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Shin Hwa World Limited

神話世界有限公司

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

(Stock code: 00582)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

The board of directors (the “**Directors**”) (the “**Board**”) of Shin Hwa World Limited (the “**Company**”) hereby presents the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023 (the “**Period**”) together with the comparative figures for the corresponding period in 2022. The audit committee of the Company (the “**Audit Committee**”) has reviewed and discussed with the management of the Company the unaudited interim financial information of the Group for the Period.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
REVENUE	4	418,094	691,554
Cost of properties and inventories sold		(47,141)	(113,218)
Other income and gains/(losses), net	5	4,272	4,753
Gaming duties and other related taxes		(3,116)	(1,415)
Amortisation and depreciation		(161,760)	(269,927)
Employee benefit expenses		(255,864)	(227,895)
Other operating expenses		(222,330)	(216,977)
Finance costs, net	6	(55,552)	(56,246)
Fair value gains on investment properties, net		8,376	40,934
(Impairment)/reversal of impairment of trade and other receivables, net		(2,492)	66,172
LOSS BEFORE TAX	7	(317,513)	(82,265)
Income tax expense	8	(21,426)	(23,093)
LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		(338,939)	(105,358)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	10		
Basic		(HK8.02) cents	(HK2.49) cents
Diluted		(HK8.02) cents	(HK2.49) cents

**CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	(338,939)	(105,358)
OTHER COMPREHENSIVE LOSS		
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(297,778)	(627,794)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(297,778)	(627,794)
<i>Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:</i>		
Revaluation of properties, plant and equipment upon transfer to investment properties, net	8,678	–
Deferred tax debited to asset revaluation reserve	(1,833)	–
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	509	(6,252)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	7,354	(6,252)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(290,424)	(634,046)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	(629,363)	(739,404)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	7,309,746	7,747,298
Investment properties		731,859	718,393
Right-of-use assets		3,671	1,541
Goodwill and other intangible assets	12	147,996	154,387
Equity investments designated at fair value through other comprehensive income		1,660	13,866
Prepayments, trade and other receivables	13	100,296	104,435
Total non-current assets		8,295,228	8,739,920
CURRENT ASSETS			
Properties under development		103,311	107,536
Completed properties for sale		396,493	456,976
Inventories		61,578	56,918
Prepayments, trade and other receivables	13	173,066	127,646
Tax recoverable		13	812
Restricted cash	14	60,325	62,793
Cash and cash equivalents	14	313,885	503,421
Total current assets		1,108,671	1,316,102
CURRENT LIABILITIES			
Trade and other payables	15	366,958	323,397
Interest-bearing bank borrowing	16	42,776	31,937
Lease liabilities		1,480	986
Tax payable		40	79
Total current liabilities		411,254	356,399
NET CURRENT ASSETS		697,417	959,703
TOTAL ASSETS LESS CURRENT LIABILITIES		8,992,645	9,699,623

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

As at 30 June 2023

		30 June	31 December
		2023	2022
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Trade and other payables	<i>15</i>	19,170	12,783
Interest-bearing bank borrowing	<i>16</i>	1,437,501	1,524,213
Lease liabilities		2,377	762
Deferred tax liabilities		45,577	44,482
		<hr/>	<hr/>
Total non-current liabilities		1,504,625	1,582,240
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Net assets		7,488,020	8,117,383
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EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>17</i>	42,263	42,263
Reserves		7,445,757	8,075,120
		<hr/>	<hr/>
Total equity		7,488,020	8,117,383
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NOTES TO THE INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

2 BASIS OF PREPARATION

The interim financial information for the six months ended 30 June 2023 have been prepared in accordance with Hong Kong Accounting Standards (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which also include HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the adoption of the new and revised HKFRSs as of 1 January 2023 as disclosed in note 3 below. The Group has not yet early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. In the opinion of the directors of the Company, the new and revised standard is not expected to have a significant impact on the financial position and performance of the Group.

The interim financial information for the six months ended 30 June 2023 has been prepared under the historical cost convention, except for investment properties and equity investments, which have been measured at fair value. The interim financial information is presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new and revised HKFRSs effective as of 1 January 2023.

HKFRS 17 and Related Amendments	<i>Insurance Contracts</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 adoption of those new and revised standards has no significant financial effect on the interim financial information and there has been no significant change to the accounting policies applied in the interim financial information.

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

4 SEGMENT INFORMATION

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

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

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

The following tables represent revenue and results information regarding the Group's operating segments for the six months ended 30 June 2023 and 2022, respectively:

For the six months ended 30 June 2023

	Integrated Resort Development HK\$'000 (Unaudited)	Gaming Business HK\$'000 (Unaudited)	Property Development HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue:				
Sales to external customers	<u>347,838</u>	<u>23,804</u>	<u>46,452</u>	<u>418,094</u>
Segment results	<u>(145,954)</u>	<u>(107,801)</u>	<u>16,153</u>	<u>(237,602)</u>
<i>Reconciliation:</i>				
Finance costs, net (other than interest on lease liabilities)				(55,482)
Corporate and other unallocated expenses, net				<u>(24,429)</u>
Loss before tax				<u>(317,513)</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

4 SEGMENT INFORMATION (continued)

For the six months ended 30 June 2022

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

Geographical information

Revenue from external customers

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
South Korea	<u>418,094</u>	<u>691,554</u>

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

Information about major customers

During the six months ended 30 June 2023 and 2022, no single customer contributed over 10% of the Group's total revenue.

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

5 OTHER INCOME AND GAINS/(LOSSES), NET

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Dividend income from equity investments		
at fair value through other comprehensive income	–	74
(Loss)/gain on disposal of items of property, plant and equipment	(179)	129
Loss on disposal of items of other intangible assets	(9)	–
Foreign exchange differences, net	2,895	(17,486)
Other taxes refunded	–	20,156
Others	1,565	1,880
	<u>1,565</u>	<u>1,880</u>
Other income and gains/(losses), net	<u>4,272</u>	<u>4,753</u>

6 FINANCE COSTS, NET

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interest expenses:		
– Lease liabilities	(70)	(50)
– Bank borrowing	(59,242)	(56,582)
	<u>(59,312)</u>	<u>(56,632)</u>
Finance costs	<u>(59,312)</u>	<u>(56,632)</u>
Interest income:		
– Bank interest income	3,551	381
– Other interest income	209	5
	<u>3,760</u>	<u>386</u>
Finance income	<u>3,760</u>	<u>386</u>
Finance costs, net	<u>(55,552)</u>	<u>(56,246)</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

7 LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Cost of properties and inventories sold:		
– Cost of properties sold	18,551	81,339
– Cost of inventories sold	28,590	32,601
– Reversal of provision for inventories	–	(722)
	47,141	113,218
Amortisation and depreciation:		
– Depreciation of property, plant and equipment	160,851	268,903
– Depreciation of right-of-use assets	587	862
– Amortisation of intangible assets	322	162
	161,760	269,927
Impairment/(reversal of impairment) of trade and other receivables, net:		
– Impairment of gaming receivables, net	2,609	–
– Reversal of impairment of other receivables, net	(117)	(66,172)
	2,492	(66,172)
Expenses included in “other operating expenses”:		
– Repair and maintenance expenses of building, equipment, and facility	83,535	81,993
– Sales and marketing, promotion and advertising expenses	14,642	11,772
– Lease payments not included in the measurement of lease liabilities	3,187	2,184
– Utilities expenses	46,484	43,607
	46,484	43,607

Note:

For the six months ended 30 June 2022, government grants of HK\$216,000 and HK\$2,514,000 were received under the “Anti-epidemic Fund” of the Government of Hong Kong Special Administrative Region and the “Employment Retention Subsidy” of the Government of South Korea, respectively. These amounts are included in the “employee benefit expenses” in the condensed consolidated statement of profit or loss and there are no unfulfilled conditions or contingencies related to these grants.

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

8 INCOME TAX

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2023 (Six months ended 30 June 2022: Nil). Taxation on overseas profits have been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Current tax – South Korea	41	23
Withholding tax	20,449	21,534
Deferred tax	936	1,536
Total tax charge for the period	<u>21,426</u>	<u>23,093</u>

9 DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30 June 2023 (Six months ended 30 June 2022: Nil).

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

10 LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

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

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Loss		
Loss attributable to owners of the parent, used in the basic and diluted loss per share calculation:	<u>(338,939)</u>	<u>(105,358)</u>
Number of shares	'000	'000
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	<u>4,226,252</u>	<u>4,226,252</u>

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

11 PROPERTY, PLANT AND EQUIPMENT

	HK\$'000
Net book amount as at 31 December 2022 and 1 January 2023 (Audited)	7,747,298
Additions	19,131
Depreciation provided for the period	(160,851)
Disposals/write-off	(239)
Transfers	5,934
Exchange realignment	<u>(301,527)</u>
Net book amount as at 30 June 2023 (Unaudited)	<u>7,309,746</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

12 GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill	Other intangible assets	Total
	HK\$'000	HK\$'000	HK\$'000
Cost			
As at 31 December 2022 and 1 January 2023 (Audited)	4,894	801,329	806,223
Disposals	–	(11)	(11)
Exchange realignment	(192)	(31,485)	(31,677)
As at 30 June 2023 (Unaudited)	4,702	769,833	774,535
Accumulated amortisation			
As at 31 December 2022 and 1 January 2023 (Audited)	–	1,424	1,424
Amortisation provided during the period	–	322	322
Disposals	–	(2)	(2)
Exchange realignment	–	(62)	(62)
As at 30 June 2023 (Unaudited)	–	1,682	1,682
Accumulated impairment			
As at 31 December 2022 and 1 January 2023 (Audited)	4,894	645,518	650,412
Exchange realignment	(192)	(25,363)	(25,555)
As at 30 June 2023 (Unaudited)	4,702	620,155	624,857
Net carrying amount			
As at 30 June 2023 (Unaudited)	–	147,996	147,996
As at 31 December 2022 (Audited)	–	154,387	154,387

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

13 PREPAYMENTS, TRADE AND OTHER RECEIVABLES

	30 June 2023	31 December 2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables	24,952	24,392
Less: Loss allowance for impairment of trade receivables	(345)	(359)
	<hr/>	<hr/>
Trade receivables, net (Note (i))	24,607	24,033
Receivables from gaming customers (Note (ii))	12,946	3,469
Other receivables	71,901	77,358
Prepayments	16,702	20,332
Value-added tax recoverable	3	3
Deposits (Note (iii))	51,591	10,091
Restricted deposit for bank borrowing	95,612	96,795
	<hr/>	<hr/>
	273,362	232,081
Less: Non-current portion	(100,296)	(104,435)
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Current portion	173,066	127,646
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Notes:

(i) Trade receivables, net

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

	30 June 2023	31 December 2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within 30 days	22,206	23,303
31 to 60 days	2,268	288
61 to 90 days	61	65
Over 90 days	72	377
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	24,607	24,033
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

13 PREPAYMENTS, TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(ii) Receivables from gaming customers

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

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Within 30 days	6,908	3,292
61 to 90 days	6,038	177
	<u>12,946</u>	<u>3,469</u>

(iii) Deposits

As at 30 June 2023, included in deposits is HK\$18,889,000 (31 December 2022: HK\$2,475,000), which has been pledged as collateral in relation to a lawsuit in Korea. Increase in balance was mainly due to (i) the increase in balance of HK\$12,673,000 (31 December 2022: Nil) in securities account deposits upon the privatisation of an equity investment, and (ii) the increase in the deposits that has been pledged as collateral.

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

14 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	30 June 2023	31 December 2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Cash and bank balances	150,584	332,514
Short-term time deposits	163,301	170,907
Restricted cash for the Cash Incident (Note)	60,325	62,793
	374,210	566,214
Less: Restricted cash for the Cash Incident (Note)	(60,325)	(62,793)
Cash and cash equivalents	313,885	503,421

Note:

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

Based upon the Investigation Progress Notification issued by Jeju Special Self-Governing Provincial Police Agency of Korea (the “**Jeju Police**”) to the Group in March 2021, the Jeju Police revealed that KRW13,400,000,000 (equivalent to retranslated amount of HK\$79,641,000 as at 30 June 2023) (the “**Seized Money**”) was seized by them in accordance with the due process of Korean law, and are being kept in the deposit account of a bank under the name of the Jeju Police. According to the legal opinions from independent lawyers, the Seized Money is expected to be part of the amount of the Group missed as a result of the Cash Incident and will be retained by the Jeju Police until the investigation process is complete.

Based on the report of factual findings issued by an independent external auditor in Korea, the cash balance in relation to the Cash Incident located in a premises of the Group in Korea and under the Group’s possession as at 31 December 2020 was KRW10,150,000,000 (equivalent to HK\$72,325,000). Accordingly, cash loss of KRW4,405,000,000 (equivalent to HK\$28,961,000) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2020. The remaining balance of the Seized Money were found elsewhere but is anticipated to be part of the missing fund. The investigation is still being conducted by the Jeju Police, and the restricted cash as at 30 June 2023 is amounted to KRW10,150,000,000 (equivalent to HK\$60,325,000) (31 December 2022: KRW10,150,000,000).

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

15 TRADE AND OTHER PAYABLES

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Trade payables (Note)	7,267	7,584
Deposit received	14,837	8,877
Accrued expenses	72,139	77,864
Accrued employee benefits	46,873	52,969
Other tax payables	53,708	35,105
Other payables (Note)	77,311	84,724
Contract liabilities	113,993	69,057
	386,128	336,180
Less: Non-current portion	(19,170)	(12,783)
Current portion	366,958	323,397

Note:

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

16 INTEREST-BEARING BANK BORROWING

	<u>30 June 2023</u>			<u>31 December 2022</u>		
	Effective interest rate	Maturity	HK\$'000 (Unaudited)	Effective interest rate	Maturity	HK\$'000 (Audited)
Current						
Bank loan – secured	2.75% +Korea CP rate	2024	42,776	2.75% +Korea CP rate	2023	31,937
Non-current						
Bank loan – secured	2.75% +Korea CP rate	2025	1,437,501	2.75% +Korea CP rate	2025	1,524,213
			1,480,277			1,556,150

The bank borrowing is secured by the Group's property, plant and equipment amounting to HK\$1,589,221,000 (31 December 2022: HK\$1,645,152,000), investment properties amounting to HK\$85,171,000 (31 December 2022: HK\$89,102,000), properties under development amounting to HK\$103,311,000 (31 December 2022: HK\$107,536,000) and completed properties for sale amounting to HK\$396,493,000 (31 December 2022: HK\$456,976,000).

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

17 SHARE CAPITAL

Shares

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Authorised:		
1,000,000,000,000 ordinary shares of HK\$0.01 each	<u>10,000,000</u>	<u>10,000,000</u>
Issued and fully paid:		
4,226,252,310 (2022: 4,226,252,310) ordinary shares of HK\$0.01 each	<u>42,263</u>	<u>42,263</u>

18 COMMITMENTS

(a) Capital commitments

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

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	248	259
Properties under development	<u>67,097</u>	<u>39,016</u>
	<u>67,345</u>	<u>39,275</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

18 COMMITMENTS (continued)

(b) Lease arrangements

The Group as lessor

The Group leases its investment properties consisting of several commercial properties in Korea under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the six months ended 30 June 2023 was HK\$18,445,000 (Six months ended 30 June 2022: HK\$16,511,000).

At 30 June 2023, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Within one year	25,534	12,300
After one year but within two years	23,448	11,412
After two years but within three years	19,535	8,524
After three years but within four years	18,413	7,003
After four years but within five years	16,853	6,526
After five years	31,280	11,663
	135,063	57,428

MANAGEMENT DISCUSSION AND ANALYSIS

The Company is an investment holding company, and during the six months ended 30 June 2023 (the “**Period**”), the principal activities of the Group are (i) development and operation of the integrated leisure and entertainment resort (the “**Integrated Resort Development**”); (ii) operation of gaming and entertainment facilities (the “**Gaming Business**”); and (iii) property development (the “**Property Development**”).

FINANCIAL RESULTS

For the Period, the Group’s consolidated revenue was approximately HK\$418,094,000 (2022: approximately HK\$691,554,000), representing a decrease of approximately 39.5% when compared to the corresponding period in 2022. During the Period, non-gaming revenue was approximately HK\$394,290,000 (2022: approximately HK\$658,918,000) while gaming revenue was approximately HK\$23,804,000 (2022: approximately HK\$32,636,000).

For the Period, the loss attributable to the owners of the parent is approximately HK\$338,939,000 (2022: approximately HK\$105,358,000). The basic and diluted loss per share attributable to owners of the parent was HK8.02 cents (2022: HK2.49 cents). The increase in consolidated net loss for the Period was mainly attributable to (i) the pressure on the room price and occupancy rate due to intense competition and domestic customers travelling abroad after the easing of travel restrictions, leading to a decrease in revenue generated from the Integrated Resort Development segment; (ii) the decrease in residential property sales owing to the downturn in the property market and the increasing interest rate; (iii) the increase in operating expenses resulting from inflation, particularly utility costs and spending on facility maintenances, as well as an increase in employee benefit expenses; (iv) the decrease in fair value gains of investment properties; and (v) the absence of a net amount of approximately HK\$66 million from the reversal of trade and other receivables impairment in the corresponding period of 2022.

As at 30 June 2023, the consolidated net asset value of the Company was approximately HK\$7,488,020,000 (31 December 2022: approximately HK\$8,117,383,000) and the consolidated net asset value per number of ordinary shares in issue attributable to owners of the parent was approximately HK\$1.77 (31 December 2022: approximately HK\$1.92).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

OPERATION AND BUSINESS REVIEW

Integrated Resort Development

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

OPERATION AND BUSINESS REVIEW (continued)

Integrated Resort Development (continued)

Jeju Shinhwa World also boasts the most extensive food and beverage outlets under one roof in Jeju, offering a wide selection of local and international cuisines including legendary tastes of Jeju or Korean specialties, Chinese classics, Western favorites and myriad other styles to suit both tourists and local residents. The poolside bar by Shinhwa Resort's signature Sky Pool offers a romantic view of Jeju Island's iconic Oreum ridge lines.

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

During the Period, most countries eased their border travel restrictions, however, China's group tours were still subject to approval by the Chinese authorities to enter Korea. Intense competition and domestic customers travelling abroad have put pressure on room price and occupancy rate. Nevertheless, our marketing team continued to offer attractive special staycation packages and promotional events bundled with our accommodations, water and theme parks, as well as food and beverage options. We also launched a wide variety of attraction events, such as lighting show with fireworks, seasonal flea market, art gallery, and new facilities, such as a premium cinema and a media-based story park, to enrich our customers' experiences.

For the Period, the Integrated Resort Development generated segment revenue of approximately HK\$347,838,000 (2022: approximately HK\$448,664,000), which was mainly derived from its hotels, MICE events, food and beverage services, attraction theme parks, water park and merchandise sales as well as leases of retail spaces in the resort. This represents a decrease of approximately 22% compared to the corresponding period in 2022. The segment loss of the Integrated Resort Development was approximately HK\$145,954,000 (2022: approximately HK\$82,121,000).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

OPERATION AND BUSINESS REVIEW (continued)

Gaming Business

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

During the Period, the recovery momentum of the Gaming Business became apparent, with both the rolling volume and non-rolling volume increasing compared to the corresponding period in 2022. However, the decline in the winning percentage resulted in a negative effect on the segment revenue during the Period.

For the Period, Landing Casino recorded net revenue of approximately HK\$23,804,000 (2022: approximately HK\$32,636,000), and the segment loss from the Gaming Business was approximately HK\$107,801,000 (2022: approximately HK\$49,178,000).

Based on the recoverable amount of the cash-generating unit of the Gaming Business which has been determined by value-in-use calculations using cash flow projections of financial budgets and referencing to the segment performance, no impairment (2022: Nil) was made on the other intangible assets of the casino for the Period. Besides, no impairment was recorded on the relevant property, plant and equipment after the assessment.

Property Development

The sales of resort condominiums and villas in zone R of Jeju Shinhwa World slowed down during the Period due to the downturn of the Korea property market, which was affected by, among other things, an increase in interest rate.

For the Period, revenue generated from sales of residential properties and property management amounted to approximately HK\$41,372,000 (2022: approximately HK\$205,900,000) and HK\$5,080,000 (2022: approximately HK\$4,354,000), respectively and segment profit of the Property Development was approximately HK\$16,153,000 (2022: approximately HK\$118,636,000).

As of 30 June 2023, approximately HK\$396,493,000 (31 December 2022: approximately HK\$456,976,000) was classified as completed properties for sale.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

OUTLOOK

In early 2023, mainland China and some other Asian countries gradually eased their travel restrictions and control measures. Recently, China has lifted pandemic-era restrictions on group tours for South Korea potentially benefiting their tourism industries. Although the room price and occupancy rate were under pressure during the Period, the Board believes that the reopening of the borders will boost the tourism industries and have a positive effect on our business. To adapt to the new operating environment, the Group will reformulate its marketing strategy in order to seize the opportunities for the rebound of tourism.

As previously disclosed by the Company, the Group decided not to seek further extension for the provision of a remedy to the Philippine Amusement and Gaming Corporation for satisfying the requirements of the Provisional License to develop an integrated resort in the Philippines. Despite the lapse of the Provisional License, the Group will allocate its resources and remains focused on its business in Jeju Shinhwa World, South Korea.

Rising interest rates, inflation, as well as the war in Ukraine, continue to weigh on global economic activities. It is anticipated that interest rates will stay at high levels for some time and therefore the rising finance costs will dampen the rebound of global economy. Consequently, it is believed that the forthcoming years will remain challenging for the Group. Taking these macro factors into consideration, the Group will remain cautious in capital commitments and will act prudently in future development and investment plans in order to maintain a healthy liquidity position.

During the Period, the Company made continued progress in the maintenance, renovation, and upgrading of facilities in Jeju Shinhwa World. In order to enrich our customers' experience, new facilities, such as a premium cinema with top-of-the-range surround sound system and premium seating facilities was launched in August 2023. Also, the Group has invited tenders for the construction contract of a further residential development in zone R of Jeju Shinhwa World. It is expected that the new residential development may better utilise the use of land in Jeju Shinhwa World and will broaden the income stream of the Group in the long run. Furthermore, the Group will continue to evaluate its funding needs and financial position from time to time and will explore fund raising and financing facilities if and when opportunities arise.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2023, the Group had non-current assets of approximately HK\$8,295,228,000 (31 December 2022: approximately HK\$8,739,920,000) and net current assets of approximately HK\$697,417,000 (31 December 2022: approximately HK\$959,703,000). The current ratio, expressed as the ratio of the current assets over the current liabilities, was 2.7 as at 30 June 2023 (31 December 2022: 3.69). The decrease in the current ratio was mainly due to decrease in cash and cash equivalents during the Period.

For the Period, impairment of trade and other receivables (net) amounted to approximately HK\$2,492,000 (2022: reversal of impairment of approximately HK\$66,172,000). The impairment was mainly due to the impairment losses of approximately HK\$2,609,000 (31 December 2022: Nil) being recognised in relation to the overdue gaming receivables from independent third parties. As at 30 June 2023, the Group had prepayments, trade and other receivables of approximately HK\$273,362,000 (31 December 2022: approximately HK\$232,081,000). As at 30 June 2023, the Group had cash and bank balances of approximately HK\$313,885,000, with approximately HK\$191,788,000, HK\$82,557,000, HK\$9,369,000 and HK\$27,282,000 held in Hong Kong dollars (“**HKD**”), Korean Won (“**KRW**”), Singapore dollar (“**SGD**”) and United States dollars (“**USD**”), respectively and the remaining balances mainly held in Philippine Pesos (“**PHP**”) (31 December 2022: approximately HK\$503,421,000, with approximately HK\$227,245,000, HK\$260,130,000, HK\$7,940,000 and HK\$5,478,000 held in HKD, KRW, SGD and USD, respectively and the remaining balance mainly held in PHP).

As at 30 June 2023, the Group had trade and other payables of approximately HK\$386,128,000 (31 December 2022: approximately HK\$336,180,000) and a bank borrowing in KRW with floating interest rate of approximately HK\$1,480,277,000 (31 December 2022: approximately HK\$1,556,150,000) while total liabilities of the Group amounted to approximately HK\$1,915,879,000 (31 December 2022: approximately HK\$1,938,639,000). The Group’s gearing ratio, which was measured on the basis of the Group’s total liabilities divided by total assets, was 20.4% (31 December 2022: 19.3%).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Investments

Equity investments designated at fair value through other comprehensive income

As at 30 June 2023, the Group was holding listed equity investments at a fair value of approximately HK\$1,660,000 (representing less than 0.1% of the consolidated total assets of the Group), which were classified as equity investments designated at fair value through other comprehensive income (31 December 2022: approximately HK\$13,866,000). In February 2023, the equity investment in Kingston Financial Group Limited was deposited in securities account upon the completion of its privatisation. Net fair value gains in respect of the remaining investment of approximately HK\$509,000 were mainly resulted from the upward movement of stock price of the equity investment in China Resources Land Limited (the shares of which were listed on the Main Board of The Stock Exchange of Hong Kong Limited, stock code: 1109) and were recognised in the condensed consolidated statement of comprehensive income during the Period. There was no single equity investment representing more than 0.1% of the consolidated total assets of the Group as at 30 June 2023.

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

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

CAPITAL STRUCTURE

As at 30 June 2023 and the date of this announcement, the total number of issued ordinary shares of the Company was 4,226,252,310 shares with a nominal value of HK\$0.01 each.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

CAPITAL COMMITMENTS

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

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	248	259
Properties under development	<u>67,097</u>	<u>39,016</u>

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

CONTINGENT LIABILITY

As at 30 June 2023, the Group did not have any material contingent liabilities (31 December 2022: Nil).

PLEDGE OF ASSETS

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

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Property, plant and equipment	1,589,221	1,645,152
Investment properties	85,171	89,102
Properties under development	103,311	107,536
Completed properties for sale	<u>396,493</u>	<u>456,976</u>

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

SEGMENT INFORMATION

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

CASH FLOW MANAGEMENT AND LIQUIDITY RISK

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

CURRENCY AND INTEREST RATE STRUCTURE

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

The Group's exposure to interest rate risk results from fluctuations in interest rate. As the Group's bank borrowing consists of floating rate debt obligation, an increase in interest rate would raise the interest expenses. Fluctuations in interest rate may also lead to significant fluctuations in the fair value of the debt obligation. On 30 June 2023, the Group had outstanding bank borrowing that bear floating interest linked to Commercial Paper rate of Korea ("CP rate"). Currently, the Group does not hold any derivative financial instrument that linked to interest rates. In view of the trend of CP rate, the Group continues to monitor closely its exposure to interest rate risk and may deploy derivative financial instruments to hedge against risk, if necessary.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group had approximately 1,546 (31 December 2022: approximately 1,418) full-time employees with total staff costs (including directors' remuneration) amounting to approximately HK\$255,864,000 (Six months ended 30 June 2022: approximately HK\$227,895,000) including management and administrative staff. The employees were mainly stationed in South Korea and Hong Kong. The remuneration, promotion and salary increment of employees are assessed according to the individual's performance, as well as professional and working experience, and in accordance with prevailing industry practices. The Group also offers a variety of training schemes to its employees.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

CASH INCIDENT

As previously disclosed, the Group reported to Jeju Special Self-Governing Provincial Police Agency of Korea (the “**Jeju Police**”) in Jeju, South Korea in early January 2021 in relation to the missing fund of approximately KRW14,555,000,000 cash (equivalent to approximately HK\$103,713,000) (the “**Incident**”). As at the date of this announcement, the investigation is still being conducted in Jeju and KRW13,400,000,000 cash (equivalent to approximately HK\$79,641,000) found has been retained by the Jeju Police until the investigation process is complete. To the best knowledge of the Board, none of the suspect is or is related to, any director of the Company. Save as the loss incurred by the Incident in an amount of approximately HK\$28,961,000 being recorded in the consolidated statement of profit or loss of the Group for the year ended 31 December 2020, there was no further adjustment or loss made for the Period.

EVENTS AFTER THE REPORTING PERIOD

There were no other significant events subsequent to 30 June 2023 which would materially affect the Group’s operating and financial performance as of the date of this announcement.

OTHER INFORMATION

EXTRACT OF INDEPENDENT REVIEW REPORT ON THE INTERIM FINANCIAL INFORMATION

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

Conclusion

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

Update On Cash Incident

We also draw attention to note 17 to the interim financial information, which describes the Group’s cash incident (the “**Cash Incident**”). As at the reporting date, the Cash Incident is still under investigation by the Jeju Special Self Governing Provincial Police Agency of Korea (the “**Jeju Police**”), together with restricted cash of KRW10,150,000,000 (equivalent to HK\$60,325,000) and subsequent cash found by the Jeju Police, totalling of KRW13,400,000,000 (equivalent to HK\$79,641,000) has been seized and retained by the Jeju Police until the investigation process of the Cash Incident is complete. Our opinion is not modified in respect of this matter.

OTHER INFORMATION (continued)

DIVIDEND

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

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

Throughout the Period, the Company has applied the principles and adopted and complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules, except that Dr. Yang Zhihui, the former chairman and executive Director of the Company, was unable to attend the annual general meeting of the Company held on 20 June 2023 since he had other business engagement out of Hong Kong, which deviated from code provision F.2.2.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE REVIEW

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

OTHER INFORMATION (continued)

BOARD OF DIRECTORS

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

By order of the Board
Shin Hwa World Limited
Chan Mee Sze
Acting Chairperson and Executive Director

Hong Kong, 29 August 2023

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