$10,000,000 for arrangement fee of the SA 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 condensed consolidated financial statements of the Company are in HK\$. The income and expenses, assets and liabilities, interest in a joint venture of the Company and its subsidiaries which 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 30 June 2023.

In respect of Summit Ascent, the significant fluctuation in the exchange rate of RUB would lead to a significant fluctuation in the Group's asset values denominated in RUB when the condensed consolidated financial statements of the Group are presented in HK\$.

# Management Discussion and Analysis

## CONTINGENT LIABILITIES

For details of contingent liabilities, please refer to Note 25 to the condensed consolidated financial statements.

## SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

- 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 m<sup>2</sup> 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 31 July 2023, 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.

As at 30 June 2023, the fulfilment of the conditions precedent to the Niseko Property Disposal was in progress and the Niseko Property was classified as assets held for sale.

- 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 MSR 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 m<sup>2</sup> located in Miyakojima City, Okinawa Prefecture, Japan (the “**Miyako Land Parcel**”).



# Management Discussion and Analysis

Each of the Miyako Disposal and the acquisition of Target Company B by Summit Ascent constituted a discloseable transaction for the Company under the Chapter 14 of the Listing Rules. Summit Ascent is not a “connected subsidiary” or a “commonly held entity” or a “connected person” of the Company. Accordingly, the Miyako Disposal and the Miyako Acquisition did not constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

The Miyako Acquisition constituted major transaction for Summit Ascent under Chapter 14 of the Listing Rules. As the Company is the controlling shareholder of Summit Ascent interested in an aggregate of approximately 69.66% of the shares of Summit Ascent in issue, the Company is a connected person of Summit Ascent. The Miyako Acquisition constituted a connected transaction for Summit Ascent under the Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and the approval of independent shareholders of Summit Ascent under Chapter 14A of the Listing Rules.

As at 30 June 2023, the fulfilment of the conditions precedent to the Miyako Acquisition was in progress. On 14 July 2023, all the conditions precedent to the Miyako Acquisition were fulfilled and 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 indirect wholly-owned subsidiaries of the Group held through its non-wholly owned Summit Ascent and Summit Ascent becomes interested in 100% of the Miyako Land Parcel.

Further details of the Miyako Disposal and the Miyako Acquisition were disclosed in the joint announcements of the Company and Summit Ascent dated 18 May 2023 and 14 July 2023 and the circular of Summit Ascent dated 28 June 2023.

Save for the Niseko Property Disposal, the Miyako Disposal and the Miyako Acquisition above, the Group had no significant investments, material acquisitions and disposals of subsidiaries during 1H 2023.

## 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

As at 30 June 2023, the Group had a staff force of approximately 1,071 (31 December 2022: 1,079) employees, of this, most were situated in the Russian Federation. 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 1H 2023 was approximately HK\$97.2 million (six months ended 30 June 2022: HK\$78.3 million).

# Management Discussion and Analysis

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for 1H 2023 (six months ended 30 June 2022: Nil).

## EVENTS AFTER THE REPORTING PERIOD

For details of events after the reporting period, please refer to Note 30 to the condensed consolidated financial statements.

## BUSINESS REVIEW

During 1H 2023, 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; (iii) property development in Japan; and (iv) management and operation of malls in the PRC.

### 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.

# Management Discussion and Analysis

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.

# Management Discussion and Analysis

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.

# Management Discussion and Analysis

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.

# Management Discussion and Analysis

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**”).

# Management Discussion and Analysis

## 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;

# Management Discussion and Analysis

- (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 (iv) declaring any event of default under any of the Fortune Noble Subscribed CB, 2020 Summit Ascent Subscribed CB and the 2022 Summit Ascent Subscribed CB.

The Undertakings became effective upon initial drawdown by Suntrust under the Suntrust Bank Loan Agreement and will remain in force and in effect until the Suntrust Bank Loan is fully and indefeasibly paid. Non-compliance of the Undertakings will constitute an event of default under the Suntrust Bank Loan Agreement.



# Management Discussion and Analysis

## (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.

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

As at 30 June 2023, the construction of structural work up to roof level have been completed whereas the podium façade works are in progress. The major mechanical, electrical, and plumbing equipment has been delivered to the construction site. Architectural builders works and finishes are in progress. Up to 30 June 2023, approximately US\$461.1 million (equivalent to approximately HK\$3,573.5 million) has been paid for the Main Hotel Casino project by Suntrust, representing approximately 42% of the estimated total construction and development costs. 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 Q4 2024. During 1H 2023, Suntrust had recorded a loss because of its pre-operating activities under the development phase.

## (ii) *Tigre de Cristal*

In 2020, Summit Ascent became a subsidiary of the Company upon the completion of the rights issue of Summit Ascent which increased the Group’s equity interest in Summit Ascent from approximately 24.74% to approximately 69.66%. 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\$57 million in the 1H 2023, versus a positive Adjusted EBITDA of approximately HK\$60 million in the 1H 2022.

# Management Discussion and Analysis

## *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\$167 million during 1H 2023, decreased by approximately HK\$1 million or 0.6% year-on-year comparing to 1H 2022.

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 9% to approximately HK\$385 million in the 1H 2023, compared to approximately HK\$354 million in the 1H 2022. Net win from mass table business decreased by 9% to approximately HK\$77 million in the 1H 2023, compared to approximately HK\$85 million in the 1H 2022. Net win rate percentage (represented net win as a percent of mass table drop) decreased from 24.0% in the 1H 2022 to 20.0% in the 1H 2023.

Electronic gaming volume (measured as the total value of electronic gaming credits wagered by players) was approximately HK\$2,418 million in the 1H 2023, increased significantly by 11% compared to approximately HK\$2,181 million in the 1H 2022. The electronic gaming business recorded net win of approximately HK\$90 million, increased by 8% compared to approximately HK\$83 million in the 1H 2022. The net win rate percentage decreased to 3.7% in the 1H 2023 from 3.8% in the 1H 2022.

## *Hotel Operations*

Revenue from hotel operations, as a result of an improvement in the domestic demand, increased to approximately HK\$14.7 million in the 1H 2023 or by 43% compared to the 1H 2022. Average hotel occupancy rates increased to approximately 63% (six months ended 30 June 2022: 57%) during weekends and approximately 30% (six months ended 30 June 2022: 28%) during weekdays in the 1H 2023.

# Management Discussion and Analysis

## Key Financial Data of Tigre de Cristal

	For the six months ended	
	30 June	
	2023	2022
	HK\$ million	HK\$ million
Revenue:		
Net Gaming	167	168
Hotel/F&B/Others	15	10
Total Net Revenue	182	178
Adjusted EBITDA	57	60
Adjusted EBITDA margin	31%	34%

## Gaming Statistics

(In HK\$ million)	Q1 2023	Q2 2023	1H 2023	1H 2022
Total GGR <sup>(i)</sup>	99	98	197	198
Rolling Chip Volume	–	7	7	–
Gross Loss Rate %	–	(2.3)%	(2.3)%	N/A
Gross Loss	–	(0.2)	(0.2)	–
Mass Table Drop	178	207	385	354
Net Win Rate %	21.9%	18.4%	20.0%	24.0%
Net Win	39	38	77	85
Electronic Gaming Volume	1,250	1,168	2,418	2,181
Net Win Rate %	3.6%	3.9%	3.7%	3.8%
Net Win	45	45	90	83

- (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.

# Management Discussion and Analysis

## (iii) Hoiana

As at 30 June 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 1H 2023, the arrivals of international visitors to Vietnam have been significantly increased in 1H 2023 compared to the corresponding period in 2022. Since then, the visitation to Hoiana and the operations of Hoiana have improved in 1H 2023.

In 1H 2023, Hoiana's total net revenue was approximately US\$47.5 million, increased by 560% compared to approximately US\$7.2 million in the 1H 2022.

Hoiana recorded a positive Adjusted EBITDA of approximately US\$10.1 million in the 1H 2023, versus a negative EBITDA of approximately US\$25.8 million in the 1H 2022.

### Key Financial Data of Hoiana

	<b>For the six months ended 30 June 2023 US\$'000</b>	For the six months ended 30 June 2022 US\$'000
Revenue:		
Net Gaming	<b>29,321</b>	4,536
Hotel/F&B/Others	<b>18,166</b>	2,713
Total Net Revenue	<b>47,487</b>	7,249
Adjusted EBITDA	<b>10,129</b>	(25,773)
Adjusted EBITDA margin	<b>21%</b>	N/A

# Management Discussion and Analysis

## Gaming Statistics

(In US\$'000)	1H 2023	1H 2022
Total GGR <sup>(i)</sup>	113,790	14,457
Rolling Chip Volume	2,623,589	378,906
Gross Win Rate %	3.8%	2.7%
Gross Win	99,716	10,286
Mass Table Drop	42,220	7,094
Gross Win Rate %	17.0%	23.4%
Gross Win	7,181	1,663
Electronic Gaming Volume	119,407	61,390
Gross Win Rate %	5.8%	4.1%
Gross Win	6,893	2,508

- (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.

## Management and operation of malls

On 19 November 2020, the Group acquired the entire interest of Dongyang Xinguang Pacific Enterprises Limited (“**Dongyang Xinguang**”), Dongyang Xinguang has become a wholly-owned subsidiary of the Group. Dongyang Xinguang is currently engaged in the management and operation of malls located in Zhejiang Province, the PRC, in which Dongyang Xinguang is the lessee in relation to a lease on the Phase 1 Shopping Mall of Xinguang Tiandi (新光天地一期購物廣場) and Phase 2 Living Mall of Xinguang Tiandi (新光天地二期生活廣場). Phase 1 Shopping Mall and Phase 2 Living Mall comprise 620 units with a total floor area of 65,241.98 m<sup>2</sup> for a term of twenty (20) years commencing on 1 January 2015 and ending on 31 December 2034. The occupancy rates of Phase 1 Shopping Mall and Phase 2 Living Mall of Xinguang Tiandi as at 30 June 2023 were approximately 78% and 75%, respectively.

# Management Discussion and Analysis

## Property development

As at 30 June 2023, the Group had two property development projects in Japan.

### *Property development in Japan*

- (a) As at 30 June 2023, the Group owns 51% of the issued share capital of MSRD, which held a plot of land with a total site area of 108,799 m<sup>2</sup> 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 tower 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.

As at 30 June 2023, the fulfilment of the conditions precedent to the Miyako Acquisition was in progress. Upon completion of the Miyako Disposal and the Miyako Acquisition on 14 July 2023, MSRD becomes indirect wholly-owned subsidiaries of the Group held through its non-wholly owned Summit Ascent and Summit Ascent becomes interested 100% of the Miyako Land Parcel.

- (b) As at 30 June 2023, the Group owns 100% interest in a plot of land parcels with a total site area of 220,194 m<sup>2</sup> located at Niseko, Hokkaido, Japan. On 28 April 2023, an indirect wholly-owned subsidiary of the Company, as Seller, entered into the Heads of Agreement with the Original Niseko Property Buyer, pursuant to which the Seller has agreed to sell, and the Original Niseko Property Buyer has agreed to acquire the Niseko Property, at the purchase price of US\$27 million (equivalent to approximately HK\$211.95 million) subject to the terms and conditions of the Heads of Agreement. On 31 July 2023, the Seller as vendor entered into the Niseko Sale and Purchase Agreement with the New Niseko Property Buyer as buyer in respect of the Niseko Property Disposal.

As at 30 June 2023, the fulfilment of the conditions precedent to the Niseko Property Disposal was in progress and the Niseko Property was classified as non-current asset held for sale.

# Management Discussion and Analysis

## MARKET OVERVIEW

### The Philippines

The Real GDP growth of the Philippines is estimated to grow at 6%<sup>1</sup> in 2023 to a total of US\$440.9 billion<sup>2</sup> by the International Monetary Fund. The gaming 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 Gross Gaming Revenue (GGR) from licensed casino in the country grew by 47% year-on-year in the first half to PHP105.8 billion (US\$1.8 billion)<sup>3</sup>. In particular, Entertainment City casinos accounted for 84% of the Total Licensed Casino GGR in the first half of 2023<sup>4</sup>. Between January to July 2023, over 2.9 million<sup>5</sup> 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 PHP212.5 billion<sup>6</sup> during 1H 2023, an increase of 502%<sup>7</sup> compared to the tourism revenue generated from the same period in 2022.

### Vietnam

Vietnam's economy grew by 3.72%<sup>8</sup> in 1H 2023. The country's tourism industry also continued to recover in visitation figures. International visitors to Vietnam in 1H 2023 reached 5.6 million<sup>8</sup> arrivals, 9.3 times higher than the same period in 2022 but still only equals to 65.7% compared to the same period in 2019 – the year without COVID-19. 75% of foreign tourists are from Asia while the rest are from Europe and the Americas<sup>9</sup>.

### Russia

Russia's GDP grew by 5.3%<sup>10</sup> year-on-year according to the Ministry of Economic Development. According to the updated forecast for the socio-economic development of Russia, Russia's GDP growth is expected to be at the level of 1.2%<sup>10</sup> in 2023. Inflation in Russia in 2023 is projected at 5.3%. Long-term impacts of the Western sanctions resulting from the Russia-Ukraine conflict remained a concern for the country's economy.

<sup>1</sup> International Monetary Fund

<sup>2</sup> International Monetary Fund

<sup>3</sup> PAGCOR

<sup>4</sup> PAGCOR

<sup>5</sup> Department for Tourism, the Philippines

<sup>6</sup> Department for Tourism, the Philippines

<sup>7</sup> Department for Tourism, the Philippines

<sup>8</sup> Socialist Government of Vietnam

<sup>9</sup> General Statistics Office, Vietnam

<sup>10</sup> Russian News Agency

# Management Discussion and Analysis

## Development Update

### *Westside City Project, Philippines*

Significant progress has been made in the construction of the Main Hotel Casino, with the exterior podium now completed, and the focus turned towards building upwards. Façade works are ongoing while the hotel's interior fit-out should commence soon, given that the podium has reached a water-tight condition. With the structural topping-off milestone has also been achieved, the team is looking forward to a soft opening by the end of 2024, with the grand opening slated for 2025. Meanwhile, Suntrust has already started recruiting operations staff for the upcoming launch of the integrated resort.

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 fit our LET theme of 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.

### *Hoiana, Vietnam*

Hoiana Resort & Golf, Vietnam's premier world-class beachfront integrated resort, graces the pristine coastline near the UNESCO World Heritage Site in Hoi An, Vietnam. The stunning 4-kilometer beachfront complex features four luxury hotels – Hoiana Hotel & Suites, offering 141 beautifully appointed suites; New World Hoiana Hotel, with 476 guestrooms; New World Hoiana Beach Resort, boasting 330 elegantly and sustainably designed rooms and suites; and Rosewood Hoi An (opening soon). Additionally, Hoiana Residences provides a home away from home with 270 luxuriously and spaciouly appointed apartments.

Hoiana has completed its first phase of an overall \$4 billion development project, encompassing 1000-hectares of land just south of Hoi An, Quang Nam. With an ambitious development plan in the pipeline, Hoiana will continue to set a new benchmark for luxurious tourism in Vietnam while balancing its cultural heritage, to bring economic prosperity and opportunity to the central province of Quang Nam.



# Management Discussion and Analysis

## *Tigre de Cristal, Russia*

Due to the unpredictable and volatile geopolitical tensions, we are now taking a conservative approach to investing in Russia.

## **Outlook**

We are pleased to announce that our Company has achieved its first-ever financial results unencumbered from the impact of COVID-19 restrictions in 1H 2023. Notably, the return of tourists to Vietnam has resulted in a remarkable increase in the Adjusted EBITDA in Hoiana, surpassing that of Tigre de Cristal for the first time ever. This is a testament to Hoiana's superior quality and untapped potential as an integrated resort that has overcome temporary operational difficulties due to pandemic-related travel restrictions. With our expertise in gaming operations, we believe that there is still considerable potential to be unlocked in the Vietnamese integrated resort market. Nevertheless, our favourite location is the Philippines and we will delve into why below.

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, with its soft opening set to launch in late 2024, will be the crowning jewel in the already impressive collection of integrated resorts in the Entertainment City in Manila, the Philippines. Our gaming operation experience reinforces our position to become one of the most prominent and latest integrated resorts, incorporating state-of-the-art technology in the region.

The Manila gaming market has tremendous growth potential, with a compound annual growth rate (CAGR) of over 24% leading up to the pandemic, 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 integrated 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. As the controlling shareholder of Suntrust, we will become a Hong Kong listed corporation reporting the performance of the Philippines' gaming business in our consolidated financial statements. With the disposal of non-core assets such as the property development business in China, the aircraft, and land parcels in Niseko, Hokkaido, 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.

# Properties Portfolio Overview

## PROPERTY DEVELOPMENT BUSINESS

### Freehold land

Location	Site Area (m <sup>2</sup> )	GFA (m <sup>2</sup> )	Commencement/ completion date	Interest attributable to the Group
Parcels of land located at Miyako Island, Okinawa, Japan	108,799	note (1)	note (1)	51% <sup>note (2)</sup>
Parcels of land located at Niseko, Hokkaido, Japan	220,194	note (3)	note (3)	100%

Notes:

- (1) The parcels of land are intended to build 40 villas and a hotel tower of more than 100 rooms and are currently under preliminary planning stage.
- (2) Owned by a 51% owned subsidiary of the Group as at 30 June 2023.
- (3) The parcels of land are under preliminary planning stage. As at 30 June 2023, the fulfilment of the conditions precedent to the Niseko Property Disposal was in progress and the parcels of land were classified as non-current asset held for sale.

# Report on Review of Condensed Consolidated Financial Statements



國富浩華（香港）會計師事務所有限公司  
**Crowe (HK) CPA Limited**

香港 銅鑼灣 禮頓道77號 禮頓中心9樓  
9/F Leighton Centre,  
77 Leighton Road,  
Causeway Bay, Hong Kong

## TO THE BOARD OF DIRECTORS OF LET GROUP HOLDINGS LIMITED

*(incorporated in Cayman Islands with limited liability)*

### INTRODUCTION

We have reviewed the condensed consolidated financial information of LET Group Holdings Limited (the “**Company**”) and its subsidiaries set out on pages 36 to 107, which comprise the condensed consolidated statements of financial position as of 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

# Report on Review of Condensed Consolidated Financial Statements

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Crowe (HK) CPA Limited**

*Certified Public Accountants*

Hong Kong, 29 August 2023

**Poon Cheuk Ngai**

Practising Certificate Number P06711

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
<b>Continuing operations</b>			
<b>Revenue</b>	5	<b>190,918</b>	190,445
Cost of sales		<b>(105,047)</b>	(96,647)
<b>Gross profit</b>		<b>85,871</b>	93,798
Other income, gains and losses	6	<b>95,656</b>	144,797
Selling and distribution expenses		<b>(5,091)</b>	(5,393)
Administrative expenses		<b>(115,467)</b>	(96,963)
Other operating expenses		<b>(1,048)</b>	(12,361)
Change in fair value of derivative financial instruments	21	<b>608</b>	13,185
Reversal of (impairment loss) on equity loans to a joint venture	14	<b>138,055</b>	(18,226)
Reversal of (impairment loss) on loans to a joint venture	14	<b>207,472</b>	(9,846)
Reversal of (impairment loss) on amounts due from a joint venture	14	<b>67,631</b>	(19,275)
Share of profit (loss) of a joint venture		<b>124,136</b>	(160,331)
Finance costs	7	<b>(28,676)</b>	(111,009)
Profit (loss) profit before taxation		<b>569,147</b>	(181,624)
Income tax (expense) credit	9	<b>(4)</b>	332
Profit (loss) for the period from continuing operations	8	<b>569,143</b>	(181,292)
<b>Discontinued operations</b>			
Loss for the period from discontinued operations	24	<b>–</b>	(52,722)
<b>Profit (loss) for the period</b>		<b>569,143</b>	(234,014)

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	<b>For the six months ended 30 June</b>	
	<b>2023</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2022 HK\$'000 (Unaudited)
<b>Other comprehensive income (expense):</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	<b>21,757</b>	(219,343)
Share of other comprehensive income of a joint venture, net of related income tax	<b>2,588</b>	2,163
<b>Other comprehensive income (expense) for the period</b>	<b>24,345</b>	(217,180)
<b>Total comprehensive income (expense) for the period</b>	<b>593,488</b>	(451,194)
<b>Profit (loss) for the period attributable to:</b>		
– Equity holders of the Company:		
– Shareholders of the Company	<b>450,567</b>	(387,053)
– Holder of perpetual securities	<b>134,088</b>	134,088
	<b>584,655</b>	(252,965)
– Non-controlling interests	<b>(15,512)</b>	18,951
	<b>569,143</b>	(234,014)

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
<b>Total comprehensive income (expense) for the period attributable to:</b>			
– Equity holders of the Company:			
– Shareholders of the Company		490,567	(575,115)
– Holder of perpetual securities		134,088	134,088
		624,655	(441,027)
– Non-controlling interests		(31,167)	(10,167)
		593,488	(451,194)
<b>Total comprehensive income (expense) for the period attributable to equity holders of the Company arose from:</b>			
– Continuing operations		624,655	(413,801)
– Discontinued operations	24	–	(27,226)
		624,655	(441,027)
<b>Earnings (loss) per share attributable to shareholders of the Company:</b>			
– Basic (HK cents)	11		
– For profit (loss) for the period		6.58	(5.80)
– For profit (loss) from continuing operations		6.58	(5.01)
– Diluted (HK cents)	11		
– For profit (loss) for the period		6.54	(6.15)
– For profit (loss) from continuing operations		6.54	(5.36)

The accompanying notes form an integral part of these condensed consolidated financial statements.

# Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	As at	
		30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, operating right and equipment	12	3,682,719	3,242,864
Right-of-use assets		1,722,945	1,767,020
Intangible assets		12,775	13,243
Prepayments and deposits for non-current assets	13	246,151	275,628
Interest in a joint venture	14	–	–
Loans to a joint venture	14	–	97,024
Amounts due from a joint venture	14	–	6,863
Derivative financial instrument	21(c)	3,857	3,232
		<b>5,668,447</b>	5,405,874
<b>Current assets</b>			
Inventories		3,755	4,452
Trade and other receivables and prepayments	15	279,366	211,732
Loans to a joint venture	14	–	90,050
Amount due from a joint venture	14	–	39,359
Pledged bank deposit	17	485	485
Bank balances and cash		873,497	1,036,314
		<b>1,157,103</b>	1,382,392
Non-current assets classified as held for sale	16	157,727	–
		<b>1,314,830</b>	1,382,392



# Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	As at	
		30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
<b>Current liabilities</b>			
Trade and other payables	18	414,903	177,648
Amount due to immediate holding company	19(a)	216	–
Amount due to a non-controlling shareholder of a subsidiary	19(b)	6,582	6,204
Loan from a non-controlling shareholder of a subsidiary	19(b)	71,707	77,660
Contract liabilities		6,831	6,560
Rent and other deposits		5,047	5,377
Other borrowings	20	150,000	400,000
Lease liabilities		7,635	10,326
Bond payables	21(a)	–	628,442
Derivative financial instruments	21(b)	152	167
Current tax liabilities		5,269	5,374
		<b>668,342</b>	<b>1,317,758</b>
<b>Net current assets</b>		<b>646,488</b>	<b>64,634</b>
<b>Total assets less current liabilities</b>		<b>6,314,935</b>	<b>5,470,508</b>
<b>Non-current liabilities</b>			
Other payables	18	84,755	79,369
Lease liabilities		930,294	923,085
Loan from immediate holding company	19(a)	47,030	–
Loans from non-controlling shareholders of a subsidiary	19(b)	99,697	138,748
Convertible bonds	21(b)	19,863	19,073
		<b>1,181,639</b>	<b>1,160,275</b>
<b>Net assets</b>		<b>5,133,296</b>	<b>4,310,233</b>

# Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	As at	
		30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
<b>Capital and reserves</b>			
Share capital	22	693,697	666,797
Perpetual securities	23	6,170,751	6,036,663
Reserves		(3,161,737)	(3,674,087)
<b>Equity attributable to equity holders of the Company</b>		<b>3,702,711</b>	3,029,373
<b>Non-controlling interests</b>		<b>1,430,585</b>	1,280,860
<b>Total equity</b>		<b>5,133,296</b>	4,310,233

The condensed consolidated financial statements were approved and authorised for issue by the board of directors on 29 August 2023 and were signed on its behalf by:

**Lo Kai Bong**  
Director

**Tou Kin Chuen**  
Director

The accompanying notes form an integral part of these condensed consolidated financial statements.

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the Company								Non-controlling interests	Total equity	
	Share capital	Share premium	Perpetual securities	Statutory reserve	Share option reserve	Capital reserve	Exchange reserve	Accumulated losses			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2022 (Audited)</b>	666,797	2,104,372	5,766,263	-	66,504	297,132	417,773	(5,879,707)	3,439,134	1,387,634	4,826,768
Profit (loss) for the period	-	-	134,088	-	-	-	-	(387,053)	(252,965)	18,951	(234,014)
Exchange differences on translating foreign operations	-	-	-	-	-	-	(190,225)	-	(190,225)	(29,118)	(219,343)
Share of other comprehensive income of a joint venture, net of related income tax	-	-	-	-	-	-	-	2,163	2,163	-	2,163
Total comprehensive income (expense) for the period	-	-	134,088	-	-	-	(190,225)	(384,890)	(441,027)	(10,167)	(451,194)
Recognition of equity-settled share-based compensation benefits	-	-	-	-	762	-	-	-	762	38	800
Lapse of share options	-	-	-	-	(194)	-	-	194	-	-	-
Transfer to statutory reserve	-	-	-	6,111	-	-	-	(6,111)	-	-	-
<b>At 30 June 2022 (Unaudited)</b>	666,797	2,104,372	5,900,351	6,111	67,072	297,132	227,548	(6,270,514)	2,998,869	1,377,505	4,376,374
<b>At 1 January 2023 (Audited)</b>	666,797	2,104,372	6,036,663	6,111	26,856	297,132	156,046	(6,264,604)	3,029,373	1,280,860	4,310,233
Profit (loss) for the period	-	-	134,088	-	-	-	-	450,567	584,655	(15,512)	569,143
Exchange differences on translating foreign operations	-	-	-	-	-	-	37,412	-	37,412	(15,655)	21,757
Share of other comprehensive income of a joint venture, net of related income tax	-	-	-	-	-	-	-	2,588	2,588	-	2,588
Total comprehensive income (expense) for the period	-	-	134,088	-	-	-	37,412	453,155	624,655	(31,167)	593,488
Ordinary shares issued (Note 22)	26,900	23,134	-	-	-	-	-	-	50,034	-	50,034
Transaction costs attributable to issue of new shares	-	(1,351)	-	-	-	-	-	-	(1,351)	-	(1,351)
Capital contribution from non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	196,113	196,113
Deemed distribution to non-controlling shareholders of a subsidiary (Note 19(b))	-	-	-	-	-	-	-	-	-	(15,221)	(15,221)
<b>At 30 June 2023 (Unaudited)</b>	693,697	2,126,155	6,170,751	6,111	26,856	297,132	193,458	(5,811,449)	3,702,711	1,430,585	5,133,296

The accompanying notes form an integral part of these condensed consolidated financial statements.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(8,594)</b>	(65,752)
<b>INVESTING ACTIVITIES</b>			
Purchase of property, operating right and equipment		<b>(293,278)</b>	(232,599)
Placement of prepayments and deposits for non-current assets		<b>(25,187)</b>	(24,950)
Proceeds from disposal of property, operating right and equipment		<b>361</b>	78,125
Repayment of equity loans to a joint venture		<b>264,779</b>	–
Repayment of loans to a joint venture		<b>502,234</b>	–
Repayment of amount due from a joint venture		<b>133,238</b>	–
Return of value added-tax (“VAT”) refunded under VAT arrangements		<b>(8,623)</b>	(9,225)
Interest received		<b>11,848</b>	15,240
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>		<b>585,372</b>	(173,409)
<b>FINANCING ACTIVITIES</b>			
Loan from immediate holding company	19(a)	<b>47,051</b>	–
Capital injection from non-controlling shareholders of a subsidiary		<b>196,113</b>	–
New other borrowing raised		<b>150,000</b>	–
Repayment of bond payables		<b>(628,442)</b>	–
Repayment of other borrowing		<b>(400,000)</b>	–
Proceeds from issue of ordinary shares		<b>50,034</b>	–
Transaction costs attributable to issue of new shares		<b>(1,351)</b>	–
Repayment of loans from non-controlling shareholders of a subsidiary	19(b)	<b>(58,824)</b>	–
Other financing expenses		<b>(27,931)</b>	–
Interest paid		<b>(23,246)</b>	(1,617)
Repayment of lease liabilities		<b>(5,216)</b>	(5,846)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(701,812)</b>	(7,463)

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(125,034)</b>	(246,624)
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>		<b>1,036,314</b>	1,571,507
Effect of foreign exchange rate changes		<b>(37,783)</b>	178,377
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>		<b>873,497</b>	1,503,260
<b>Represented by:</b>			
Bank balances and cash		<b>873,497</b>	1,503,014
Cash and cash equivalents classified as assets held for sale		-	246
		<b>873,497</b>	1,503,260

The accompanying notes form an integral part of these condensed consolidated financial statements.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). 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 condensed 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**", formerly known as Suntrust Home Developers, Inc.) and its subsidiaries (collectively referred to as "**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 "**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; (iii) property development in Japan; and (iv) management and operation of malls in the People's Republic of China (the "**PRC**").

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Company and its subsidiaries (collectively the “**Group**”) have been prepared in accordance with Hong Kong Accounting Standard 34) “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The Group incurred a net operating cash outflow of approximately HK\$8,594,000 for the six months ended 30 June 2023. The Group had committed capital expenditure of approximately HK\$2,439,107,000 as at 30 June 2023.

In assessing the appropriateness of the use of the going concern basis in the preparation of these condensed consolidated financial statements, the Directors prepared a cash flow forecast covering a period of not less than 12 months from 30 June 2023. In preparing the cash flow forecast, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Certain measures have been taken by the Group during the period and/or subsequent to the end of the reporting period to mitigate the liquidity pressure and to improve its financial position and performance which include, but are not limited to the following:

- (i) plan and negotiate for the disposal of certain of the Group’s non-core assets;
- (ii) 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;
- (iii) continue to take active measures to control operating expenses of the Group; and
- (iv) continue to explore other debt and/or equity financing of the Company and/or subsidiaries of the Group.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 2. BASIS OF PREPARATION (Cont'd)

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 raise adequate funds to finance the development of the Main Hotel Casino project in the next twelve months from 30 June 2023. Accordingly, the Directors are satisfied that it is appropriate to prepare the condensed 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 condensed consolidated financial statements.

## 3. SIGNIFICANT EVENTS IN THE CURRENT INTERIM PERIOD

- (a) 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 m<sup>2</sup> 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 first installment of the consideration in the amount of US\$1 million (equivalent to approximately HK\$7.85 million) (the “**First Installment**”) was paid by the Original Niseko Property Buyer to the Seller on the date of the Heads of Agreement. Further details of the Niseko Property Disposal are disclosed in the announcements of the Company dated 28 April 2023, 31 July 2023, and 4 August 2023. Details of the subsequent assignment of the Heads of Agreement and the entering into the real estate purchase and sale agreement are set out in Note 30(b).

As at 30 June 2023, fulfilment of the conditions precedent to the Niseko Property Disposal was in progress and the Niseko Property was classified as non-current assets held for sale. Details are set out in Note 16.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 3. SIGNIFICANT EVENTS IN THE CURRENT INTERIM PERIOD (Cont'd)

- (b) 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 m<sup>2</sup> located in Miyakojima City, Okinawa Prefecture, Japan (the **“Miyako Land Parcel”**).

As at 30 June 2023, fulfilment of the conditions precedent to the Miyako Acquisition was in progress. 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (**“HKFRSs”**) and Hong Kong Accounting Standards (**“HKASs”**), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Application of amendments to HKFRSs

During the six months ended 30 June 2023, the Group has applied, for the first time, the following amendments to HKFRSs and HKASs issued by the HKICPA for the annual period beginning on or after 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</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>

The nature and impact of the new and revised HKFRSs and HKASs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's condensed consolidated financial statements but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Application of amendments to HKFRSs (Cont'd)

- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the Group's condensed consolidated financial statements.
- (c) Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have material impact on the Group's condensed consolidated financial statements.
- (d) Amendments to HKAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

## 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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 5. REVENUE AND SEGMENT INFORMATION (Cont'd)

### Segment Information (Cont'd)

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;
- (3) Property development – Development and sales of properties and hotel premises in Japan; and
- (4) Management and operation of malls – Management and operation of malls in the PRC through a wholly-owned subsidiary, Dongyang Xinguang Pacific Enterprises Limited (“**Dongyang Xinguang**”).

#### (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; and
- (3) Hotel and integrated resort general consultancy services – Provision of hotel and integrated resort general consultancy services.

Pursuant to the 2022 Disposal and the Cessation as defined and mentioned in Note 24, part of the property development segment and the entire travel related products and services segment and hotel and integrated resort general consultancy services segment were reported as discontinued operations as at 30 June 2022.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 5. REVENUE AND SEGMENT INFORMATION (Cont'd)

### Disaggregation of revenue

Segment	Continuing operations						Discontinued operations														
	Operation of integrated resort in the Philippines		Operation of integrated resort in the Russian Federation		Property development		Management and operation of malls		Sub-total		Property development		Travel related products and services		Hotel and integrated resort general consultancy services		Sub-total		Total		
	For the six months ended 30 June 2023	For the six months ended 30 June 2022	For the six months ended 30 June 2023	For the six months ended 30 June 2022	For the six months ended 30 June 2023	For the six months ended 30 June 2022	For the six months ended 30 June 2023	For the six months ended 30 June 2022	For the six months ended 30 June 2023	For the six months ended 30 June 2022	For the six months ended 30 June 2023	For the six months ended 30 June 2022	For the six months ended 30 June 2023	For the six months ended 30 June 2022	For the six months ended 30 June 2023	For the six months ended 30 June 2022	For the six months ended 30 June 2023	For the six months ended 30 June 2022	For the six months ended 30 June 2023	For the six months ended 30 June 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	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Types of goods and services																					
Revenue from management and operation of malls	-	-	-	-	-	-	8,944	12,553	12,553	8,944	12,553	-	-	-	-	-	-	-	-	8,944	12,553
Revenue from gaming and hotel operations	-	-	167,623	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	167,623	167,623
- Gaming operations	-	-	167,623	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	167,623	167,623
- Hotel operations	-	-	14,699	10,269	-	-	-	-	-	14,699	10,269	-	-	-	-	-	-	-	-	14,699	10,269
Revenue from contracts with customers	-	-	181,974	177,892	-	-	8,944	12,553	190,445	190,918	190,445	-	-	-	-	-	-	-	190,918	190,445	
Leases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total revenue</b>	-	-	181,974	177,892	-	-	8,944	12,553	190,918	190,918	190,445	-	-	-	-	-	-	-	190,918	190,445	

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 5. REVENUE AND SEGMENT INFORMATION (Cont'd)

### Disaggregation of revenue (Cont'd)

Segment	Continuing operations						Discontinued operations														
	Operation of integrated resort in the Philippines		Operation of integrated resort in the Russian Federation		Property development		Management and operation of malls		Sub-total		Property development		Travel related products and services		Hotel and integrated resort general consultancy services		Sub-total		Total		
	For the six months ended 30 June 2022	For the six months ended 30 June 2023	For the six months ended 30 June 2022	For the six months ended 30 June 2023	For the six months ended 30 June 2022	For the six months ended 30 June 2023	For the six months ended 30 June 2022	For the six months ended 30 June 2023	For the six months ended 30 June 2022	For the six months ended 30 June 2023	For the six months ended 30 June 2022	For the six months ended 30 June 2023	For the six months ended 30 June 2022	For the six months ended 30 June 2023	For the six months ended 30 June 2022	For the six months ended 30 June 2023	For the six months ended 30 June 2022	For the six months ended 30 June 2023	For the six months ended 30 June 2022	For the six months ended 30 June 2023	
	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	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>Geographical markets</b>																					
The PRC	-	-	-	-	-	-	8,944	12,553	8,944	12,553	-	-	-	-	-	-	-	-	-	8,944	12,553
The Russian Federation	-	181,974	177,892	-	-	-	-	-	181,974	177,892	-	-	-	-	-	-	-	-	-	181,974	177,892
<b>Revenue from contracts with customers</b>	-	181,974	177,892	-	-	-	8,944	12,553	190,918	190,445	-	-	-	-	-	-	-	-	190,918	190,445	-
Leases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total revenue</b>	-	181,974	177,892	-	-	-	8,944	12,553	190,918	190,445	-	-	-	-	-	-	-	-	190,918	190,445	-
<b>Timing of revenue recognition</b>																					
At a point in time	-	175,772	174,290	-	-	-	-	-	175,772	174,290	-	-	-	-	-	-	-	-	175,772	174,290	-
Over time	-	6,202	3,602	-	-	-	8,944	12,553	15,146	16,155	-	-	-	-	-	-	-	-	15,146	16,155	-
Leases	-	181,974	177,892	-	-	-	8,944	12,553	190,918	190,445	-	-	-	-	-	-	-	-	190,918	190,445	-
<b>Total revenue</b>	-	181,974	177,892	-	-	-	8,944	12,553	190,918	190,445	-	-	-	-	-	-	-	-	190,918	190,445	-

The duration of contracts in relation to revenue from management and operation of malls usually varies from 6 months to 15 years.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 5. REVENUE AND SEGMENT INFORMATION (Cont'd)

### Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments.

Segment	Continuing operations						Discontinued operations														
	Operation of integrated resort in the Philippines		Operation of integrated resort in the Russian Federation		Property development		Management and operation of malls		Sub-total		Property development		Travel related products and services		Hotel and integrated resort general consultancy services		Sub-total		Total		
	For the six months ended 30 June 2023	For the six months ended 30 June 2022	For the six months ended 30 June 2023	For the six months ended 30 June 2022	For the six months ended 30 June 2023	For the six months ended 30 June 2022	For the six months ended 30 June 2023	For the six months ended 30 June 2022	For the six months ended 30 June 2023	For the six months ended 30 June 2022	For the six months ended 30 June 2023	For the six months ended 30 June 2022	For the six months ended 30 June 2023	For the six months ended 30 June 2022	For the six months ended 30 June 2023	For the six months ended 30 June 2022	For the six months ended 30 June 2023	For the six months ended 30 June 2022	For the six months ended 30 June 2023	For the six months ended 30 June 2022	For the six months ended 30 June 2023
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	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue from external customers	-	181,974	177,892	-	-	8,944	12,553	190,918	190,445	-	-	-	-	-	-	-	-	-	-	190,918	190,445
Segment (loss) profit	(20,687)	15,916	22,568	(995)	(1,266)	(2,276)	1,814	(8,042)	8,814	-	(650)	(3)	(157)	-	(810)	-	-	-	(810)	(8,042)	8,004
Change in fair value of derivative financial instruments								608	13,185											608	13,185
Reversal of (impairment) loss on equity loans to a joint venture								138,065	(18,226)											138,065	(18,226)
Reversal of (impairment) loss on loans to a joint venture								207,472	(9,846)											207,472	(9,846)
Reversal of (impairment) loss on amounts due from a joint venture								67,631	(19,275)											67,631	(19,275)
Share of profit (loss) of a joint venture								124,136	(160,331)											124,136	(160,331)
Unallocated other income, gains and losses								83,363	128,887											83,363	154,790
Unallocated finance costs								(21,056)	(102,392)											(21,056)	(179,405)
Unallocated expenses								(23,020)	(22,440)											(23,020)	(23,242)
<b>Profit (loss) before taxation</b>								569,147	(181,624)											569,147	(234,346)
Income tax (expense) credit								(4)	332											(4)	332
<b>Profit (loss) for the period</b>								569,143	(181,292)											569,143	(234,014)

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, reversal of (impairment loss) on equity loans to, loans to and amounts due from a joint venture, share of profit (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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 5. REVENUE AND SEGMENT INFORMATION (Cont'd)

### Segment assets and liabilities

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

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
<b>Segment assets</b>		
Operation of integrated resort in the Philippines	<b>4,492,682</b>	3,959,680
Operation of integrated resort in the Russian Federation	<b>1,938,814</b>	2,037,064
Travel related products and services	–	9,084
Hotel and integrated resort general consultancy services	–	375
Property development	<b>259,032</b>	440,280
Management and operation of malls	<b>75,629</b>	83,053
<b>Total segment assets</b>	<b>6,766,157</b>	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	<b>221</b>	328
Derivative financial instrument	<b>3,857</b>	3,232
Bank balances and cash	<b>35,384</b>	2,812
Pledged bank deposit	<b>485</b>	–
Non-current assets classified as held for sale	<b>157,727</b>	–
Others	<b>19,446</b>	19,062
<b>Consolidated total assets</b>	<b>6,983,277</b>	6,788,266



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 5. REVENUE AND SEGMENT INFORMATION (Cont'd)

### Segment assets and liabilities (Cont'd)

	As at	
	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
<b>Segment liabilities</b>		
Operation of integrated resort in the Philippines	1,324,775	1,006,755
Operation of integrated resort in the Russian Federation	157,087	221,046
Travel related products and services	–	140
Hotel and integrated resort general consultancy services	–	2,492
Property development	85,562	83,883
Management and operation of malls	66,410	71,171
<b>Total segment liabilities</b>	<b>1,633,834</b>	1,385,487
Unallocated liabilities:		
Current tax liabilities	5,269	5,374
Convertible bonds	19,863	19,073
Bond payables	–	628,442
Derivative financial instruments	152	167
Other borrowings	150,000	400,000
Others	40,863	39,490
<b>Consolidated total liabilities</b>	<b>1,849,981</b>	2,478,033

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 5. REVENUE AND SEGMENT INFORMATION (Cont'd)

### Segment assets and liabilities (Cont'd)

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, pledged bank deposit, certain bank balances and cash, corporate assets of investment holding companies and non-current assets classified as held for sale; and
- all liabilities are allocated to operating segments other than certain convertible bonds, bond payables, derivative financial instruments, current tax liabilities, other borrowings and certain corporate liabilities of investment holding companies.

## 6. OTHER INCOME, GAINS AND LOSSES

	For the six months ended	
	30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	11,848	15,159
Interest income on loans to a joint venture	19,146	31,487
Imputed interest income on loans to a joint venture	8,007	15,433
Total interest income	39,001	62,079
Gain on early repayment of loans to a joint venture	98,591	–
Gain (loss) on disposal/written-off of property, operating right and equipment	244	(308)
Net exchange (losses) gains	(43,229)	81,853
Others	1,049	1,173
	95,656	144,797

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 7. FINANCE COSTS

	For the six months ended	
	30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Imputed interest expense on convertible bonds (Notes 21(a) and (b))	694	68,184
Imputed interest expense on promissory note	–	31,816
Imputed interest expense on loans from non-controlling shareholders of a subsidiary	3,852	4,282
Imputed interest expense on VAT arrangements	654	1,113
Interest on promissory note	–	3,005
Interest on loan from immediate holding company	216	–
Interest on loans from non-controlling shareholders of a subsidiary	904	992
Interest on other borrowings	21,056	–
Interest on lease liabilities	18,939	18,321
Total finance costs	46,315	127,713
Less: capitalised in construction in progress included in property, operating right and equipment	(17,639)	(16,704)
Finance costs expensed	28,676	111,009

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 8. PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS

	For the six months ended	
	30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit (loss) for the period from continuing operations has been arrived at after charging (crediting) the following:		
Depreciation of property, operating right and equipment	36,803	36,404
Depreciation of right-of-use assets	57,629	60,791
Amortisation of intangible assets	5	2
Total depreciation and amortisation	94,437	97,197
Less: capitalised in construction in progress included in property, operating right and equipment	(51,618)	(54,413)
Total depreciation and amortisation expensed	42,819	42,784
Total depreciation and amortisation expensed are presented in the condensed consolidated statement of profit or loss as:		
– Cost of sales	31,232	31,083
– Administrative expenses	11,587	11,701
	42,819	42,784
Directors' remuneration	5,753	2,696
Staff costs, excluding Directors and consultants		
– salaries and wages	78,723	61,689
– share-based compensation benefits	–	107
– retirements benefits scheme contributions	12,681	12,959
Staff costs, excluding Directors and consultants	91,404	74,755
Total staff costs	97,157	77,451
Less: capitalised in construction in progress included in property, operating right and equipment	(4,045)	–
Total staff costs expensed	93,112	77,451

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 8. PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS (Cont'd)

	For the six months ended	
	30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Reversal of impairment loss recognised in respect of other receivables, deposits and prepayment	(10)	(2)
Short-term and variable lease payments	1,069	403
Cost of sales		
– cost of services rendered	4,449	4,776
– operating expenses of gaming and hotel operations	100,598	91,871
	105,047	96,647

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 9. INCOME TAX EXPENSE (CREDIT)

	For the six months ended	
	30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Current</b>		
– PRC Enterprise Income Tax (“EIT”)	–	818
– Philippines withholding tax	12	5,763
– Russian corporate tax	98	87
	110	6,668
<b>Overprovision</b>		
– PRC EIT	(106)	–
– Philippines withholding tax	–	(7,000)
	(106)	(7,000)
	4	(332)

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 9. INCOME TAX EXPENSE (CREDIT) (Cont'd)

### (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 the six months ended 30 June 2023 and 2022.

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 an 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 the six months ended 30 June 2023 and 2022, none of the subsidiaries of the Group is eligible as a Small Low-profit Enterprise.

### (c) PRC withholding income tax

PRC withholding income tax of 10% shall be levied on the dividends declared by the companies established in the PRC to their foreign investors out of their profits earned after 1 January 2008. 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 fulfill the requirements to the tax treaty arrangements between the PRC and Hong Kong.

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. For the six months ended 30 June 2023 and 2022, no deferred taxation has been provided as no accumulated profits is 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, is 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 the six months ended 30 June 2023 and 2022.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 9. INCOME TAX EXPENSE (CREDIT) (Cont'd)

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

PCIT is calculated at 30% of the estimated profits for the six months ended 30 June 2023 and 2022. No provision for PCIT has been made for both reporting periods as no assessable profits are earned by subsidiaries incorporated in the Philippines.

### (g) Philippines capital gains tax

Philippines capital gains tax is calculated at (i) 15% of the net capital gains realised during the taxable year from sale, barter, exchange or other disposal of shares in a domestic corporation, except for shares traded and sold through The Philippine Stock Exchange, Inc.; or (ii) 6% of the gross selling price or current fair market value, whichever is higher, during the taxable year from sale, barter, exchange or other disposal of real property classified as capital assets located in the Philippines.

### (h) Philippines withholding tax

Philippines withholding tax of 30% 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 are subject to a final tax between 15% to 20%.

### (i) Japan Corporate Income Tax

Corporate tax in Japan is calculated on the estimated assessable profit for the six months ended 30 June 2023 and 2022 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 reporting periods as the Japan subsidiaries incurred losses for both reporting periods.

### (j) Russian corporate tax

Russian corporate tax is calculated at a rate of 20% of the estimated assessable profit for the six months ended 30 June 2023 and 2022. However, no Russian corporate tax is levied on the Group's gaming activities in the Russian Federation in accordance with Russian legislation.

## 10. DIVIDENDS

No dividends were proposed, declared or paid during the six months ended 30 June 2023 and 2022. The Directors have determined that no dividends will be paid in respect of the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 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:

	For the six months ended	
	30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Earnings (loss)</b>		
Profit (loss) attributable to shareholders of the Company for the purpose of calculating basic earnings (loss) per share from:		
– Continuing operations	450,567	(334,331)
– Discontinued operations	–	(52,722)
	450,567	(387,053)
Effect of dilutive potential ordinary shares:		
– Adjustment to share of loss of Suntrust based on dilution of its loss per share	(2,291)	(23,338)
Profit (loss) for the purpose of calculating diluted earnings (loss) per share	448,276	(410,391)
Attributable to:		
– Continuing operations	448,276	(357,669)
– Discontinued operations	–	(52,722)
	448,276	(410,391)

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 11. EARNINGS (LOSS) PER SHARE (Cont'd)

	Number of shares	
	2023	2022
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	6,850,773,851	6,667,972,746

For the six months ended 30 June 2023 and 2022, the calculation of diluted earnings (loss) per share does not assume the exercise of the Company's outstanding share options because the exercise prices of those share options exceed the average market price of the Company's shares of the both reporting periods.

For the six months ended 30 June 2023 and 2022, the conversion of the outstanding convertible bonds issued by Summit Ascent has an anti-dilutive effect on the basic earnings per share amount presented.

For the six months ended 30 June 2022, the conversion of 2016 Convertible Bond and 2018 Convertible Bond (defined in Note 19) have an anti-dilutive effect on the basic loss per share from continuing operations.

## 12. MOVEMENT IN PROPERTY, OPERATING RIGHTS AND EQUIPMENT

During the six months ended 30 June 2023, the Group incurred approximately HK\$653,849,000 mainly on additions of construction in-progress in relation to the Main Hotel Casino.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 13. PREPAYMENTS AND DEPOSITS FOR NON-CURRENT ASSETS

	<b>As at</b>	
	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
Long-term prepayments (Note (a))	<b>13,533</b>	13,533
Deposits in relation to the construction of the Main Hotel Casino (Note (b))	<b>230,841</b>	237,514
Deposits for purchase of property, operating right and equipment	<b>10,757</b>	33,561
	<b>255,131</b>	284,608
Less: Allowance for impairment	<b>(8,980)</b>	(8,980)
	<b>246,151</b>	275,628

Notes:

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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

	As at	
	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
<b>Interest in a joint venture</b>		
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 (Note (a))	243,496	507,086
Allowance for impairment (Note (d))	-	(137,254)
Deemed capital contribution (Notes (b) and (c))	208,141	208,141
Share of post-acquisition losses and other comprehensive expenses in excess of the cost of investment (Note (e))	(446,676)	(573,400)
Exchange realignment	(4,961)	(4,573)
Interest in a joint venture	-	-
<b>Loans to a joint venture</b>		
- Current (Note (b))	-	233,895
- Allowance for impairment (Note (d))	-	(143,845)
	-	90,050
- Non-current (Note (c))	-	159,453
- Allowance for impairment (Note (d))	-	(62,429)
	-	97,024
Loans to a joint venture	-	187,074

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 14. INTEREST IN A JOINT VENTURE/LOANS TO AND AMOUNTS DUE FROM A JOINT VENTURE (Cont'd)

	As at	
	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
<b>Amounts due from a joint venture</b>		
– Current (Note (b))	–	102,182
– Allowance for impairment (Note (d))	–	(62,823)
	–	39,359
– Non-current (Note (c))	–	11,282
– Allowance for impairment (Note (d))	–	(4,419)
	–	6,863
<b>Amounts due from a joint venture</b>	–	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.
- (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 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, and therefore is 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 is 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 30 June 2023 and 31 December 2022. The prevailing market interest rate of the loan is 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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 14. INTEREST IN A JOINT VENTURE/LOANS TO AND AMOUNTS DUE FROM A JOINT VENTURE (Cont'd)

Notes: (Cont'd)

- (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 30 June 2023 and 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 30 June 2023 and 31 December 2022. The prevailing market interest rates of the loans are 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.

- (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 were 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 six months ended 30 June 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 six months ended 30 June 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\$138,055,000, HK\$207,472,000 and HK\$67,631,000 respectively (six months ended 30 June 2022: impairment losses of approximately HK\$18,226,000, HK\$9,846,000 and HK\$19,275,000 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 six months ended 30 June 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 30 June 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\$446,676,000 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\$124,136,000 during the six months ended 30 June 2023.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 14. INTEREST IN A JOINT VENTURE/LOANS TO AND AMOUNTS DUE FROM A JOINT VENTURE (Cont'd)

Notes: (Cont'd)

- (f) 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 30 June 2023 and 31 December 2022:

	As at 30 June 2023			As at 31 December 2022		
	Expected loss rate (%)	Gross carrying amount HK\$'000 (Unaudited)	Loss allowance HK\$'000 (Unaudited)	Expected loss rate (%)	Gross carrying amount HK\$'000 (Audited)	Loss allowance HK\$'000 (Audited)
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
		<b>243,496</b>	<b>-</b>		<b>1,013,898</b>	<b>410,770</b>

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 (Audited)	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 (Audited)	137,254	206,274	67,242	410,770
Reversal of allowance for impairment	(138,055)	(207,472)	(67,631)	(413,158)
Exchange realignment	801	1,198	389	2,388
<b>As at 30 June 2023 (Unaudited)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Unrecognised share of loss of interest in a joint venture for the period	<b>292,390</b>	14,436
	<b>As at</b>	
	<b>30 June 2023 HK\$'000 (Unaudited)</b>	<b>31 December 2022 HK\$'000 (Audited)</b>
Unrecognised share of loss of interest in a joint venture cumulatively	<b>362,474</b>	70,084

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 15. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	<b>As at</b>	
	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
Trade receivables (Note (a))	<b>1,009</b>	1,347
Other receivables	<b>17,353</b>	20,264
Indirect tax recoverable (Note (b))	<b>170,300</b>	141,980
Other deposits	<b>2,700</b>	2,944
Prepayments	<b>88,411</b>	45,614
	<b>279,773</b>	212,149
Less: Allowance for impairment	<b>(407)</b>	(417)
	<b>279,366</b>	211,732

Notes:

- (a) Amount represents trade receivables from management and operation of malls. For the management and operation of malls, the Group generally allows 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:

	<b>As at</b>	
	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
Within 30 days	<b>1,009</b>	1,347

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



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 16. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 28 April 2023, the Seller entered into the Heads of Agreement with the Original Niseko Property Buyer to dispose of the Niseko Property at a consideration of US\$27 million (equivalent to approximately HK\$211.95 million) subject to the terms and conditions of the Heads of Agreement.

As at 30 June 2023, fulfilment of the conditions precedent to the Niseko Property Disposal was in progress and the Niseko Property was classified as assets held for sale. Accordingly, the carrying amount of the Niseko Property of approximately HK\$157,727,000 has been reclassified to non-current assets classified as held for sale.

## 17. PLEDGED BANK DEPOSIT

Pledged bank deposit represents deposit for the following purpose:

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Security for the license granted by the local regulatory body	<b>485</b>	485

For the six months ended 30 June 2023, pledged bank deposit is subjected to floating interest rate of 0.3% (For the year ended 31 December 2022: 0.2% to 0.3%) per annum.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 18. TRADE AND OTHER PAYABLES

	<b>As at</b>	
	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
Trade payables (Note)	<b>653</b>	954
Interest payables	<b>1,775</b>	2,449
Payable in respect of transfer of connection right to local electricity supply network	<b>–</b>	11,286
Liabilities of VAT arrangements	<b>17,080</b>	29,619
Retention payables	<b>75,230</b>	59,051
Other tax payables	<b>9,998</b>	13,923
Provision for indemnity (Note 25)	<b>22,110</b>	22,927
Construction cost payables	<b>303,303</b>	70,252
Other payables and accruals	<b>69,509</b>	46,556
	<b>499,658</b>	257,017
Amounts presented as:		
– Current	<b>414,903</b>	177,648
– Non-current	<b>84,755</b>	79,369
	<b>499,658</b>	257,017

Note:

The credit period of trade payables 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:

	<b>As at</b>	
	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
0–90 days	<b>653</b>	954

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 19. AMOUNTS DUE TO/LOANS FROM IMMEDIATE HOLDING COMPANY/A RELATED COMPANY/NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

### (a) Amount due to/loan from immediate holding company

During the six months ended 30 June 2023, the Group entered into a loan agreement dated 25 May 2023 with Major Success with a total loan facility of USD6.0 million (equivalent to HK\$47,030,000) (the “**Major Success Loan**”). The amount was unsecured, interest bearing at 5.5% per annum, and repayable within five years from drawdown unless extended by the Group.

	As at 30 June 2023 HK\$'000 (Unaudited)
Non-trade related:	
Major Success Loan (Note)	47,030
Accrued interest of Major Success Loan	216
	47,246
Less: Amount due within one year	(216)
	47,030

Note:

The movement of the Major Success Loan during the period is as follows:

	HK\$'000
At 1 January 2023 (Audited)	–
Advance during the period	47,051
Exchange difference recognised in profit or loss	(21)
At 30 June 2023 (Unaudited)	47,030

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 19. AMOUNTS DUE TO/LOANS FROM IMMEDIATE HOLDING COMPANY/A RELATED COMPANY/NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES (Cont'd)

### (b) Loans from non-controlling shareholders of subsidiaries/amounts due to non-controlling shareholders of a subsidiary

- (i) As at 30 June 2023, the loans from non-controlling shareholders of a subsidiary amounting to approximately HK\$71,707,000 (31 December 2022: HK\$77,660,000) are secured by parcels of freehold land, interest bearing at 2.4% per annum and originally repayable on 21 July 2020. Pursuant to supplemental agreements dated 21 July 2020 and 21 July 2021, the repayment dates were extended to 21 July 2021 and 21 July 2023, respectively, with other terms remain unchanged.

As at 30 June 2023, the amounts due to non-controlling shareholders of a subsidiary amounting to approximately HK\$6,582,000 (31 December 2022: HK\$6,204,000) are in non-trade nature, interest-free, unsecured and originally repayable on 21 July 2020. Pursuant to supplemental agreements dated 21 July 2020 and 21 July 2021, the repayment dates were extended to 21 July 2021 and 21 July 2023, respectively, with other terms remain unchanged.

Upon completion of the Miyako Disposal and the Miyako Acquisition on 14 July 2023, the outstanding loans from/amounts due to non-controlling shareholders of a subsidiary are acquired by Summit Ascent and will be eliminated in the Group's consolidated financial statements.

- (ii) Upon completion of the acquisition of Summit Ascent Group, Summit Ascent Group owed outstanding loans with carrying amount of approximately HK\$170,292,000 to the shareholders of Oriental Regent Limited ("**Oriental Regent**"), a non-wholly owned subsidiary of Summit Ascent, with a total principal amount of US\$30,276,400 (equivalent to approximately HK\$234,642,000) (the "**ORL Convertible Loans**"). The ORL Convertible Loans are non-interest bearing, unsecured and due on 15 July 2023 and shall automatically renew for another term of three years. No repayment at all time shall be made by Oriental Regent unless there are sufficient free cash flows generated from its operations to make the repayment. The ORL Convertible Loans can only be converted into new shares of Oriental Regent at the option of Oriental Regent at such conversion price(s) and ratio(s) as Oriental Regent shall agree with the shareholders of Oriental Regent at the relevant time. The conversion period is from the date on which the payment for the entire principal amount of the ORL Convertible Loans was made by the shareholders of Oriental Regent to the day immediately prior to the repayment date. The ORL Convertible Loans are discounted at an effective interest rate calculated at 5.76% per annum at inception.

On 16 November 2020, Summit Ascent Group acquired the 7.5% of the ORL Convertible Loans with a total principal amount of US\$5,676,825 (equivalent to approximately HK\$43,995,000) from the non-controlling shareholders of Oriental Regent under the equity transactions with non-controlling interests.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 19. AMOUNTS DUE TO/LOANS FROM IMMEDIATE HOLDING COMPANY/A RELATED COMPANY/NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES (Cont'd)

### (b) Loans from non-controlling shareholders of subsidiaries/amounts due to non-controlling shareholders of a subsidiary (Cont'd)

#### (ii) (Cont'd)

For the six months ended 30 June 2023, Summit Ascent Group made a repayment of US\$7,509,593 (equivalent to approximately HK\$58,824,000) (year ended 31 December 2022: US\$2,245,901) (equivalent to approximately HK\$17,510,000), resulting in an outstanding principal amount of US\$14,844,081 (31 December 2022: US\$22,353,674) contributed by the non-controlling shareholders of Oriental Regent. The difference between the carrying amount of the portion of the ORL Convertible Loans repaid to the non-controlling interests and the repayment sum of HK\$15,221,000 was recognised as deemed distribution to equity participant and attributable to and included in non-controlling interests.

As at 30 June 2023, the carrying amount of the ORL Convertible Loans was approximately HK\$99,697,000 (31 December 2022: HK\$138,748,000).

### (c) Amount due to immediate holding company/amount due to a related company

On 28 August 2018, the Company issued a HK\$ denominated promissory note ("**2018 Promissory Note**") of principal amount of HK\$303,000,000 to a related company, controlled by Mr. Chau Cheek Wa ("**Mr. Chau**"), the former chairman and a former director of the Company, as part of the consideration for the acquisition of the entire equity interest of Star Admiral Limited ("**Star Admiral**") and shareholder's loan owed by Star Admiral.

The 2018 Promissory Note was unsecured, interest bearing at 2% per annum and repayable after two years from the date of issuance. The prevailing market rate of 2018 Promissory Note was 11.67% per annum.

During the year ended 31 December 2020, the Company and the related company entered into a supplemental deed to extend the maturity of the 2018 Promissory Note from 28 August 2020 to 28 August 2022. Save for the extension of the maturity date, all other terms of the 2018 Promissory Note shall remain unchanged.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 19. AMOUNTS DUE TO/LOANS FROM IMMEDIATE HOLDING COMPANY/A RELATED COMPANY/NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES (Cont'd)

### (c) Amount due to immediate holding company/amount due to a related company (Cont'd)

Due to the extension of the maturity date, the carrying amount of the 2018 Promissory Note had been reduced from HK\$303,000,000 to approximately HK\$189,258,000 on 28 August 2020 (i.e. date of extension) based on the present value of the principal amount. The change in fair value of approximately HK\$113,742,000 was credited to capital reserve as deemed capital contribution to the Company. The prevailing market rate of the 2018 Promissory Note is 29.40% per annum after extension.

On 13 May 2022, 2018 Promissory Note, together with the accrued interest, were acquired by Major Success, a company wholly-owned by Mr. Lo, an executive Director of the Company.

During the year ended 31 December 2022, the 2018 Promissory Note of the principal amount of HK\$303,000,000, together with accrued interest of approximately HK\$6,442,000 were repaid by the Company entirely.

Movement of the 2018 Promissory Note during the period is as follows:

	HK\$'000
At 1 January 2022 (Audited)	260,813
Imputed interest expense	42,187
Repayment	(303,000)
<b>At 31 December 2022 (Audited) and 30 June 2023 (Unaudited)</b>	<b>—</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 20. OTHER BORROWINGS

	<b>As at</b>	
	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
Other borrowings		
– Secured	<b>150,000</b>	400,000

The maturity profile of other borrowings is as follows:

	<b>As at</b>	
	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
Within one year (Notes (a) and (b))	<b>150,000</b>	400,000
More than one year but not exceeding two years	–	–
	<b>150,000</b>	400,000
Less: Amounts due for settlement within one year	<b>(150,000)</b>	(400,000)
Amounts due for settlement after one year	–	–

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 20. OTHER BORROWINGS (Cont'd)

- (a) During the six months ended 30 June 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 six months ended 30 June 2022, no new other borrowing was raised.

- (b) The Group's assets pledged as securities for the Group's other borrowings are as follows:

On 11 May 2023, the Company entered into a loan agreement with an independent third party lender for a loan of HK\$150,000,000 (the "**2023 Facility**"). The 2023 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\$6,564 million as at 30 June 2023. The 2023 Facility was repaid in July 2023, and the securities were released on 14 July 2023.

On 19 September 2022, the Company entered into a loan agreement with four independent third party lenders for a loan of HK\$400,000,000 (the "**Facility**"). 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 was repaid in March 2023, and the securities were released on 20 March 2023.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 21. 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.

The original maturity date of the 2016 Convertible Bond is 7 December 2018 (“**2016 CB Maturity Date**”) which is 2 years from the date of issue of the 2016 Convertible Bond. The 2016 Convertible Bond is not interest bearing and matures on 2016 CB Maturity Date at the principal amount. The 2016 Convertible Bond is convertible into shares of the Company at any time after the issuance up to the close of business on the 2016 CB Maturity Date at the conversion price of HK\$0.26 per share, subject to anti-dilutive adjustments (“**2016 CB Conversion Option**”). The initial number of ordinary shares of the Company issuable upon conversion is 2,192,307,692 shares, which represent 59.34% of the total number of ordinary shares of the Company issued and outstanding as at the issue date of the 2016 Convertible Bond as enlarged by the conversion of the entire 2016 Convertible Bond.

The Company is entitled to an option to early redeem at any time before the 2016 CB Maturity Date the whole or part of the principal outstanding amount of the 2016 Convertible Bond at the corresponding principal amount.

The 2016 Convertible Bond contains a debt component and derivative component. The 2016 CB Conversion Option is classified as a derivative financial liability as it will be settled other than by an exchange of a fixed amount of cash for a fixed number of the Company’s own equity instruments on the basis that the 2016 Convertible Bond is denominated in HK\$, which was the foreign currency of the Company as at the issue date of the 2016 Convertible Bond.

On initial recognition, the debt component was recognised at fair value, calculated based on the present value of the principal amount over the expected life of the 2016 Convertible Bond. In subsequent periods, the debt component is carried at amortised cost using the effective interest method. The derivative component is measured at fair values at the date of issue and in subsequent periods with changes in fair value recognised in profit or loss.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 21. CONVERTIBLE BONDS/DERIVATIVE FINANCIAL INSTRUMENTS/BOND PAYABLES (Cont'd)

### (a) Convertible bonds/bond payables issued by the Company (Cont'd)

#### *2016 Convertible Bond/2016 Bond Payable (Cont'd)*

On 8 May 2018, the Company and Fame Select entered into an amendment agreement (the “**Amendment Agreement**”) to extend the 2016 CB Maturity Date to 7 December 2020 (the “**Extended 2016 CB Maturity Date**”). The Amendment Agreement was passed by the ordinary resolution at the extraordinary general meeting of the Company held on 28 September 2018. The effective interest rate of the debt component was 8.01% per annum after the extension of the 2016 CB Maturity Date.

On 8 November 2018, the Company received the conversion notice from Fame Select in respect of the exercise in part of the subscription rights attached to the 2016 Convertible Bond to convert an aggregate of HK\$168,000,000 of the principal amount of the 2016 Convertible Bond (the “**Partial 2016 Convertible Bond Conversion**”) into 646,153,846 ordinary shares at the conversion price of HK\$0.26 per share.

On 15 October 2020, the Company and Fame Select entered into a supplemental deed to further extend the Extended 2016 CB Maturity Date to 7 December 2022. The supplemental deed became effective on 7 December 2020, the date on which all the conditions precedent of the supplemental deed had been fulfilled.

Due to the extension of the Extended 2016 CB Maturity Date, the carrying amount of the debt component had been reduced from approximately HK\$402,000,000 to approximately HK\$268,499,000 on 7 December 2020 (i.e. date of extension of the Extended 2016 CB Maturity Date) based on the present value of the principal amount. The effective interest rate of the debt component is 22.36% per annum after the extension of the Extended 2016 CB Maturity Date.

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 six months ended 30 June 2023, the Company redeemed all outstanding 2016 Bond Payable with principal amount of approximately HK\$402,000,000.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 21. CONVERTIBLE BONDS/DERIVATIVE FINANCIAL INSTRUMENTS/BOND PAYABLES (Cont'd)

### (a) Convertible bonds/bond payables issued by the Company (Cont'd)

#### *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**"), a related company wholly-owned by Mr. Chau, former executive Director and former chairman of the Company, and Better Linkage Limited ("**Better Linkage**"), a related company wholly-owned by Mr. Lo, an executive Director of the Company, for the acquisition of the entire equity interest of Star Admiral Limited ("**Star Admiral**") and shareholder's loan owed by Star Admiral.

The maturity date of the 2018 Convertible Bond is 28 August 2020 ("**2018 CB Maturity Date**") which is 2 years from the date of issue of the 2018 Convertible Bond. The 2018 Convertible Bond is not interest bearing and matures on 2018 CB Maturity Date at the principal amount. The 2018 Convertible Bond is convertible into shares of the Company at any time after the issuance up to the close of business on the 2018 CB Maturity Date at the conversion price of HK\$0.90 per share, subject to anti-dilutive adjustments ("**2018 CB Conversion Option**"). The initial number of ordinary shares of the Company issuable upon conversion is 329,999,999 shares, which represent 5.20% of the total number of ordinary shares of the Company issued and outstanding as at the issue date of the 2018 Convertible Bond as enlarged by the conversion of the entire 2018 Convertible Bond.

The Company is entitled to an option to early redeem at any time before the 2018 CB Maturity Date the whole or part of the principal outstanding amount of the 2018 Convertible Bond at the corresponding principal amount.

The 2018 Convertible Bond contains a debt component and derivative component. The 2018 CB Conversion Option is classified as a derivative financial liability as it will be settled other than by an exchange of a fixed amount of cash for fixed number of the Company's own equity instruments on the basis that the 2018 Convertible Bond is denominated in HK\$, which was the foreign currency of the Company as at the issue date of the 2018 Convertible Bond.

On initial recognition, the debt component was recognised at fair value, calculated based on the present value of the principal amount over the expected life of the 2018 Convertible Bond. In subsequent periods, the debt component is carried at amortised cost using the effective interest method. The effective interest rate of the debt component is 9.86% per annum. The derivative component is measured at fair values at the issuance date and in subsequent periods with changes in fair value recognised in profit or loss.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 21. CONVERTIBLE BONDS/DERIVATIVE FINANCIAL INSTRUMENTS/BOND PAYABLES (Cont'd)

### (a) Convertible bonds/bond payables issued by the Company (Cont'd)

#### *2018 Convertible Bond/2018 Bond Payable (Cont'd)*

On 3 July 2020, the Company, Star Hope and Better Linkage entered into a supplemental deed to extend the 2018 CB Maturity Date to 28 August 2022 (or if such date is not a business date, the next business date, i.e. 29 August 2022). The supplemental deed became effective on 24 August 2020, the date on which all the conditions precedent of the supplemental deed have been fulfilled.

Due to the extension of the 2018 CB Maturity Date, the carrying amount of the debt component had been reduced from approximately HK\$297,000,000 to approximately HK\$184,018,000 on 24 August 2020 (i.e. date of extension of the 2018 CB Maturity Date) based on the present value of the principal amount. The effective interest rate of the debt component is 26.87% per annum after the extension.

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, the 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 six months ended 30 June 2023, the Company redeemed all outstanding 2018 Bond Payable with principal amount of approximately HK\$226,442,000.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 21. CONVERTIBLE BONDS/DERIVATIVE FINANCIAL INSTRUMENTS/BOND PAYABLES (Cont'd)

### (a) Convertible bonds/bond payables issued by the Company (Cont'd)

The movements of the debt component of convertible bonds and derivative financial instruments are shown respectively as follows:

	<b>Debt component</b> HK\$'000	<b>Derivative financial instruments</b> HK\$'000	<b>Total</b> HK\$'000
<b>2016 Convertible Bond</b>			
At 1 January 2022 (Audited)	333,569	12,952	346,521
Credit to profit or loss	–	(12,952)	(12,952)
Imputed interest expense (Note 7)	36,430	–	36,430
At 30 June 2022 (Unaudited)	369,999	–	369,999
<b>2018 Convertible Bond</b>			
At 1 January 2022 (Audited)	255,634	63	255,697
Credit to profit or loss	–	(63)	(63)
Imputed interest expense (Note 7)	31,108	–	31,108
At 30 June 2022 (Unaudited)	286,742	–	286,742
<b>Total</b>			
At 31 December 2022 (Audited)	–	–	–

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 21. CONVERTIBLE BONDS/DERIVATIVE FINANCIAL INSTRUMENTS/BOND PAYABLES (Cont'd)

### (a) Convertible bonds/bond payables issued by the Company (Cont'd)

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

	<b>2016</b> <b>Bond Payable</b> HK\$'000	<b>2018</b> <b>Bond Payable</b> HK\$'000	<b>Total</b> HK\$'000
As at 1 January 2022 (Audited)	–	–	–
Reclassified from convertible bonds	402,000	297,000	699,000
Redemption	–	(70,558)	(70,558)
As at 31 December 2022 and 1 January 2023 (Audited)	402,000	226,442	628,442
Redemption	(402,000)	(226,442)	(628,442)
<b>As at 30 June 2023 (Unaudited)</b>	<b>–</b>	<b>–</b>	<b>–</b>

### (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 the 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 contains two components, a debt component and a derivative financial instrument. The derivative financial instrument represented the conversion option given to the holders 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 the Summit Ascent’s own equity instruments, the conversion option was accounted for as 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 derivative financial instrument in Summit Ascent CB is recognised as debt component in the Summit Ascent CB.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 21. CONVERTIBLE BONDS/DERIVATIVE FINANCIAL INSTRUMENTS/BOND PAYABLES (Cont'd)

### (b) Convertible bonds payable issued by Summit Ascent (“Summit Ascent CB”) (Cont'd)

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 derivative financial instrument of the Summit Ascent CB as at 30 June 2023 and 31 December 2022 had been 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 derivative financial instrument are as follows:

	<b>30 June 2023</b>	31 December 2022
<b>Summit Ascent CB</b>		
Share price of Summit Ascent	<b>HK\$0.17</b>	HK\$0.17
Conversion Price	<b>HK\$3.50</b>	HK\$3.50
Expected volatility (Note (a))	<b>117.81%</b>	111.39%
Expected option life	<b>2.38 Years</b>	2.88 Years
Expected dividend yield (Note (b))	<b>zero</b>	zero
Risk-free rate (Note (c))	<b>4.76%</b>	4.26%

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 21. CONVERTIBLE BONDS/DERIVATIVE FINANCIAL INSTRUMENTS/BOND PAYABLES (Cont'd)

### (b) Convertible bonds payable issued by Summit Ascent ("Summit Ascent CB") (Cont'd)

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 the Summit Ascent CB are shown as follows:

	<b>Debt component</b> HK\$'000	<b>Derivative financial instrument</b> HK\$'000	<b>Total</b> HK\$'000
At 1 January 2022 (Audited)	17,767	286	18,053
Credit to profit or loss	–	(280)	(280)
Imputed interest expense (Note 7)	646	–	646
Exchange difference recognised in profit or loss	115	–	115
<b>At 30 June 2022 (Unaudited)</b>	<b>18,528</b>	<b>6</b>	<b>18,534</b>

	<b>Debt component</b> HK\$'000	<b>Derivative financial instrument</b> HK\$'000	<b>Total</b> HK\$'000
At 1 January 2023 (Audited)	19,073	167	19,240
Credit to profit or loss	–	(15)	(15)
Imputed interest expense (Note 7)	694	–	694
Exchange difference recognised in profit or loss	96	–	96
<b>At 30 June 2023 (Unaudited)</b>	<b>19,863</b>	<b>152</b>	<b>20,015</b>



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 21. CONVERTIBLE BONDS/DERIVATIVE FINANCIAL INSTRUMENTS/BOND PAYABLES (Cont'd)

### (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 (the “**Put Option**”) in relation to its equity interest in Suntrust with a consideration of approximately HK\$169,382,000 plus interest of 3.5% per annum to Westside and Travellers upon occurrence of events stated in the agreement.

The fair values of the derivative financial instrument of the Put Option as at 30 June 2023 and 31 December 2022 were approximately HK\$3,857,000 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 inputs used for the calculation of fair values of the derivative financial instrument of the Put Option are as follows:

	30 June 2023	31 December 2022
<b>Put option</b>		
Share price of Suntrust	<b>PHP0.850</b>	PHP0.990
Expected volatility (Note (a))	<b>42.95%</b>	46.82%
Expected option life (Note (b))	<b>1.42 Years</b>	1.92 Years
Expected dividend yield (Note (c))	<b>zero</b>	zero
Risk-free rate (Note (d))	<b>5.74%</b>	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 2024 (31 December 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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 21. CONVERTIBLE BONDS/DERIVATIVE FINANCIAL INSTRUMENTS/BOND PAYABLES (Cont'd)

### (c) Put option (Cont'd)

The movements of the fair value of derivative financial instrument of the Put Option are shown as follows:

	HK\$'000
At 1 January 2022 (Audited)	4,570
Charge to profit or loss	(110)
Exchange difference recognised in profit or loss	(298)
At 30 June 2022 (Unaudited)	4,162
At 1 January 2023 (Audited)	3,232
Credit to profit or loss	593
Exchange difference recognised in profit or loss	32
<b>At 30 June 2023 (Unaudited)</b>	<b>3,857</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 22. SHARE CAPITAL

	Number of shares	Share capital value HK\$'000
<b>Authorised:</b>		
At 1 January 2022 (Audited), 30 June 2022 (Unaudited), 31 December 2022 (Audited) and 30 June 2023 (Unaudited)	50,000,000,000	5,000,000
<b>Issued and fully paid:</b>		
At 1 January 2022 (Audited), 30 June 2022 (Unaudited) and 1 January 2023 (Audited)	6,667,972,746	666,797
Ordinary shares issued (Note)	269,000,000	26,900
<b>At 30 June 2023 (Unaudited)</b>	<b>6,936,972,746</b>	<b>693,697</b>

Note: On 3 February 2023, the Company entered into a conditional placing agreement (“**Placing Agreement**”) with two securities firms (“**Joint Placing Agents**”) pursuant to which the Joint Placing Agents have conditionally agreed, as agents of the Company, to procure, on a best effort basis, not less than six placees who and whose ultimate beneficial owners and parties acting in concert with them shall be independent third parties (the “**2023 Shares Placing**”) to subscribe for a maximum of 269,000,000 new shares (“**Placing Share(s)**”) of the Company at the placing price of HK\$0.186 per Placing Share under the general mandate granted to the Directors. Further details of the 2023 Shares Placing are set out in the Company’s announcement dated 3 February 2023.

Completion of the 2023 Shares Placing took place on 24 February 2023 in accordance with the terms and conditions of the Placing Agreement. The 269,000,000 Placing Shares have been placed and represent approximately 3.88% of the issued share capital of the Company immediately after the completion of the 2023 Shares Placing. The net proceeds of the 2023 Shares Placing are approximately HK\$48,683,000. Proceeds of HK\$26,900,000, representing the par value of the shares issued, were credited to the share capital of the Company and the remaining proceeds of HK\$21,783,000 net of share issue expense were credited to the share premium account.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 23. PERPETUAL SECURITIES

	HK\$'000
<b>Principal</b>	
At 1 January 2022 (Audited), 30 June 2022 (Unaudited), 31 December 2022 (Audited) and 30 June 2023 (Unaudited)	5,408,000
<b>Distribution</b>	
At 1 January 2022 (Audited)	358,263
Provision for the year (Note (b))	270,400
<b>At 31 December 2022 and 1 January 2023 (Audited)</b>	<b>628,663</b>
Provision for the period (Note (c))	<b>134,088</b>
<b>At 30 June 2023 (Unaudited)</b>	<b>762,751</b>
<b>Total</b>	
<b>At 30 June 2023 (Unaudited)</b>	<b>6,170,751</b>
At 31 December 2022 (Audited)	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 of 5% per annum on the principal amount and has no fixed redemption date. The Company may elect to cancel or 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 upon 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 to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 23. PERPETUAL SECURITIES (Cont'd)

Notes:

- (a) The first tranche Perpetual Securities was issued on the date of the subscription agreement to effect repayment of a pro tanto amount of the existing amount due to Star Hope of approximately HK\$3,887 million on 18 August 2020 (the “**First Tranche Perpetual Securities**”).

The carrying amounts of the loans from Star Hope of approximately HK\$1,910,962,000, together with the amount due to Star Hope (i.e. interest payable) of approximately HK\$93,572,000, being the aggregate amount of approximately HK\$2,004 million had been used to settle the above consideration payable. The capital contribution previously recognised through the loans from the related company provided by Star Hope amounting to approximately HK\$1,882 million was derecognised from capital reserve and transferred to the Perpetual Securities. The Perpetual Securities are classified as an equity instrument of the Company.

- (b) During the year ended 31 December 2022, the distribution provision in relation to Perpetual Securities issued was approximately HK\$270 million.
- (c) During the six months ended 30 June 2023, the distribution provision in relation to Perpetual Securities issued is approximately HK\$134 million.

## 24. DISCONTINUED OPERATIONS

### (a) Cessation of businesses for travel related products and services and hotel and integrated resort general consultancy services

On 1 April 2022, the Directors 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 condensed consolidated statement of profit or loss and other comprehensive income:*

The Cessation was effective from 1 April 2022 and was reported in the condensed consolidated financial statements for the six months ended 30 June 2022 as discontinued operations. Financial results relating to the discontinued operations in relation to the Ceased Businesses for the period were set below.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 24. DISCONTINUED OPERATIONS (Cont'd)

### (a) Cessation of businesses for travel related products and services and hotel and integrated resort general consultancy services (Cont'd)

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

The financial performance and cash flow information presented reflected the discontinued operations in relation to the Ceased Businesses for the six months ended 30 June 2022.

	<b>Travel related products and services For the six months ended 30 June 2022 HK\$'000 (Unaudited)</b>	<b>Hotel and integrated resort general consultancy services For the six months ended 30 June 2022 HK\$'000 (Unaudited)</b>
Other income, gains and losses	230	–
Administrative expenses	(326)	(157)
<b>Loss for the period from discontinued operations in relation to the Ceased Businesses</b>	<b>(96)</b>	<b>(157)</b>
Profit (loss) and total comprehensive income (expense) for the period from discontinued operations in relation to the Ceased Businesses	66	(157)
Net cash flows used in operating activities	(449)	(116)
Net cash flows from investing activities	1	–
Net cash flows used in financing activities	–	–
<b>Net decrease in cash and cash equivalents</b>	<b>(448)</b>	<b>(116)</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 24. DISCONTINUED OPERATIONS (Cont'd)

(a) **Cessation of businesses for travel related products and services and hotel and integrated resort general consultancy services (Cont'd)**

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

	<b>Travel related products and services For the six months ended 30 June 2022 HK\$'000 (Unaudited)</b>	<b>Hotel and integrated resort general consultancy services For the six months ended 30 June 2022 HK\$'000 (Unaudited)</b>
Basic loss per share from discontinued operations in relation to the Ceased Businesses attributable to shareholders of the Company (HK cent)	(0.001)	(0.002)
Diluted loss per share from discontinued operations in relation to the Ceased Businesses attributable to shareholders of the Company (HK cent)	(0.001)	(0.002)

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 24. DISCONTINUED OPERATIONS (Cont'd)

### (a) Cessation of businesses for travel related products and services and hotel and integrated resort general consultancy services (Cont'd)

#### (ii) Loss for the period of the discontinued operations in relation to the Ceased Businesses

Loss for the period of the discontinued operations in relation to the Ceased Businesses was stated after charging the following:

	<b>Travel related products and services For the six months ended 30 June 2022 HK\$'000 (Unaudited)</b>	<b>Hotel and integrated resort general consultancy services For the six months ended 30 June 2022 HK\$'000 (Unaudited)</b>
Depreciation of property, operating right and equipment	–	–
Staff costs, excluding Directors		
– salaries and wages	31	–
– retirements benefits scheme contributions	–	–
Total staff costs, excluding Directors	31	–
Short-term and variable lease payments (including COVID-19 related rent concessions)	–	–



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 24. DISCONTINUED OPERATIONS (Cont'd)

### (b) Disposal of subsidiaries in 2022

On 10 May 2022, the Company entered into a sale and purchase agreement with an independent third party (the “**2022 Purchaser**”). Pursuant to the sales 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 Group 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 S&P Agreement (the “**2022 Disposal**”) and the 2022 Disposal was completed on 22 July 2022.

As at 30 June 2022, the fulfilment of the conditions precedent to the 2022 Disposal was in progress and Disposal Group A and Disposal Group B were classified as disposal groups held for sale and the Group’s property development in the PRC segment was reported as discontinued operation.

Goal Explore was 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) were 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 completion of the 2022 Disposal.

Boshing Investments was 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) was principally engaged in property development in Chaohu, Anhui Province, the PRC.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 24. DISCONTINUED OPERATIONS (Cont'd)

### (b) Disposal of subsidiaries in 2022 (Cont'd)

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

Financial results of the Disposal Group A and Disposal Group B relating to the discontinued operations for the period are set below.

The financial performance and cash flow information presented reflected the discontinued operations for the six months ended 30 June 2022.

	<b>Disposal Group A For the six months ended 30 June 2022 HK\$'000 (Unaudited)</b>	<b>Disposal Group B For the six months ended 30 June 2022 HK\$'000 (Unaudited)</b>
Other income, gains and losses	26,741	(745)
Administrative expenses	(786)	(650)
Other operating expenses	(16)	–
Finance costs	(77,013)	–
<b>Loss for the period from discontinued operations</b>	<b>(51,074)</b>	<b>(1,395)</b>
(Loss) profit and total comprehensive (expense) income for the period from discontinued operations	(29,571)	2,436
Net cash flows used in operating activities	(547)	–
Net cash flows from investing activities	1	–
Net cash flows from financing activities	–	–
Effect of foreign exchange rate changes	(20)	–
<b>Net decrease in cash and cash equivalents</b>	<b>(566)</b>	<b>–</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 24. DISCONTINUED OPERATIONS (Cont'd)

### (b) Disposal of subsidiaries in 2022 (Cont'd)

(i) *Results of the discontinued operations have been included in the condensed consolidated statement of profit or loss and other comprehensive income: (Cont'd)*

	<b>Disposal Group A For the six months ended 30 June 2022 HK\$'000 (Unaudited)</b>	<b>Disposal Group B For the six months ended 30 June 2022 HK\$'000 (Unaudited)</b>
Basic loss per share from discontinued operations attributable to shareholders of the Company (HK cents)	(0.766)	(0.021)
Diluted loss per share from discontinued operations attributable to shareholders of the Company (HK cents)	(0.766)	(0.021)

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 24. DISCONTINUED OPERATIONS (Cont'd)

### (b) Disposal of subsidiaries in 2022 (Cont'd)

#### (ii) Loss for the period of the discontinued operations

Loss for the period of the discontinued operations was stated after charging the following:

	<b>Disposal Group A For the six months ended 30 June 2022 HK\$'000 (Unaudited)</b>	<b>Disposal Group B For the six months ended 30 June 2022 HK\$'000 (Unaudited)</b>
Depreciation of property, operating right and equipment	–	1
Staff costs, excluding Directors		
– salaries and wages	452	191
– retirements benefits scheme contributions	118	34
Total staff costs, excluding Directors	570	225
Short-term and variable lease payments	–	29

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 25. 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\$167,645,000) (31 December 2022: RMB155,290,000 (equivalent to approximately HK\$173,839,000)); and (ii) the principal amount of the Shenzhen Sky Alliance Loan amounting to RMB519,249,000 (equivalent to approximately HK\$560,562,000) (31 December 2022: RMB519,249,000 (equivalent to approximately HK\$581,271,000)), in the aggregate amount of RMB674,539,000 (equivalent to approximately HK\$728,207,000) (31 December 2022: RMB674,539,000 (equivalent to approximately HK\$755,110,000)). In this regard, approximately RMB20,481,000 (equivalent to approximately HK\$22,110,000) (31 December 2022: 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 30 June 2023 and 31 December 2022.

## 26. CAPITAL COMMITMENTS

The Group has the following material commitments in respect of property, operating right and equipment which are not provided for in the condensed consolidated financial statements as follows:

	As at	
	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Contracted but not provided for*	2,439,107	4,457,905

\* The amount included approximately HK\$2,415,430,000 (31 December 2022: approximately HK\$4,418,457,000) in relation to the construction of the Main Hotel Casino.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 27. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

### (a) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used) as well as the level of fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- \* Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- \* Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- \* Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 27. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Cont'd)

### (a) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Cont'd)

Financial assets/ financial liabilities	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
Derivative financial liabilities classified as FVTPL – convertible bonds	152	167	Level 3	Binomial Model – in this approach, certain parameters (Note 21(b)) determined by management are input into the Binomial Model to derive the valuation of the derivative financial instruments  Certain parameters include: – Share price – Conversion price – Expected volatility – Expected option life – Expected dividend yield – Risk-free rate	Estimation of share price volatility, determined by reference to the average historical volatility of Summit Ascent
Derivative financial asset classified as FVTPL – put option	3,857	3,232	Level 3	Binomial Model – in this approach, certain parameters (Note 21(c)) determined by management are input into the Binomial Model to derive the valuation of the derivative financial instruments  Certain parameters include: – Share price – Expected volatility – Expected option life – Expected dividend yield – Risk-free rate	Estimation of share price volatility, determined by reference to the average historical volatility of Suntrust

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 27. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Cont'd)

- (a) **Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Cont'd)**

### *Sensitivity analysis*

If the volatility of the Summit Ascent's share price had been 5% higher/lower while all other variables were held constant, the Group's post-tax profit for the six months ended 30 June 2023 would have decreased/increased by approximately HK\$29,000 (year ended 31 December 2022: Post-tax loss would have increased/decreased by approximately HK\$30,000) (as a result of changes in fair value of derivative financial instrument).

If the volatility of the Suntrust's share price had been 5% higher/lower while all other variables were held constant, the Group's post-tax profit for the six months ended 30 June 2023 would have increased/decreased by approximately HK\$84,000 (year ended 31 December 2022: Post-tax loss would have decreased/increased by approximately HK\$114,000) (as a result of changes in fair value of derivative financial instruments).

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Fair value hierarchy as at 30 June 2023</b>				
<b>Financial asset</b>				
Derivative financial instrument	–	–	3,857	3,857
<b>Financial liabilities</b>				
Derivative financial instruments	–	–	152	152
<b>Fair value hierarchy as at 31 December 2022</b>				
<b>Financial asset</b>				
Derivative financial instrument	–	–	3,232	3,232
<b>Financial liabilities</b>				
Derivative financial instruments	–	–	167	167



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 27. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Cont'd)

### (b) Reconciliation of Level 3 fair value measurements of financial instruments

	<b>Derivative financial instruments</b> HK\$'000
At 1 January 2022 (Audited)	8,731
Total gains in profit or loss for the period	(13,185)
Exchange difference recognised in profit or loss	298
At 30 June 2022 (Unaudited)	(4,156)
At 1 January 2023 (Audited)	<b>(3,065)</b>
Total gains in profit or loss for the period	<b>(608)</b>
Exchange difference recognised in profit or loss	<b>(32)</b>
At 30 June 2023 (Unaudited)	<b>(3,705)</b>

Total gains/losses in profit or loss are included in “change in fair value of derivative financial instruments” in the condensed consolidated statement of profit or loss and other comprehensive income.

### (c) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The Directors consider that the carrying amounts of other financial assets and other financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

There is no transfer among Level 1, Level 2 and Level 3 during the six months ended 30 June 2023 and year ended 31 December 2022.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 28. MAJOR NON-CASH TRANSACTIONS

During the six months ended 30 June 2023 and 2022, the Group entered into the following major non-cash transactions:

- (a) The Group capitalised certain depreciation of right-of-use assets of approximately HK\$51,618,000 (six months ended 30 June 2022: approximately HK\$54,413,000), certain interest on lease liabilities of approximately HK\$17,423,000 (six months ended 30 June 2022: HK\$16,704,000) and interest on loan from immediate holding company of approximately HK\$216,000 (six months ended 30 June 2022: Nil) as part of the additions to the construction in progress included in property, operating right and equipment during the six months ended 30 June 2023.
- (b) The proposed distribution for Perpetual Securities of approximately HK\$134,088,000 (six months ended 30 June 2022: HK\$134,088,000) during the six months ended 30 June 2023 has remained unpaid as at 30 June 2023.

## 29. RELATED PARTY DISCLOSURES

In addition to those related party transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group had the following significant transactions with related parties during the six months ended 30 June 2023 and 2022:

### (a) Key management personnel compensation

The key management personnel of the Group comprises all Directors, details of their emoluments were disclosed as follows:

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Directors' remuneration	5,753	2,696

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 29. RELATED PARTY DISCLOSURES (Cont'd)

### (b) Transactions with related parties

Name of related parties	Notes	Nature of transactions	For the six months ended 30 June	
			2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Major Success	(i)	Imputed interest expense on 2016 Convertible Bond	-	36,430
		Imputed interest expense on 2018 Convertible bond	-	31,108
		Imputed interest expense on 2018 Promissory Note	-	31,816
		Interest expense on 2018 Promissory Note	-	3,005
		Proposed distribution for Perpetual Securities	134,088	134,088
		Interest expense on Major Success Loan	216	-
		Gold Yield Enterprises Limited	(ii)	Interest income on loans to a joint venture
		Imputed interest income on loans to a joint venture	8,007	15,433
Non-controlling shareholders of Orient Regent		Imputed interest expense on ORL Convertible Loans	3,852	4,282
Westside and/or Travellers	(iii)	Interest on lease liabilities	17,450	16,704

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 29. RELATED PARTY DISCLOSURES (Cont'd)

### (b) Transactions with related parties (Cont'd)

Notes:

- (i) Major Success is the immediate holding company of the Company which is wholly owned by Mr. Lo.
- (ii) Gold Yield Enterprises Limited is a joint venture of the Company. The Company indirectly interested in 50% equity interest in Gold Yield Enterprises Limited.
- (iii) Westside and Travellers are fellow subsidiaries of a non-controlling shareholder of Suntrust.

## 30. EVENTS AFTER THE REPORTING PERIOD

- (a) On 14 July 2023, all the conditions precedent to the Miyako Acquisition were fulfilled and 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 indirect wholly-owned subsidiaries of the Group held through its non-wholly owned Summit Ascent and Summit Ascent becomes interested in 100% of the Miyako Land Parcel.
- (b) On 31 July 2023, the Seller (being an indirect wholly-owned subsidiary of the Company) 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 31 July 2023, 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.

## Other Information

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2023, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Part XV of the SFO or Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) were as follows:

#### (i) Long position in the shares and/or underlying shares of the Company

Name of Directors	Capacity/ Nature of Interest	Number of shares held	Number of underlying shares held under equity derivatives	Percentage of aggregate interest shares to total number of shares in issue*
Mr. Lo Kai Bong (“Mr. Lo”)	Interest of controlled corporation	4,999,694,857 <sup>1</sup>	–	72.07%
	Beneficial owner	–	40,000,000 <sup>2</sup>	0.58%

Notes:

1. These shares are held by Major Success Group Limited (“Major Success”) which is wholly-owned by Mr. Lo. By virtue of Part XV of the SFO, Mr. Lo is taken to be interested in all these shares in which Major Success is interested. As at 30 June 2023, the entire issued share capital of Major Success comprising 130,000 shares and 4,999,694,857 shares of the Company held by Major Success were charged by Major Success in favour of Wooco Secretarial Services Limited as security agent on 21 March 2023 as security for a syndicate of loan advanced to Mr. Lo.
  2. Mr. Lo is interested in 40,000,000 share options at an exercise price of HK\$0.455 per share to subscribe for shares of the Company.
- \* The percentage has been calculated based on the total number of shares of the Company in issue as at 30 June 2023 (i.e. 6,936,972,746 shares).

## Other Information

### (ii) Long positions in the shares and/or underlying shares of the Company's associated corporation

Name of Associated Corporation	Name of Director	Capacity/ Nature of Interest	Number of shares held	Approximate percentage of number of shares in issue*
Summit Ascent Holdings Limited ("Summit Ascent")	Mr. Lo	Interest of controlled corporation	3,146,533,811 <sup>1</sup>	69.77%
Major Success	Mr. Lo	Beneficial owner	130,000 <sup>2</sup>	100%

Notes:

- These shares were held as to (a) 123,255,000 shares by the Company (in which Mr. Lo has a controlling interest of 72.07% through Major Success, a company wholly-owned by Mr. Lo); (b) 3,018,306,811 shares by Victor Sky Holdings Limited, which is 100% owned by the Company; (c) 520,000 shares by Better Linkage Limited, a company wholly-owned by Mr. Lo; and (d) 4,452,000 shares by Ever Smart Capital Limited, a company wholly-owned by Better Linkage Limited. By virtue of Part XV of the SFO, Mr. Lo is taken to be interested in all these shares of Summit Ascent in which these companies are interested.
  - This represents interests in Major Success as a holding company of the Company which are beneficially owned by Mr. Lo. As at 30 June 2023, the entire issued share capital of Major Success comprising 130,000 shares were charged by Major Success in favour of Wooco Secretarial Services Limited as security agent on 21 March 2023 as security for a syndicate of loan advanced to Mr. Lo.
- \* The percentage has been calculated based on the total number of shares of Summit Ascent in issue as at 30 June 2023 (i.e. 4,509,444,590 shares).

## Other Information

Save as disclosed above, as at 30 June 2023, none of the Directors or chief executive of the Company had any interests or short positions in the shares, the underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

### (iii) Long positions in the debentures of the Company

<b>Name of Director</b>	<b>Capacity/Nature of Interest</b>	<b>Type of debenture</b>	<b>Principal amount held</b>
Mr. Lo	Interest of controlled corporation	Perpetual Securities	5,408,000,000

Note:

1. The debenture represents the perpetual securities of the Company held by Major Success with aggregate principal amount of HK\$5,408,000,000 (the “**Perpetual Securities**”). The Perpetual Securities are provided as security in favour of Wooco Secretarial Services Limited as security agent for a syndicate of loan advanced to Mr. Lo.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in Note 21 to the condensed consolidated financial statements headed “Convertible Bonds/Derivative Financial Instruments/Bond Payables” and the share option schemes described below, at no time during the period was the Company, its holding company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Other Information

### SUBSTANTIAL INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2023, the interests of substantial shareholders (other than the Directors and the chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

#### Long positions in the shares and/or underlying shares of the Company

Name	Capacity/ Nature of Interest	Number of shares held	Number of underlying shares held under equity derivatives	Percentage of aggregate interest shares to total number of shares in issue*
Major Success	Beneficial owner	4,999,694,857 <sup>1</sup>	–	72.07%
Wooco Secretarial Services Limited ("Security Agent")	Agent	4,999,694,857 <sup>2</sup>	–	72.07%
Allied Group Limited	Interest of controlled corporation	4,999,694,857 <sup>3,4,5</sup>	–	72.07%
Sun Hung Kai & Co. Limited ("SHKCL")	Interest of controlled corporations	4,999,694,857 <sup>3&amp;6</sup>	–	72.07%
Lee Seng Hui ("SH Lee")	Interest held jointly with another person	4,999,694,857 <sup>3&amp;4</sup>	–	72.07%
Lee Seng Huang	Interest of controlled corporation	4,999,694,857 <sup>3&amp;4</sup>	–	72.07%
Lee Su Hwei	Interest of controlled corporation	4,999,694,857 <sup>3&amp;4</sup>	–	72.07%
United Asia Finance Limited ("UAFL")	Interest of controlled corporations	4,999,694,857 <sup>3&amp;6</sup>	–	72.07%
First Asian Holdings Limited ("FAHL")	Interest held jointly with another person	4,999,694,857 <sup>3</sup>	–	72.07%
Lee Shu Yin	Interest held jointly with another person	4,999,694,857 <sup>3</sup>	–	72.07%



## Other Information

### Notes:

1. These shares are held by Major Success which is wholly-owned by Mr. Lo. By virtue of Part XV of the SFO, Mr. Lo is taken to be interested in all these shares in which Major Success is interested. As at 30 June 2023, the entire issued share capital of Major Success comprising 130,000 shares and 4,999,694,857 shares of the Company held by Major Success were charged by Major Success in favour of Wooco Secretarial Services Limited as security agent on 21 March 2023 as security for a syndicate of loan advanced to Mr. Lo.
  2. These represent security interest charged in favour of the Security Agent on 21 March 2023, comprising 130,000 shares of Major Success and 4,999,694,857 shares of the Company held by Major Success charged by Mr. Lo and Major Success respectively.
  3. These represent security interest charged in favour of the Security Agent on 21 March 2023 as security agent for Long Set Investments Limited, FAHL, SH Lee and Lee Shu Yin as lenders, comprising 130,000 shares of Major Success and 4,999,694,857 shares of the Company held by Major Success.
  4. Allied Group Limited is a controlled corporation of SH Lee, Lee Seng Huang and Lee Su Hwei.
  5. SHKCL is non-wholly owned by AP Emerald Limited which in turn is non-wholly owned by Allied Group Limited.
  6. UAFL and FAHL are non-wholly owned by SHKCL and SHKCL is a controlled corporation of SH Lee and Lee Shu Yin.
- \* The percentage has been calculated based on the total number of shares of the Company in issue as at 30 June 2023 (i.e. 6,936,972,746 shares).

Save as disclosed above, as at 30 June 2023, the Company had not been notified by any persons (other than the Directors and the chief executive of the Company) who had interests and short positions in the shares or underlying shares of the Company which had been recorded in the register required to be kept under section 336 of the SFO.

## SHARE OPTION

### (1) The Company

On 31 January 2007, in recognition of the contributions made by employees of the Group towards its growth and success, a share option scheme (the “**Share Option Scheme**”) was adopted by the shareholder’s written resolution of the Company. On 2 June 2016, a resolution has been passed in the 2016 annual general meeting of the Company to terminate the Share Option Scheme and adopt a new share option scheme (the “**New Share Option Scheme**”). Following the termination of the Share Option Scheme, no further options will be granted under such scheme, but in all other respects the provisions of the Share Option Scheme will remain in full force and effect and options granted prior to such termination will continue to be valid and exercisable in accordance with the rules of the Share Option Scheme. The Listing Committee of the Stock Exchange has granted the listing of, and permission to deal in the shares of the Company which may fall to be issued pursuant to the exercise of the options which granted and/or may be granted under the Share Option Scheme, and/or the New Share Option Scheme, subsequently.

## Other Information

As at 30 June 2023, a total of 163,500,187 share options were outstanding which comprised 92,400,187 share options and 71,100,000 share options granted under the Share Option Scheme and the New Share Option Scheme respectively. The number of options available for grant under the mandate of the New Share Option Scheme (taking into account the number of options granted subsequent to the refreshment of its scheme mandate limit at the annual general meeting of the Company held on 31 July 2020 but has lapsed) was 661,597,274 as at 31 December 2022 and 30 June 2023 respectively. The Company did not grant any share options during the six months ended 30 June 2023. The following is a summary of the principal terms of the Share Option Scheme and the New Share Option Scheme.

### (A) *Share Option Scheme*

#### *Purpose*

Recognise and acknowledge the contributions that the grantees had made or may make to the Group.

#### *Participants*

Eligible participants include:

- (a) any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company (“**Affiliate**”);
- (b) the trustee of any trust the beneficiary of which or a discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or
- (c) a company beneficially owned by any director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to the Group or an Affiliate.

#### *Exercise price of options granted*

Determined by the Board and shall not be less than the higher of:

- (a) the nominal value of the share of the Company;
- (b) the closing price of the share of the Company on the Stock Exchange at the offer date, which must be a trading day; and
- (c) the average closing price of the share of the Company on the Stock Exchange for the five business days immediately preceding the offer date.

## Other Information

*Total number of shares available for issue upon exercise of the outstanding share options of the Company under the Share Option Scheme and the percentage of the issued shares capital that it represented as at the date of this interim report*

No further options will be granted under the scheme as the scheme had been terminated on 2 June 2016.

The total number of shares of the Company available for issue upon exercise of the outstanding share option under the Share Option Scheme was 92,400,187 shares, being approximately 1.33% of the issued shares of the Company.

*Maximum entitlement of each participant*

Not exceed 1% of the shares of the Company in issue in any 12-month period.

*Period within which the option may be exercised by the grantee*

Subject to the discretion by the Board and, in the absence of which, from the date of acceptance to the earlier of the date on which such option lapses and 10 years from the date of grant of option.

*Minimum period for which an option must be held before it can be exercised (i.e. vesting period)*

Subject to the discretion by the Board.

*Amount payable on acceptance*

HK\$10 payable upon acceptance of the offer.

*Period within which calls/loans must be made/repaid*

Not applicable.

*Remaining life of the scheme*

The scheme has been terminated on 2 June 2016 but the provisions of the scheme shall remain in full force and effect in all other respects. Options complying with the provisions of the Listing Rules which are granted during the duration of the scheme and remain unexercised immediately prior to the date of termination shall continue to be exercisable in accordance with their terms of grant, notwithstanding the termination of the scheme.

### (B) *New Share Option Scheme*

#### *Purpose*

Recognise and acknowledge the contributions that the grantees had made or may make to the Group.

#### *Participants*

Eligible participants include:

- (a) full time or part time employees, executives, officers, or directors (whether executive or nonexecutive and whether independent or not) of the Group;
- (b) and any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensee) or distributors, landlords or tenants (including any sub-tenants) of the Group.

#### *Exercise price of options granted*

Determined by the Board and shall not be less than the higher of:

- (a) the nominal value of the share of the Company;
- (b) the closing price of share of the Company on the Stock Exchange at the offer date, which must be a trading day; and
- (c) the average closing price of the share of the Company on the Stock Exchange for the five business days immediately preceding the offer date.

*Total number of shares available for issue upon exercise of the outstanding share options of the Company under the New Share Option Scheme and the percentage of the issued shares capital that it represented as at the date of this interim report.*

The total number of shares of the Company available for issue upon exercise of the outstanding share options under the New Share Option Scheme was 71,100,000 shares, being approximately 1.02% of the issued shares of the Company.

The total number of shares of the Company available for issue upon exercise of all outstanding share options under the Share Option Scheme and the New Share Option Scheme was 163,500,187 shares, approximately 2.35% of the issued shares of the Company as at the date of this interim report.

## Other Information

*Maximum entitlement of each participant*

Not exceed 1% of the shares of the Company in issue in any 12-month period.

*Period within which the option may be exercised by the grantee*

Subject to the discretion by the Board and, in the absence of which, from the date of acceptance to the earlier of the date on which such option lapses and 10 years from the date of grant of option.

*Minimum period for which an option must be held before it can be exercised (i.e. vesting period)*

Subject to the discretion by the Board.

*Amount payable on acceptance*

HK\$1 payable upon acceptance of the offer.

*Period within which calls/loans must be made/repaid*

Not applicable.

*Remaining life of the scheme*

The scheme will be valid and effective until 2 June 2026, after which no further options will be granted but the provisions of the scheme shall remain in full force and effect in all other respects. Options complying with the provisions of the Listing Rules which are granted during the duration of the scheme and remain unexercised immediately prior to 2 June 2026 shall continue to be exercisable in accordance with their terms of grant, notwithstanding the expiry of the scheme.

## Other Information

### (C) Movements of the Share Option Scheme

Movements of the share options, which were granted under the Share Option Scheme, during the period ended 30 June 2023 are listed below in accordance with rule 17.07 of the Listing Rules:

Category	Date of grant	As at 1.1.2023	Number of share options				As at 30.6.2023	Adjusted exercise price HK\$	Closing Price immediately before date of grant HK\$	Exercisable period	Vesting period
			Granted	Exercised	Cancelled	Lapsed					
<b>Continuous Contract Employees</b>	12.12.2013	462,559	-	-	-	-	462,559	0.344 <sup>1</sup>	0.355 <sup>3</sup>	13.12.2013– 12.12.2023	Note 4
Sub-total:		462,559	-	-	-	-	462,559				Note 4
<b>Consultants</b>	12.12.2013	91,937,628	-	-	-	-	91,937,628	0.344 <sup>1</sup>	0.355 <sup>3</sup>	13.12.2013– 12.12.2023	Note 4
Sub-total:		91,937,628	-	-	-	-	91,937,628				
<b>Total:</b>		<b>92,400,187</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>92,400,187</b>				

Notes:

1. The original exercise price of the share option granted on 12 December 2013 was HK\$0.398, which was subsequently adjusted to HK\$0.344. The exercise price of the share options is subject to the adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.
2. When the share options are lapsed or cancelled, the amount previously recognised in share option reserve will be transferred to accumulated losses.
3. The original closing price of the shares of the Company immediately before the date of grant on 11 December 2013 was HK\$0.410, which was subsequently adjusted to HK\$0.355 due to the right or bonus issues, or other similar changes in the Company's share capital.
4. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

## Other Information

### (D) Movements of the New Share Option Scheme

Movements of the share options, which were granted under the New Share Option Scheme, during the period ended 30 June 2023 are listed below in accordance with rule 17.07 of the Listing Rules:

Category	Date of grant	As at 1.1.2023	Number of share options				As at 30.6.2023	Exercise price HK\$	Closing Price immediately before date of grant HK\$	Exercisable period	Vesting period
			Granted	Exercised	Cancelled	Lapsed					
<b>Consultants</b>	19.04.2017	16,500,000	-	-	-	-	16,500,000	0.700	0.600	19.04.2017-18.04.2027	Note 3
Sub-total:		16,500,000	-	-	-	-	16,500,000				
<b>Directors</b>											
Mr. Lo	04.09.2017	8,000,000	-	-	-	-	8,000,000	0.455	0.460	04.09.2017-03.09.2027	Note 3
	04.09.2017	12,000,000	-	-	-	-	12,000,000	0.455	0.460	04.09.2018-03.09.2027	Note 3
	04.09.2017	20,000,000	-	-	-	-	20,000,000	0.455	0.460	04.09.2019-03.09.2027	Note 3
Sub-total:		40,000,000	-	-	-	-	40,000,000				

## Other Information

Category	Date of grant	As at 1.1.2023	Number of share options				As at 30.6.2023	Exercise price HK\$	Closing Price immediately before date of grant HK\$	Exercisable period	Vesting period
			Granted	Exercised	Cancelled	Lapsed					
<b>Continuous Contract Employees</b>	04.09.2017	1,900,000	-	-	-	-	1,900,000	0.455	0.460	04.09.2017-03.09.2027	Note 3
	04.09.2017	2,850,000	-	-	-	-	2,850,000	0.455	0.460	04.09.2018-03.09.2027	Note 3
	04.09.2017	4,750,000	-	-	-	-	4,750,000	0.455	0.460	04.09.2019-03.09.2027	Note 3
	22.09.2020	1,530,000	-	-	-	-	1,530,000	0.900	0.760	22.09.2020-21.09.2030	Note 3
	22.09.2020	1,530,000	-	-	-	-	1,530,000	0.900	0.760	22.09.2021-21.09.2030	Note 3
	22.09.2020	2,040,000	-	-	-	-	2,040,000	0.900	0.760	22.09.2022-21.09.2030	Note 3
Sub-total:		14,600,000	-	-	-	-	14,600,000				
<b>Total:</b>		<b>71,100,000</b>	-	-	-	-	<b>71,100,000</b>				

### Notes:

1. The exercise price of the share options is subject to the adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.
2. When the share options are lapsed or cancelled, the amount previously recognised in share option reserve will be transferred to accumulated losses.
3. The vesting period of the share options is from the date of grant until the commencement of the exercise period.



## Other Information

### (2) Summit Ascent

#### Share Option Scheme of Summit Ascent (the “Summit Ascent Scheme”)

Movements of share options granted under the Summit Ascent Scheme during the period from 1 January 2023 to 30 June 2023 are set out below:

Category of Participants	Date of grant	Number of share options				As at 30 June 2023	Exercise price (HK\$)	Exercise period (Notes)	Vesting period (Notes)
		As at 1 January 2023	Granted	Lapsed	Cancelled				
<b>Independent non-executive directors of Summit Ascent</b>									
Mr. Lau Yau Cheung	13.12.2018	937,500	-	-	-	937,500	1.05	2	1
Mr. Li Chak Hung	13.12.2018	937,500	-	-	-	937,500	1.05	2	1
<b>Employees</b>	13.12.2018	10,621,875	-	-	-	10,621,875	1.05	2	1
<b>Consultants</b>	02.11.2020	1,000,000	-	-	-	1,000,000	0.912	3	1
<b>Total</b>		<b>13,496,875</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,496,875</b>			

Notes:

- Each option gives the holder the right to subscribe for one share of Summit Ascent and the vesting period of the share options is from the date of grant until the commencement of the exercise period.
- The share options granted on 13 December 2018 are exercisable from 13 December 2018 to 12 December 2023. The closing price of Summit Ascent’s shares on the Stock Exchange immediately preceding the date of grant was HK\$0.98. The exercise price was adjusted from HK\$0.98 to HK\$1.05 as a result of the right issue of Summit Ascent.
- The share options granted on 2 November 2020 are divided into 3 tranches, 30% of which is exercisable from 2 November 2020, 30% of which is exercisable from 2 November 2021 and the remaining 40% is exercisable from 2 November 2022 respectively to 1 November 2025. The closing price of the Summit Ascent’s shares on the Stock Exchange immediately preceding the date of grant was HK\$0.89.
- The number of options available for grant under the mandate of the Summit Ascent Scheme was 450,944,459 as at 30 June 2023 and 31 December 2022. During the six months ended 30 June 2023, no share options were exercised or cancelled under the Summit Ascent Scheme.

## Other Information

### CHANGES IN DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, after having made all reasonable enquiry, the Company is not aware of any information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the annual report of the Company for the year ended 31 December 2022 and up to the date of this report.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities.

### CORPORATE GOVERNANCE

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 Corporate Governance Code (the "**CG Code**") as set out in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the six months ended 30 June 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.

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.

### AUDIT COMMITTEE

The Company has established an audit committee ("**Audit Committee**") with written terms of reference to set out its authority and duties. The Audit Committee comprises three independent non-executive Directors. The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2023.

### REMUNERATION COMMITTEE

The Company has established a remuneration committee ("**Remuneration Committee**") with written terms of reference to set out its authority and duties. The Remuneration Committee comprises three independent non-executive Directors.

## Other Information

### NOMINATION COMMITTEE

The Company has established a nomination committee (“**Nomination Committee**”) with terms of reference to set out its authority and duties. The Nomination Committee comprises three independent non-executive Directors of the Company.

### 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 10 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 six months ended 30 June 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.

### APPROVAL OF INTERIM REPORT

The unaudited condensed consolidated financial statements in the interim report have been reviewed by Crowe (HK) CPA Limited, the independent auditor of the Company, in accordance with Hong Kong Standard on Review Engagement 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” issued by the Hong Kong Institute of Certified Public Accountants and the Audit Committee, and the interim report was approved and authorised for issue by the Board on 29 August 2023.

On behalf of the Board

**Lo Kai Bong**  
Chairman