Okura Holdings Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 01655)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

- Gross pay-ins increased by approximately 12.5% to approximately ¥16,372 million for 6M2024 (6M2023: approximately ¥14,548 million).
- Revenue increased by approximately 2.7% to approximately ¥3,191 million for 6M2024 (6M2023: approximately ¥3,106 million).
- Operating profit increased by approximately 348.4% to approximately ¥1,139 million for 6M2024 (6M2023: approximately ¥254 million).
- Profit before income tax increased by approximately 569.9% to approximately ¥1,092 million for 6M2024 (6M2023: approximately ¥163 million).
- Profit for the period attributable to shareholders of the Company increased by approximately 1,140.0% to approximately ¥1,116 million for 6M2024 (6M2023: approximately ¥90 million).
- Basic and diluted earnings per share amounted to approximately ¥1.860 for 6M2024 (6M2023: basic and diluted earnings per share amounted to approximately ¥0.180).
- The Board does not recommend the payment of an interim dividend for 6M2024 (6M2023: Nil).

Note: The above % increases refer to the changes in respect of the Japanese Yen ("¥") amounts.

The board (the "**Board**") of directors (the "**Directors**") of Okura Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 31 December 2023 ("**6M2024**"), together with the comparative figures for the six months ended 31 December 2022 ("**6M2023**").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

		(Unaudited) Six months ended 31 December	
		2023	2022
	Note	***¥ million***	*¥ million*
Revenue	6	**3,191**	3,106
Other income	7	**176**	187
Gains on lease modification	7	**1,027**	13
Other gains/(losses), net	7	**23**	(49)
Hall operating expenses	8	**(2,848)**	(2,692)
Administrative and other operating expenses	8	**(430)**	(311)
Operating profit		**1,139**	254
Finance income		**34**	23
Finance costs		**(81)**	(114)
Finance costs, net	9	**(47)**	(91)
Profit before income tax		**1,092**	163
Income tax credit/(expense)	10	**24**	(73)
Profit for the period attributable to shareholders of the Company		**1,116**	90
Earnings per share attributable to shareholders of the Company for the period (expressed in ¥ per share)			
Basic		**1.860**	0.180
Diluted		**1.860**	0.180

	Note	(Unaudited) Six months ended 31 December **2023** ***¥ million***	2022 *¥ million*
Profit for the period		**1,116**	90
Other comprehensive (loss)/income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of employee benefit obligations		**3**	7
Changes in fair value of financial assets at fair value through other comprehensive income		**(10)**	16
Deferred income tax arising from fair value changes		**2**	(8)
Total comprehensive income for the period attributable to shareholders of the Company		**1,111**	105

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	**(Unaudited) 31 December 2023** *¥ million*	(Audited) 30 June 2023 *¥ million*
Assets			
Non-current assets			
Property, plant and equipment	13	**8,690**	7,653
Right-of-use of assets	14	**1,205**	1,855
Investment properties	13	**2,943**	2,978
Intangible assets	13	**131**	130
Prepayments and deposits		**575**	665
Financial assets at fair value through other comprehensive income		**78**	88
Financial assets at amortised cost		**—**	500
Deferred income tax assets		**644**	515
		14,266	14,384
Current assets			
Inventories		**104**	137
Trade receivables	15	**12**	10
Prepayments, deposits and other receivables		**541**	288
Financial assets at fair value through profit or loss		**50**	424
Financial assets at amortised cost		**1,000**	500
Short-term bank deposits		**100**	100
Cash and cash equivalents		**2,056**	2,423
		3,863	3,882
Total assets		**18,129**	18,266
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	16	**20,644**	20,644
Reserves		**(13,815)**	(14,926)
Total equity		**6,829**	5,718

	Note	**(Unaudited) 31 December 2023** ***¥ million***	(Audited) 30 June 2023 *¥ million*
Liabilities			
Non-current liabilities			
Borrowings	19	**4,510**	4,098
Lease liabilities	14	**2,828**	4,604
Accruals, provisions and other payables		**379**	365
Employee benefit obligations	18	**210**	183
Deferred income tax liabilities		**274**	216
		8,201	9,466
Current liabilities			
Borrowings	19	**874**	785
Lease liabilities	14	**461**	550
Financial liabilities at fair value through profit or loss		—	151
Accruals, provisions and other payables		**1,698**	1,537
Trade payables	17	**17**	14
Amount due to directors	21	**3**	3
Current income tax liabilities		**46**	42
		3,099	3,082
Total liabilities		**11,300**	12,548
Total equity and liabilities		**18,129**	18,226

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Okura Holdings Limited (the "**Company**") was established as a limited company in Hong Kong under the Hong Kong Companies Ordinance on 16 June 2015. The address of the Company's registered office is Level 11, Admiralty Centre Tower II, 18 Harcourt Road, Admiralty, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (together, the "**Group**") are principally engaged in pachinko and pachislot hall operations (the "**Business**") in Japan.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The condensed consolidated interim financial information is presented in millions of Japanese Yen ("**¥**"), unless otherwise stated.

This condensed consolidated interim financial information was approved for issue by the board of directors (the "**Board**") of the Company on 28 February 2024.

This condensed consolidated interim financial information has not been audited.

The defined terms used in this condensed consolidated interim financial information have the same meaning as those set out in the Group's annual report 2023 published on 19 October 2023 (the "**Annual Report 2023**"), unless otherwise stated.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 31 December 2023 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34, 'Interim Financial Reporting' issued by the Hong Kong Institute of Certified Public Accountants and International Accounting Standard ("**IAS**") 34, 'Interim Financial Reporting' issued by the International Accounting Standards Board. Hong Kong Financial Reporting Standards ("**HKFRS**") is substantially consistent with International Financial Reporting Standards ("**IFRS**") and the accounting policy selections that the Group has made in preparing the condensed consolidated interim financial information are such that the Group is able to comply with both HKFRS and IFRS. Reference to IFRS, IAS and Interpretations developed by the IFRS Interpretations Committee ("**IFRIC**") in the condensed consolidated interim financial information should be read as referring to the equivalent HKFRS, HKAS and Hong Kong (IFRIC) Interpretation ("**HK(IFRIC)-Int**") as the case may be. Accordingly, there are no differences of accounting practice between HKFRS and IFRS affecting the condensed consolidated interim financial information.

The condensed consolidated interim financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this condensed consolidated interim financial information is to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the Group during the interim reporting period.

The financial information relating to the year ended 30 June 2023 that is included in the condensed consolidated interim financial information for the six months ended 31 December 2023 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 30 June 2023 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2023, as described in the annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) Amendments to standards adopted by the Group

The Group has applied the following amendments to standards for the first time for their annual reporting period commencing 1 July 2023:

Amendments under IFRS

Amendments to IAS 1 and IAS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules
IFRS 17 and Amendments to IFRS 17	Insurance Contracts and the related Amendments
Amendments to IFRS 17	Initial Application of IFRS 17 and IFRS 9 — Comparative Information

The adoption of the amendments to standards did not have any material impact on the Group's accounting policies.

(b) New and amended standards, amended interpretation and practical statement to existing standards (collectively, the "Amendments") not yet adopted by the Group

The following Amendments have been published but not mandatory for the financial year beginning on or after 1 January 2024 and have not been early adopted by the Group.

Amendments under IFRS		**Effective for accounting periods beginning on or after**
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to IAS 21 and HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments under HKFRS		
Revised Hong Kong Interpretation 5 (2020)	Presentation of Financial Statement — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

The related impacts of the adoption of these Amendments to the Group are currently under assessment and the Group is not yet in a position to state whether any substantial changes to the Group's significant policies and presentation of the financial information will result.

4 ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 June 2023, with the exception of changes in estimates that are required in determining the provision for income taxes.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Annual Report 2023.

There have been no changes in the risk management policies since year end.

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

5.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1	Level 2	Level 3	Total
	¥ million	*¥ million*	*¥ million*	*¥ million*
As at 31 December 2023				
Assets				
Financial assets at fair value through profit or loss				
— Debt securities	**—**	**50**	**—**	**50**
Financial assets at fair value through other comprehensive income				
— Listed securities	**77**	**—**	**—**	**77**
— Unlisted securities	**—**	**—**	**1**	**1**
	77	**50**	**1**	**128**
Liabilities				
Financial liabilities at fair value through profit or loss				
— Derivatives	**—**	**—**	**—**	**—**
As at 30 June 2023				
Assets				
Financial assets at fair value through profit or loss				
— Listed securities	144	—	—	144
— Debt securities	—	280	—	280
Financial assets at fair value through other comprehensive income				
— Listed securities	87	—	—	87
— Unlisted securities	—	—	1	1
	231	280	1	512
Liabilities				
Financial liabilities at fair value through profit or loss				
— Derivatives	—	(151)	—	(151)

There were no transfers of financial assets between levels 1, 2 and 3 during the six months ended 31 December 2023 and during the year ended 30 June 2023.

6 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	(Unaudited) Six months ended 31 December	
	2023	2022
	¥ million	*¥ million*
Revenue		
Gross pay-ins	**16,372**	14,548
Less: gross pay-outs	**(13,424)**	(11,671)
Revenue from pachinko and pachislot hall business	**2,948**	2,877
Vending machine income	**50**	47
Property rental	**191**	177
Revenue from other operation	**2**	5
	3,191	3,106

Except for pachinko and pachislot hall business and vending machine income which revenues are recognised at a point-in-time, all of the Group's revenues are recognised over-time as the services are performed.

(b) Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker ("**CODM**") that are used for making strategic decisions. The CODM is identified as the executive directors of the Group. The CODM consider the business from a service perspective and assess the performance of the operating segments based on a measure of loss before income tax for the purposes of allocating resources and assessing performance. These reports are prepared on the same basis as the consolidated financial statements.

The CODM has identified three reportable segments based on the types of services, namely (i) the pachinko and pachislot hall operation, (ii) property rental and (iii) other segments which includes the vehicle rental operation (six months ended 31 December 2022: horse management operation).

Segment assets consist mainly of property, plant and equipment, right-of-use assets, investment properties, intangible assets, inventories, trade receivables, prepayments, deposits and other receivables, short-term bank deposits, and cash and cash equivalents for segment uses. They exclude assets served as headquarter uses, deferred income tax assets and assets used for corporate functions including financial assets at amortised cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

Capital expenditure comprises additions to property, plant and equipment, investment properties and intangible assets. Income tax expenses are not included in segment results.

The segment information provided to the executive directors for the six months ended 31 December 2023 and 2022 are as follows:

	Six months ended 31 December 2023 (Unaudited)				
	Pachinko and pachislot hall operation	**Property rental**	**Other segments**	**Unallocated amounts**	**Total**
	¥ million	***¥ million***	***¥ million***	***¥ million***	***¥ million***
Segment revenue from external customers	**2,998**	**191**	**2**	**—**	**3,191**
Segment results	**1,290**	**98**	**—**	**(296)**	**1,092**
Profit before income tax					**1,092**
Income tax credit					**24**
Profit for the period					**1,116**
Other items					
Gains on lease modification	**1,027**	**—**	**—**	**—**	**1,027**
Provision for impairment loss of property, plant and equipment	**(54)**	**—**	**—**	**—**	**(54)**
Reversal of/(provision for) impairment loss of intangible assets	**(1)**	**—**	**—**	**3**	**2**
Depreciation and amortisation	**(257)**	**(39)**	**(2)**	**(20)**	**(318)**
Finance income	**—**	**—**	**—**	**34**	**34**
Finance costs	**(53)**	**(27)**	**—**	**(1)**	**(81)**
Capital expenditures	**(1,203)**	**(56)**	**—**	**—**	**(1,259)**

	Six months ended 31 December 2022 (Unaudited)				
	Pachinko and pachislot hall operation *¥ million*	Property rental *¥ million*	Other segments *¥ million*	Unallocated amounts *¥ million*	Total *¥ million*
Segment revenue from external customers	2,924	177	5	—	3,106
Segment results	187	86	(3)	(107)	163
Profit before income tax					163
Income tax expense					(73)
Profit for the period					90
Other items					
Gains on lease modification	—	13	—	—	13
Depreciation and amortisation	(245)	(40)	(2)	(20)	(307)
Finance income	—	—	—	23	23
Finance costs	(62)	(21)	—	(31)	(114)
Capital expenditures	(289)	—	(15)	(15)	(319)

	Pachinko and pachislot hall operation *¥ million*	Property rental *¥ million*	Other segments *¥ million*	Total *¥ million*
As at 31 December 2023 (Unaudited)				
Segment assets	**10,516**	**3,370**	**1**	**13,887**
Unallocated assets				**2,470**
Financial assets held at amortised cost				**1,000**
Financial assets at fair value through profit or loss				**50**
Financial assets at fair value through other comprehensive income				**78**
Deferred income tax assets				**644**
Total assets				**18,129**
As at 30 June 2023				
Segment assets	10,577	3,306	4	13,887
Unallocated assets				2,352
Financial assets held at amortised cost				1,000
Financial assets at fair value through profit or loss				424
Financial assets at fair value through other comprehensive income				88
Deferred income tax assets				515
Total assets				18,266

There is no single external customer contributed more than 10% revenue to the Group's revenue for the six months ended 31 December 2023 and 2022.

The Group is domiciled in Japan and a majority of the non-current assets of the Group as at 31 December 2023 and 30 June 2023 is located in Japan.

7 OTHER INCOME, GAINS ON LEASE MODIFICATION, AND OTHER GAINS/(LOSSES), NET

	(Unaudited) Six months ended 31 December	
	2023	2022
	¥ million	*¥ million*
Other income		
Income from sales of used pachinko machines	**149**	168
Dividend income	**1**	—
Income from expired IC card	**3**	3
Others	**23**	16
	176	187
Gains on lease modification (Note)	**1,027**	13
Other gains/(losses), net		
Exchange losses, net	**(19)**	(20)
Gains/(losses) on fair value changes on financial assets at fair value through profit or loss, net	**35**	(39)
Reversal of impairment loss of intangible assets	**3**	—
Losses on written-off of property, plant and equipment	**(1)**	(2)
Others	**5**	12
	23	(49)

Note: Gains on lease modification for the six-month ended 31 December 2023 represents the gains from the early termination of lease in relation to certain land and buildings located at one of the Group's pachinko and pachislot halls in Japan ("**the Properties**").

8 HALL OPERATING EXPENSES AND ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	(Unaudited) Six months ended 31 December	
	2023	2022
	¥ million	*¥ million*
Pachinko and pachislot machines expenses (Note)	**1,536**	1,388
Auditor's remuneration	**10**	10
Employee benefits expenses	**550**	547
Operating lease rental expense in respect of land and buildings	**7**	9
Depreciation and amortisation	**318**	307
Provision for impairment loss of property, plant and equipment	**54**	—
Provision for impairment loss of intangible assets	**1**	—

Note: Pachinko and pachislot machines are expensed off in the interim condensed consolidated statement of comprehensive income upon installation. The expected useful lives of these machines are less than one year.

9 FINANCE COSTS, NET

	(Unaudited) Six months ended 31 December	
	2023	2022
	¥ million	*¥ million*
Finance income		
Interest income	**12**	1
Interest from debt securities	**22**	22
	34	23
Finance costs		
Interest expense on lease liabilities	**(47)**	(83)
Interest expense on long-term payables	**(3)**	(1)
Borrowings interest expenses	**(30)**	(30)
Others	**(1)**	—
	(81)	(114)
Finance costs, net	**(47)**	(91)

10 INCOME TAX CREDIT/(EXPENSE)

Japan corporate income tax has been calculated on the estimated assessable profit/(loss) for the period at the rates of taxation prevailing in Japan in which the Group operates. The rates of taxation are based on management's estimate of the weighted average effective statutory income tax rate for the full financial year.

The Group is subject to national corporate income tax, inhabitants tax, and enterprise tax in Japan, which in aggregate, resulted in an effective statutory income tax rate of 34.3% for the six months ended 31 December 2023 and 2022.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 31 December 2023 and 2022.

	(Unaudited) Six months ended 31 December	
	2023	2022
	¥ million	*¥ million*
Current income tax		
— Japan corporate income tax	**(45)**	(67)
Deferred income tax	**69**	(6)
	24	(73)

11 EARNINGS PER SHARE

Basic Earnings per share for the six months ended 31 December 2023 and 2022 are calculated by dividing the profit attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	(Unaudited) Six months ended 31 December	
	2023	2022
Profit attributable to shareholders of the Company (¥ million)	**1,116**	90
Weighted average number of ordinary shares in issue (million)	**600**	500
Basic and diluted earnings per share (¥)	**1.860**	0.180

No diluted earnings per share is presented as there was no potential dilutive share during the six months ended 31 December 2023 and 2022. Diluted earnings per share is equal to the basic earnings per share.

12 DIVIDENDS

The Board has resolved not to declare an interim dividend for the six months ended 31 December 2023 (30 June 2023: Nil).

13 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

During the six months ended 31 December 2023, the Group incurred capital expenditures of approximately ¥1,259 million (six months ended 31 December 2022: ¥304 million) for property, plant and equipment. No capital expenditure was incurred for investment property during the six months ended 31 December 2023 (six months ended 31 December 2022: Nil) and intangible assets (six months ended 31 December 2022: ¥15 million).

During the six months ended 31 December 2023, the net book amounts of written-off property, plant and equipment amount to approximately ¥2 million (six months ended 31 December 2022: ¥2 million) and there was no material disposal or write-off of investment property and intangible assets (six months ended 31 December 2022: Nil).

The net carrying amount of the Group's property, plant and equipment and investment properties that were pledged for the banking facilities granted to the Group as at 31 December 2023 and 30 June 2023 has been disclosed in Note 19.

Impairment assessment of property, plant and equipment, investment properties and intangible assets

Property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group carried out reviews of the recoverable amounts of cash-generating units ("**CGUs**") and assets served for corporate uses and not allocated to specific CGU ("**corporate assets**"). As at 31 December 2023, each CGU is determined as each individual pachinko and pachislot hall, each investment property, and the motor vehicle rental operation (30 June 2023: each CGU is determined as each individual pachinko and pachislot hall, each investment property, and the horse management operation). For corporate assets, recoverability of the assets is assessed at Group level.

For the other assets not belonging to any of the CGUs, the Group assessed the recoverable amounts separately.

Pachinko and pachislot operation

As at 31 December 2023, the management regards CGU with operating loss for current period or performing below management's expectation, defined as not fulfilling the projected operating profit or loss for the period (30 June 2023: Same) as having impairment indicator. As a result, 6 CGUs within the pachinko and pachislot operation (30 June 2023: 8 CGUs) were identified with an impairment indicator. The management has reviewed the recoverability of the relevant carrying amounts of these CGUs.

The recoverable amount of a CGU is determined as the value-in-use or fair value less cost of disposal, whichever is higher.

The recoverable amounts of 4 out of the 6 CGUs with impairment indicators (30 June 2023: 5 out of the 8 CGUs with impairment indicators) are determined by the value-in-use calculations. The value-in-use calculations used pre-tax cash flow projections over the useful lives of CGUs, which is based on financial budgets approved by management. The cash flow projections cover the remaining lease terms of the respective CGUs or a five-year period, whichever is shorter. Management prepared the value-in-use calculations by using pre-tax cash flow projections over the useful lives of CGUs. Management's forecast for the first year takes into account the performance of each of the CGUs in current period and incorporating management's latest plans for each CGUs, with annual revenue growth rate thereafter until the end of remaining useful life as 0% (30 June 2023: Same). The pre-tax discount rate used to determine the recoverable amounts was 8.93% (30 June 2023: 8.88%).

The discount rates applied by the Group that reflect the current market assessment of the time value of money and the risk specific to the CGUs. Revenue growth rate is based on past practices and expectations on market and operational development.

The recoverable amounts of 2 out of the 6 CGUs with impairment indicators (30 June 2023: 3 out of the 8 CGUs with impairment indicators) are determined by the fair value less cost of disposal calculations. The fair values of all CGUs subject to fair value less cost of disposal calculation is within level 3 of the fair value hierarchy (30 June 2023: Same).

As at 31 December 2023 and 30 June 2023, management made reference to the valuation performed by an independent professionally qualified valuer who holds recognised relevant professional qualifications and have recent experiences in the locations and segments of the properties valued. The valuations were determined using the cost approach, which largely used observable and unobservable inputs, including unit price per square meter of similar comparable land as well as replacement cost per square meter for buildings.

In addition to the above approach, as at 31 December 2023, management also made reference to the recent transaction prices of the fixed assets belonging to the CGU. The key assumption adopted in the valuation includes unit price per square meter of land and building.

The key assumptions used for fair value less costs of disposal calculations as at 31 December 2023 and 30 June 2023 are summarised as follows:

	31 December 2023	30 June 2023
Land — unit price per square meter	¥44,800–¥780,000	¥42,300–¥933,000
Building — replacement cost per square meter	¥283,000	¥175,000–¥283,000
Building — unit price per square meter	¥70,800	Not applicable

The management compared the recoverable amounts derived by the value-in-use and fair value less cost of disposal, and applied the higher of the two for the provision for impairment.

Management assessed the sensitivity of the recoverable amounts to change in key assumptions. If the revenue growth rate in the value-in-use calculations decreases by 2% (30 June 2023: Same) with other assumptions remain constant, no additional impairment loss would be recorded (30 June 2023: Same). If the discount rate in the value-in-use calculations increases by 1% (30 June 2023: Same) with other assumptions remain constant, no additional impairment loss would be recorded (30 June 2023: Same). If the unit price per square meter of land and building in the fair value less cost of disposal calculations decreases by 1% (30 June 2023: Same), with other assumptions remain constant, additional impairment loss would be immaterial (30 June 2023: Same).

With the decision of closing one of the pachinko and pachislot halls made during the six months ended 31 December 2023, the management has carried out reviews of the recoverable amounts of each of the individual assets belonging to this hall. For the six months ended 31 December 2023, as a result of the impairment review as mentioned above, a ¥54 million and a ¥1 million of impairment loss was recognised on property, plant and equipment and intangible assets, respectively, for this pachinko and pachislot operation. No impairment loss for right-of-use asset has been recognised under the pachinko and pachislot hall operation segment.

Investment property

Investment property of the Group is measured under cost model and is written down immediately to its fair value if the asset's carrying amount is greater than its fair value. As at 31 December 2023, no investment property with carrying amount exceeded individual valuation result (30 June 2023: certain investment properties with carrying amounts below their recoverable amounts), as a result no impairment loss on investment property has been recorded during the six months ended 31 December 2023.

Vehicle rental operation

As at 31 December 2023, no impairment indicator was identified, and no impairment review was performed on this CGU (30 June 2023: no impairment indicator was identified and no impairment review was performed on the horse management operation).

Other assets

As at 31 December 2023, management has identified an indicator for the reversal of previously recognised impairment loss for the club membership (30 June 2023: management has identified an impairment indicator for the club membership). Accordingly, the management has reviewed the recoverable amounts of the club membership and a reversal of impairment loss of ¥3 million was recognised.

14 LEASES

	(Unaudited) 31 December 2023 *¥ million*	(Audited) 30 June 2023 *¥ million*
Right-of-use assets		
Land	**186**	195
Buildings	**1,019**	1,660
	1,205	1,855
Lease liabilities		
Non-current	**2,828**	4,604
Current	**461**	550
	3,289	5,154

15 TRADE RECEIVABLES

	(Unaudited) 31 December 2023 *¥ million*	(Audited) 30 June 2023 *¥ million*
Trade receivables	**12**	10

Trade receivables represent commission income receivable from vending machines, lease receivables and income receivables from other operations. The credit terms granted by the Group generally ranged from 30 to 60 days.

The ageing analysis of the trade receivables, based on invoice date is as follows:

	(Unaudited) 31 December 2023 *¥ million*	(Audited) 30 June 2023 *¥ million*
Less than 30 days	**12**	10

16 SHARE CAPITAL AND RESERVE

	Number of shares *million*	Share capital *¥ million*
As at 30 June 2023 and 31 December 2023	**600**	**20,644**

(a) Capital reserve

Capital reserve deficit of approximately ¥12,837 million (30 June 2023: ¥12,837 million) represented (i) the difference between the carrying value of the business and the share capital of the Company upon formation of the Company and transfer of the business to the Company and (ii) the difference between the consideration paid for acquiring the subsidiaries and the share capitals of acquired subsidiaries under common control.

(b) Legal reserve

The Japan Companies Act provides that a 10% dividend paid during the year shall be appropriated as legal reserve (a component of either capital surplus or retained earnings) until an aggregate amount of legal capital reserve and legal retained earnings equals 25% of share capital. The legal reserve may be used to reduce a deficit or transfer to share capital upon approval of the general meeting of shareholders.

(c) Other reserves

Other reserves of approximately ¥48 million (30 June 2023: ¥53 million) represented (i) the cumulative net change in the fair value of financial assets through other comprehensive income, and (ii) the remeasurement of employee benefit obligation arising from actuarial gains and losses.

17 TRADE PAYABLES

The ageing analysis of the trade payables based on invoice date as at 31 December 2023 and 30 June 2023 is as follows:

	(Unaudited) 31 December 2023 ***¥ million***	(Audited) 30 June 2023 *¥ million*
Less than 30 days	**17**	14

The carrying amounts of trade payables approximate their fair values as at 31 December 2023 and 30 June 2023 and were denominated in ¥.

18 EMPLOYEE BENEFIT OBLIGATIONS

	(Unaudited) 31 December 2023 *¥ million*	(Audited) 30 June 2023 *¥ million*
Long term benefit obligation for Katsuya Yamamoto (Note)	**176**	148
Retirement benefit obligations for employees	**34**	35
	210	183

Note: As at 31 December 2023, long term benefit obligation for Katsuya Yamamoto represented the provision on the lump-sum payment made to him as a recognition of his contribution to the Group (30 June 2023: Same). The amount of provision was made according to his rank and years of service in the Group, using projected unit credit method, and was measured at present value (30 June 2023: Same).

19 BORROWINGS

In November 2023, the group borrowed a term loan with a principal amount of ¥700 million to finance the acquisition of the Properties as mentioned above. The loan is repayable in ten years commencing from 9 November 2023. The loan is a fixed rate, ¥ denominated loan which is carried at amortised cost.

	(Unaudited) 31 December 2023 *¥ million*	(Audited) 30 June 2023 *¥ million*
Non-current portion		
Bank loans	**3,278**	2,828
Loans from governmental financial institution	**1,232**	1,270
	4,510	4,098
Current portion		
Bank loans	**780**	691
Loans from governmental financial institution	**94**	94
	874	785
Total borrowings	**5,384**	4,883

As at 31 December 2023 and 30 June 2023, the total borrowings are pledged by certain assets and their carrying values are shown as below:

	(Unaudited) 31 December 2023 ¥ million	(Audited) 30 June 2023 ¥ million
Property, plant and equipment	**5,994**	4,954
Investment properties	**1,632**	1,651
Financial assets at fair value through other comprehensive income — listed equity securities	**74**	84
	7,700	6,689

20 COMMITMENTS

(a) Capital commitments

As at 31 December 2023 and 30 June 2023, the Group did not have any outstanding capital commitments.

(b) Operating lease commitments

As a lessor

As at 31 December 2023 and 30 June 2023, the Group's future aggregate minimum lease receipts under non-cancellable operating leases in respect of investment properties are as follows:

	(Unaudited) 31 December 2023 ¥ million	(Audited) 30 June 2023 ¥ million
No later than one year	**50**	52

21 RELATED PARTY TRANSACTIONS

For the purposes of the condensed consolidated interim financial information, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

(a) Outstanding balances arising from transactions with related parties

The following balances were outstanding at the end of the reporting period in relation to transactions with related parties:

	(Unaudited) 31 December 2023	(Audited) 30 June 2023
	¥ million	*¥ million*
Amount due to directors		
— Katsuya Yamamoto	**3**	3
— Others	**—***	—*
	3	3

* Individual balances less than ¥1 million.

(b) Key management compensation

Key management includes executive directors and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	(Unaudited) Six months ended 31 December	
	2023	2022
	¥ million	*¥ million*
Salaries and other short-term employee benefits	**20**	20

22 EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 25 January 2024, the Group entered into an amendment agreement with the bond issuer and the guarantor to extend the maturity/redemption date of a bond with face value of ¥500 million for three years from 31 January 2024 to 31 January 2027. Save as disclosed above, other terms and conditions of the bond remain unchanged. The aforementioned bond, which was classified as financial assets held at amortised cost under current assets as at 31 December 2023, would be classified as non-current assets upon the signing of the amendment agreement on 25 January 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry and business review

The Group is a pachinko and pachislot hall operator in Japan, operating mainly pachinko and pachislot machines. It currently operates 10 pachinko and pachislot halls in the Kyushu, Kanto, Kansai and Chugoku regions in Japan under the trading names "Big Apple.", "K's Plaza" and "SENKURA".

As mentioned in the annual report of the Company for the year ended 30 June 2023 ("**FY2023**"), the Japanese government have gradually eased certain Coronavirus Disease 2019 ("**COVID-19**") restrictive measures in order to restore and stimulate social and economic activities in Japan, showing a shift in their policies from "the need to suppress the spread of COVID-19" to "living with the virus". On 8 May 2023, the Japanese government downgraded the legal status of COVID-19 from the second-highest category that is classified along with diseases such as tuberculosis and severe acute respiratory syndrome, or SARS, to category five that is the same category as seasonal influenza. Nevertheless, the Group has continued to implement infection prevention measures in its business operations such as encouraging all of the Group's employees at its pachinko and pachislot halls to wear face masks at all times, and applying disinfectant to pachinko and pachislot machines from time to time, in order to control the spread of the COVID-19 and other diseases in the Group's pachinko and pachislot halls and provide a safe working/pachinko and pachislot hall environment for its employees and customers.

Despite the recent global instability which discouraged consumers from spending money on entertainment activities, the Group observed a recovery of customer traffic at most of its pachinko and pachislot halls in 6M2024 following the ease of certain COVID-19 restricted measures in Japan as mentioned above, and the introduction of (i) a newer version of pachislot machines in June 2022 which contains more gambling elements as compared with the former version (the "**6.5 Model Pachislot Machines**"), (ii) a new model pachislot machines (the "**Smart Slot Machines**") in November 2022, and (iii) a new model pachinko machines (the "**Smart Pachinko Machines**") in April 2023. In particular, the Smart Slot Machines have become increasingly popular and attracted more customers and contributed to an increase in machine utilisation and the improvement in revenue and profits in 6M2024 as compared with that in 6M2023.

Further, the Group has recorded an increase in profit before income tax by approximately ¥929 million, or approximately 569.9%, from approximately ¥163 million in 6M2023 to approximately ¥1,092 million in 6M2024. This increase was mainly attributable to an increase in gains on lease modification by approximately ¥1,014 million, or approximately 7,800%, from approximately ¥13 million in 6M2023 to approximately ¥1,027 million in 6M2024 which is further elaborated in "Financial Review — Gains on lease modification" below. The Group will continue to explore new measures and opportunities to improve the Group's operational performance and diversity its income sources.

In addition, the management had made the decision to close down one of the Group's pachinko and pachislot halls, K's Plaza Ohato* (ケイズプラザ大波止) located at 10–5, Motofuna-machi, Nagasaki City, Nagasaki Prefecture, Japan ("**K's Plaza Ohato**") in December 2023 with effect from 14 January 2024. The management considered that the closure of the aforementioned pachinko and pachislot hall is beneficial for the Group, as the Group can focus its resources on its another pachinko and pachislot hall, SENKURA Dejima (formerly known as Big Apple. Dejima) which is located close to K's Plaza Ohato, as well as other more promising pachinko and pachislot halls by enhancing customer experience there and minimise further losses from business operations by closing down the pachinko and pachislot hall with weaker performance. For further details, please refer to the announcement of the Company dated 9 January 2024.

Continuing to diversify the Group's revenue streams

As disclosed in previous interim reports and annual reports of the Company, the management has continuously been striving to establish alternative streams of income and diversify the Group's operations into different business segments. For 6M2024, the Group derived revenue from its pachinko and pachislot hall business, its vending machines, its rental properties including but not limited to premises of commercial facilities and residential units, and its other operations such as the provision of motor vehicle rental services.

On 26 July 2018, the Company entered into two agreements pursuant to which the Company subscribed for two series of bonds issued by Sinwa Co., Ltd.* (株式会社しんわ) (the "**Bond Issuer**") in an aggregate amount of ¥1,000 million (the "**Bonds**"). On 25 January 2019, 24 January 2020, 25 January 2021, 25 January 2022, 27 January 2023 and 25 January 2024, the Company, the Bond Issuer and Everglory Capital Co., Ltd. (株式会社エバーグローリー • キャピタル) ("**Everglory Capital**") entered into amendment agreements to, among others, extend the maturity/redemption date of the second series of the Bonds (the "**2nd Series Bond**"), increase its interest rate and include Everglory Capital as a guarantor to guarantee the obligations of the Bond Issuer of its obligations under the 2nd Series Bond. On 30 July 2021, the Company, the Bond Issuer and Everglory Capital entered into an amendment agreement to, among others, extend the maturity/redemption date of the first series of the Bonds (the "**1st Series Bond**"), increase its interest rate for the extended period, and include Everglory Capital as a guarantor to guarantee the obligations of the Bond Issuer of its obligations under the 1st Series Bond. Such amendments enable the Group to extend its investment and generate more income from the Bonds, which constitutes a stable revenue stream for the Group. For details, please refer to the announcements of the Company dated 26 July 2018, 25 January 2019, 24 January 2020, 25 January 2021, 30 July 2021, 25 January 2022, 27 January 2023 and 25 January 2024 and the circular of the Company dated 29 October 2021.

The Group will continue exploring alternative streams of income to improve its financial performance.

Coping with obstacles and uncertainties from regulatory measures

As disclosed in the previous interim reports and annual reports of the Company, the "Regulations to Partially Amend Regulations on the Entertainment and Amusement Trades Rationalising Act and Regulations on Certifying Machines and Conducting Type Test on Machines" issued by the National Public Safety Commission of Japan on 1 February 2018 and revised in May 2020 and May 2021 (the "**2018 Regulations**") has continued to have an adverse impact on the pachinko and pachislot industry in Japan by reducing the attractiveness of the game and contributing to the continuous decline of pachinko and pachislot players, as pachinko and pachislot machines with a higher gaming element were required to gradually phase out of the pachinko industry in batches. The phasing out and replacement of all pachinko and pachislot machines with a higher gaming element was completed by the Group by the end of January 2022.

In response to the 2018 Regulations, the Group's management has been striving to source the most attractive machines available in the market to provide a favourable mix of machines in the Group's pachinko and pachislot halls to increase customer traffic. The Group introduced the 6.5 Model Pachislot Machines, the Smart Slot Machines and the Smart Pachinko Machines in June 2022, November 2022 and April 2023, respectively with an aim of attracting more customers and improving the Group's revenue. For the 6.5 Model Pachislot Machines, the applicable voluntary regulations revised the upper limit on the number of games during advantageous section and the method of managing the upper limit on medal pay-out, which enable machines to be designed so that players always have a chance to win. The Smart Slot Machines and Smart Pachinko Machines serve to eliminate and replace the need to insert physical tokens or pachinko balls directly into the machines to play and instead the number of tokens or pachinko balls a customer has is transferred onto a personal electronic card. As of 31 December 2023, the ratio of Smart Slot Machines and Smart Pachinko Machines to the Group's total installed machines was 38.3% and 6.7%, respectively. The Directors have observed that the Smart Slot Machines and Smart Pachinko Machines have gained popularity among certain customers who are interested in new models and customers who care about hygiene as they need not touch physical tokens or pachinko balls which have been handled by other customers. It is therefore expected that the Smart Slot Machines and Smart Pachinko Machines will continue to attract more players. Moving forward, the Company will closely monitor the performance of the Smart Slot Machines and Smart Pachinko Machines at its pachinko and pachislot halls and implement suitable marketing and promotion schemes.

Market threats and prospects

Although the past financial years have been the challenging years for Japan's pachinko industry overall due to the outbreak of COVID-19, the Group's operational and financial performance for 6M2024 has managed to recover as a result of the management's efforts in prioritising the Group's resources in the recovery of customer traffic, and voluntarily implementing safety measures to ensure the health and safety of customers at its pachinko and pachislot halls. As the Group considers that many customers have become more concerned with personal hygiene following the outbreak of COVID-19, it has implemented various measures to assure the health and safety of its customers who come to their pachinko and pachislot halls. For instance, the Company has adopted a new prize-exchange system called "Self-POS System" at several of its pachinko and pachislot halls which enables customers to exchange their prizes on their own without requiring the assistance of the Group's staff, thereby reducing the need for human interaction between the Group's staff and the customers. The introduction of the Self-POS system together with the Smart Slot machines and Smart Pachinko Machines have also greatly contributed to the improvement in work efficiency and reduced the number of manpower required at the Group's pachinko and pachislot halls. The management will continue to adopt the above measures and consider releasing further new models of pachinko and pachislot machines in order to encourage customer traffic and speed up the further recovery of the Group's operations, while exploring new opportunities to diversify into other business segments to expand the Group's sources of revenue.

FINANCIAL REVIEW

Revenue

The Group's total revenue is comprised of revenue from (i) pachinko and pachislot hall business, being gross pay-ins less gross pay-outs, (ii) vending machine income, (iii) property rental, and (iv) other operations relating to motor vehicle rental services. During 6M2024, revenue from pachinko and pachislot hall business remained the majority source of income for the Group, accounting for approximately 92.4% of the Group's total revenue (6M2023: approximately 92.6%). The Group's total revenue increased by approximately ¥85 million, or approximately 2.7%, from approximately ¥3,106 million in 6M2023 to approximately ¥3,191 million in 6M2024. This increase was mainly a result of the increase in approximately 2.5% in revenue generated from the Group's overall pachinko and pachislot business, from approximately ¥2,877 million in 6M2023 to approximately ¥2,948 million in 6M2024, primarily due to the introduction of the Smart Slot Machines in November 2022 which have become increasingly popular and attracted more customers in 6M2024 as explained above.

The Group derived income from vending machines installed at its halls provided by vending machine operators under service agreements. The vending machines sell drinks and food and the Group shares a certain portion of income generated by such vending machines. The Group's vending machine income remained relatively stable, with a slight increase of approximately ¥3 million, or approximately 6.4%, from approximately ¥47 million in 6M2023 to approximately ¥50 million in 6M2024.

The Group derived rental income from renting out (i) premises to G-prize wholesalers, (ii) car parks, (iii) commercial facilities, and (iv) residential units. Property rental income increased by approximately ¥14 million, or approximately 7.9%, from approximately ¥177 million in 6M2023 to approximately ¥191 million in 6M2024 due to the increase in rental properties arising from the acquisition of certain properties and the increase in income from parking lots in 6M2024.

The Group derived income from other operations mainly relating to the provision of motor vehicle rental services which commenced in April 2023. Such income from other operations decreased by approximately ¥3 million, or approximately 60.0%, from approximately ¥5 million in 6M2023 to approximately ¥2 million in 6M2024, due to the shift from horse management services to motor vehicle rental services in April 2023 arising from the termination of the rental contract of a horse stable where the horses were being managed.

Gross pay-ins

The Group's gross pay-ins represent the gross amount received from customers for rental of pachinko balls and pachislot tokens. Gross pay-ins are primarily affected by the level of customer spending at the Group's pachinko and pachislot halls. The Group's accounting policy recognises gross pay-ins net of consumption tax. The consumption tax rate in Japan was 10% during 6M2024.

The Group's gross pay-ins recorded an increase of approximately ¥1,824 million, or approximately 12.5%, from approximately ¥14,548 million in 6M2023 to approximately ¥16,372 million in 6M2024, which was mainly due to the reasons mentioned in the paragraph headed "Revenue" above.

Gross pay-outs

The Group's gross pay-outs represent the aggregate cost of G-prizes and general prizes exchanged by the Group's customers, taking into consideration the G-prize mark-up and the value of any unutilised balls and tokens during the relevant period. The Group's gross pay-outs recorded an increase of approximately ¥1,753 million, or approximately 15.0%, from approximately ¥11,671 million in 6M2023 to approximately ¥13,424 million in 6M2024 as a result of the increase in gross pay-ins for the reasons mentioned above.

Revenue margin

Revenue margin for the Group's pachinko and pachislot business represented the Group's revenue from pachinko and pachislot hall business divided by gross pay-ins. The level of revenue margin is dependent on the combination of the payout ratio of the pachinko and pachislot machines, the G-prize mark-up imposed and the mix of pachinko and pachislot machines with different jackpot probability in the Group's halls, and as a result of the resultant changes in customer behavior (i.e., rounds of play and machine utilisation). The Group's revenue margin decreased slightly (approximately 18.0% for 6M2024 and 19.8% for 6M2023) as the Group lowered its profit margins for some of its pachinko and pachislot machines in some of its pachinko and pachislot halls to attract more customers.

Other income

The Group's other income is mainly comprised of (i) income from sales of used pachinko and pachislot machines to machines broker for reselling in the second-hand market, (ii) dividend income, (iii) income from expired IC and membership cards, and (iv) other income sources, which mainly included the premium income arising from the expiration of certain put options.

Other income decreased by approximately ¥11 million, or approximately 5.9%, from approximately ¥187 million in 6M2023 to approximately ¥176 million in 6M2024, mainly due to a decrease in income from sales of used pachinko and pachislot machines of approximately ¥19 million, or approximately 11.3%, from approximately ¥168 million in 6M2023 to approximately ¥149 million in 6M2024 due to the decrease in resale value of the older version of the pachislot machines, which was partially offset by an increase in other income sources of approximately ¥7 million, or approximately 43.8%, from approximately ¥16 million in 6M2023 to approximately ¥23 million in 6M2024, due to the premium income arising from the expiration of two put options in 6M2024.

Gains on lease modification

Gains on lease modification increased by approximately ¥1,014 million, or approximately 7,800.0%, from approximately ¥13 million in 6M2023 to approximately ¥1,027 million in 6M2024 arising from the early termination of lease of the properties of one of the Group's pachinko and pachislot halls and car parking lots (i.e., BA. Shunan Hall) at Azakaisakuminami, Oazakuriya, Shunan-Shi, Yamaguchi Prefecture, Japan due to the Group's acquisition of such properties in November 2023 for the continual operation of such pachinko and pachislot hall and car parking lots, as disclosed in the Company's announcement dated 9 November 2023 and further elaborated in the paragraph headed "Material Acquisition of Properties" below.

Other net gains/losses

Other net gains/losses are mainly comprised of (i) net exchange losses, (ii) net gains/losses on fair value changes on financial assets at fair value through profit or loss, (iii) reversal of impairment loss of intangible assets, (iv) losses on written-off of property, plant and equipment, and (v) other gains which are mainly comprised of insurance claims.

The Group recorded other net gains of approximately ¥23 million in 6M2024 as opposed to other net losses of approximately ¥49 million in 6M2023. The other net gains of approximately ¥23 million in 6M2024 was mainly attributable to a gain of approximately ¥35 million for the fair value changes on financial assets at fair value through profit or loss in 6M2024 as opposed to a loss of approximately ¥39 million in 6M2023, which is primarily attributable to fluctuations in the market prices of the underlying assets in the Company's investments.

Hall operating expenses and administrative and other operating expenses

Hall operating expenses increased by approximately ¥156 million, or approximately 5.8%, from approximately ¥2,692 million in 6M2023 to approximately ¥2,848 million in 6M2024. This is primarily due to (i) the increase in pachinko and pachislot machine expenses by approximately ¥148 million in 6M2024 due to the increase in the number of newly acquired machines coupled with the increase in machine prices, (ii) the increase in advertising and promotion expenses by approximately ¥47 million in 6M2024 arising from additional expenses spent in branding the Group's pachinko and pachislot halls, (iii) the recognition of impairment loss on the Group's property, plant and equipment and intangible assets of approximately ¥55 million in 6M2024 as the management had made the decision to close down K's Plaza Ohato in December 2023 with effect from 14 January 2024 as elaborated above while no provision of impairment of property, plant and equipment and intangible assets was recorded in 6M2023, (iv) the increase in depreciation and amortisation expenses by approximately ¥12 million in 6M2024 due to the purchases of components specialised for Smart Slot Machines and Smart Pachinko Machines and new fixtures for the renovation of SENKURA Dejima, and (v) the increase in repairs and maintenance expenses by approximately ¥11 million in 6M2024 arising from additional expenses incurred for repairing exterior walls and equipment of SENKURA Dejima in August 2023. This was partially offset by (i) the decrease in utility expenses by approximately ¥64 million in 6M2024 due to the decrease in electricity rates due to the closure of Big Apple. Ofuna hall on 7 May 2023 and the introduction of energy-saving air conditioners at some of the Group's pachinko and pachislot halls, (ii) the decrease in outsourcing service expenses by approximately ¥27 million in 6M2024 due to the closure of Big Apple. Ofuna hall as most of its staff were outsourced, (iii) the decrease in G-prize procurement expenses to wholesalers by approximately ¥9 million in 6M2024 due to the closure of Big Apple. Ofuna hall, and (iv) the decrease in employee benefit expenses by approximately ¥6 million in 6M2024 due to the shift of certain employees from the hall operating department to the administrative department.

Administrative and other operating expenses increased by approximately ¥119 million, or approximately 38.3%, from approximately ¥311 million in 6M2023 to approximately ¥430 million in 6M2024, primarily due to (i) the increase in legal and professional fees by approximately ¥116 million in 6M2024 arising from additional fees incurred for market research, and (ii) the increase in employee benefit expenses by approximately ¥9 million in 6M2024 mainly due to the increase in provision of unutilised leave and the shift of certain employees from the hall operating department to the administrative department, which was partially offset by (i) the decrease in travel expenses by approximately ¥10 million in 6M2024 as part of the Group's cost reduction strategies, and (ii) the decrease in outsourcing service expenses by approximately ¥1 million in 6M2024 due to the termination of horse management services.

Impairment loss for cash-generating units

The International Accounting Standard 36 "Impairment of Assets" ("**IAS 36**") requires that assets be carried at no more than their recoverable amount. If an asset's carrying value exceeds the amount that could be received through use or selling the asset, then the asset is impaired and IAS 36 requires a company to make provision for the impairment loss. The Group's management carries out impairment assessment when there are events that indicate that the related asset values may not be recoverable, and when impairment indicators exist for the Group's cash-generating units ("**CGUs**").

In FY2023, the Group's management regarded operating loss for FY2023 or performing below management expectation, defined as not fulfilling the projected operating profit or loss for FY2023, as the impairment indicator. For 6M2024, the Company continued to apply the aforementioned impairment indicator and the management identified that six CGUs (FY2023: eight CGUs) had resulted in operating loss or not fulfilling management's expectations for 6M2024, and therefore the management considered there were impairment indications for these CGUs. The management accordingly performed impairment assessment to assess the recoverable amounts of these CGUs.

For CGUs with significant self-owned properties, management assessed the performance of the CGU to determine if either value-in-use or fair value less cost of disposal would exceed the carrying amount of the CGU. The recoverable amount of a CGU is determined as the value-in-use or fair value less cost of disposal, whichever is higher. Accordingly, the recoverable amounts of four CGUs were determined by their value-in-use, and the remaining two CGUs with significant self-owned properties were determined by their fair value less cost of disposal.

Following the plan of ceasing the operation of K's Plaza Ohato in December 2023, the management has performed impairment assessment for each of the individual fixed assets belonging to the hall separately. As a result of such impairment assessment, for 6M2024, the Group recorded provisions for impairment losses of approximately ¥54 million on property, plant and equipment, and approximately ¥1 million on intangible assets.

Value-in-use approach

The value-in-use calculations use pre-tax cash flow projections over the CGUs useful life, which is based on financial budgets approved by management. The cash flow projections cover the remaining lease terms of the respective CGUs or a five-year period, whichever is shorter. Management's forecast for the first year takes into account the performance of each of the CGUs in current period and incorporates management's latest plans for each CGUs.

The value of inputs and key assumptions used by the management under the value-in-use approach included:

(i) the revenue growth of the Group ranges from 0% to 5% for the twelve months ending 31 December 2024 based on the business performance for each of the CGUs during 6M2024, and 0% after 31 December 2024 until the end of the respective useful life for each of the CGUs;

(ii) pre-tax discount rate is 7.82%; and

(iii) there is no change in the size and scale of the Group's operations.

Save as disclosed above, there are no significant changes in the value of the inputs and assumptions from those previously adopted in FY2023.

Fair value less cost of disposal approach

The recoverable amounts of one out of the two CGUs with significant self-owned properties were determined based on fair value less cost of disposal calculations performed by the management with reference to the valuation performed by an independent professionally qualified valuer. The management considered that the cost approach adopted in the valuation, which focuses on cost by deducting depreciation from the replacement cost and uses observable and unobservable inputs such as unit price per square metre of sales comparable for land and replacement cost per square meter for buildings, is a more suitable calculation approach as the rental market for subject assets of similar characteristics is not active.

The fair value less cost of disposal of the other CGU was estimated by the management with reference to the recent transaction prices of the fixed assets belonging to the CGU.

Value of inputs and key assumptions

In determining the fair value less cost of disposal of the aforementioned two CGUs, sales price per square meter of land and buildings, and replacement cost per square meter of buildings were considered as the key assumptions.

Subsequent changes to the valuation methods adopted

As at 30 June 2023, the management made reference to the valuation performed by an independent professionally qualified valuer. As at 31 December 2023, in addition to the aforementioned approach, the management also made reference to the recent transaction prices of the fixed assets belonging to the CGU.

Profit before income tax

Profit before income tax increased by approximately ¥929 million, or approximately 569.9%, from approximately ¥163 million in 6M2023 to approximately ¥1,092 million in 6M2024. This was mainly attributable to an increase in gains on lease modification by approximately ¥1,014 million, or approximately 7,800%, from approximately ¥13 million in 6M2023 to approximately ¥1,027 million in 6M2024 as elaborated above.

Profit for the period attributable to shareholders of the Company

Profit for period attributable to shareholders of the Company increased by approximately ¥1,026 million, or approximately 1,140.0%, from approximately ¥90 million for 6M2023 to approximately ¥1,116 million for 6M2024. This was mainly due to the reasons mentioned in the paragraph headed "Profit/loss before income tax" above.

ANALYSIS OF FINANCIAL POSITION

LIQUIDITY AND FINANCIAL RESOURCES

The Company's primary uses of cash are for the payment of hall operating expenses, staff costs, various operating expenses, fund and repayments of its interest and principal of bank borrowings and capital expenditure. These have been funded through a combination of cash generated from operations and borrowings.

As at 31 December 2023, the Company had total borrowings of approximately ¥5,384 million (30 June 2023: approximately ¥4,883 million), of which approximately 75.4% represented bank borrowings and approximately 24.6% represented loans from a governmental financial institution. The Company's borrowings are all denominated in Japanese Yen.

Investment policy

The Group adopted a treasury and investment policy for financial assets that sets out overall principles as well as detailed approval processes of the Group's investment activities. Such policy includes, amongst other things, the following:

(i) investments in low liquidity products being avoided;

(ii) investments should be yield-earning in nature and the primary objectives of investment activities are to diversify the Group's investments and control their risk;

(iii) investments should be undertaken only in situations where the Group has surplus cash not required for short or medium term of use; and

(iv) investments should be undertaken only to the extent that adequate liquid capital is maintained.

The Group's finance division is responsible for the initial assessment and analysis on the expected benefit and potential risk of the Group's investment activities and compiling of relevant data and information from banks. The Group's investment decisions are made on a case-by-case basis and after due and careful consideration of a number of factors, including but not limited to the Group's short and medium-term cash requirement, the market conditions, the economic developments, the anticipated investment conditions, the investment cost, the duration of the investment and the expected benefit and potential loss of the investment.

For any investments, formal approval must be obtained from the Board before the execution or disposal of any investment. The Group's finance division is also responsible for reporting the status of the Group's investment activities to the Directors regularly. The report should include the total investment return.

Funding and treasury policy

The Group has adopted a prudent financial management approach towards its funding and treasury policy and thus maintained a healthy liquidity position for 6M2024. To manage the liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time. For 6M2024, the Group did not use any risk hedging instrument.

Cash and cash equivalents

As at 31 December 2023, the Company had cash and cash equivalents of approximately ¥2,056 million (30 June 2023: approximately ¥2,423 million), and short-term bank deposits of approximately ¥100 million (30 June 2023: approximately ¥100 million). The Company's cash and cash equivalents and short-term bank deposits are denominated in Japanese Yen, US Dollar and HK Dollar.

Capital structure

As at 31 December 2023, the capital structure of the Group comprised share capital and reserves. As at 31 December 2023, equity attributable to shareholders of the Company amounted to approximately ¥6,829 million (30 June 2023: approximately ¥5,718 million). As at 31 December 2023, total assets of the Group amounted to approximately ¥18,129 million (30 June 2023: approximately ¥18,266 million).

Borrowings

The following table illustrates the maturity profile of the Group's borrowings:

	As at 31 December 2023		As at 30 June 2023	
	¥ million	***%***	*¥ million*	*%*
Within 1 year	**874**	**16.2**	785	16.1
Between 1 year and 2 years	**798**	**14.8**	704	14.4
Between 2 years and 5 years	**1,711**	**31.8**	1,640	33.6
Over 5 years	**2,001**	**37.2**	1,754	35.9
	5,384	**100**	4,883	100

As illustrated above, the proportion of the Group's borrowings repayable within 1 year, repayable in between 1 year and 2 years, and repayable over 5 years increased, while the borrowings repayable in between 2 years and 5 years decreased. The change of maturity profile of the Group's borrowings was primarily due to the repayment of long term borrowings in 6M2024. As at 31 December 2023, the Group's borrowings of approximately ¥2,860 million were subject to a fixed interest rate.

Bonds

No new bond was issued in 6M2024.

Pledged assets

As at 31 December 2023, the Company pledged assets, including (i) property, plant and equipment, (ii) investment properties, and (iii) listed securities, in the sum of approximately ¥7,700 million (30 June 2023: approximately ¥6,689 million) to secure certain general banking facilities of the Group. The increase by approximately ¥1,011 million from approximately ¥6,689 million as at 30 June 2023 to approximately ¥7,700 million as at 31 December 2023 was mainly due to the acquisition of the Properties (as defined below) in November 2023 as disclosed in the Company's announcement dated 9 November 2023 which properties were subsequently pledged to secure certain general banking facilities of the Group.

Gearing ratio

The gearing ratio, being the aggregate of interest-bearing loans and lease liabilities less cash and cash equivalents divided by total equity of the Company, was approximately 49.2% as at 31 December 2023 (30 June 2023: approximately 56.6%). The decrease was mainly attributable to the release of lease liabilities from the termination of lease of the properties of one of the Group's pachinko and pachislot halls and car parking lots (i.e., BA. Shunan Hall) as elaborated above.

Interest rate and foreign exchange exposure

The Group is exposed to interest rate risk as its bank balances and some of its bank borrowings are carried at variable rates. The Group manages its interest rate exposure with a focus on reducing its overall cost of debt and exposure to changes in interest rates. During 6M2024, the Group did not use any hedge instrument or interest rate swap to manage its interest rate exposure.

The Group operates in Japan and its business transactions are principally denominated in Japanese Yen. However, it is exposed to foreign exchange risks associated with US Dollar for expenses it incurs in such currency. The Group's finance division monitors the Group's foreign exchange fluctuation exposure closely. In light of the continued fluctuation of Japanese Yen against US Dollar in recent years, the Group will continue to look for opportunities to manage its exposures in US Dollar by maintaining significant amount of its cash and bank balances in Japanese Yen.

Contractual and capital commitments

As a lessor, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	As a lessor	
	As at 31 December 2023	As at 30 June 2023
	¥ million	*¥ million*
Not later than 1 year	**50**	52

As at 31 December 2023, the Group did not have any capital commitments which were contracted but not provided for in respect of purchase of property, plant and equipment (30 June 2022: nil).

Capital expenditures

The Group's capital expenditures mainly consisted of expenditures on additions to property, plant and equipment, right-of-use assets, investment properties and intangible assets. The Group incurred capital expenditures of approximately ¥1,259 million for 6M2024 (6M2023: approximately ¥319 million), a majority of which came from equipment and fixtures for its pachinko and pachislot halls. The capital expenditures of approximately ¥1,259 million for 6M2024 mainly comprised the acquisition of the Properties in November 2023 as disclosed in the Company's announcement dated 9 November 2023. These capital expenditures were financed by the Group's internal funds and bank loans.

Contingent liabilities

As at 31 December 2023, the Company did not have any material contingent liabilities or guarantees.

SIGNIFICANT INVESTMENTS

As at 31 December 2023, the Group held investments primarily in (i) investment properties of approximately ¥2,943 million, which represented land and premises situated in Japan and rented out under operating leases, with each of their respective investment value being less than 5% of the Company's total assets as at 31 December 2023, and (ii) financial assets of approximately ¥1,128 million, which represented the Bonds issued by the Bond Issuer, trust funds, and listed and unlisted securities. As at 31 December 2023, no financial liabilities were held by the Group. As at 31 December 2023, save as the 1st Series Bond and the 2nd Series Bond which in aggregate constituted approximately 5.52% of the Company's total assets, the Group did not hold any other significant investment with a value of 5% or more of the Company's total assets.

Investment properties

The Group's investment properties comprise properties for office, residential and parking purposes which are rented out under operating leases and held by the Company for long-term rental yields. All of the Group's investment properties are stated at historical cost less accumulated depreciation and impairment losses. Impairment loss will be recognised by the Group where the valuation results indicate that the carrying amount of the investment properties exceed its recoverable amount. No impairment loss was recognised on the Group's investment properties for 6M2024 (6M2023: nil). The recoverable amounts for investment properties are stated at fair value less cost of disposal based on valuations performed by an independent professionally qualified valuer or management. The valuation was determined using the income approach or the sales comparison approach. The fair values of all investment properties are within level 3 of the fair value hierarchy.

The valuation of the Group's investment properties are dependent on various key assumptions and inputs, including but not limited to (i) the monthly rental per square meter of the investment property, (ii) a capitalisation rate of 5.2% to 10.1% based on that of similar properties, interviews with real estate investors and various published indices, (iii) a discount rate of 5.7% to 9.8% derived by adding risks premiums to the base rate and using the band of investment method, (iv) the vacancy rate after expiry of the lease terms of the investment property, and (v) the unit price per square meter of the investment property based on sales comparables occurred in the property market.

Save as disclosed herein, there have been no significant changes in the value of inputs or key assumptions adopted and no subsequent changes to the valuation methods adopted.

As at the date of this announcement, the Company planned to continue to hold these investment properties for long-term rental yields.

Financial assets

In relation to the Group's financial assets, the Group recorded a gain of approximately ¥35 million for the fair value changes on financial assets at fair value through profit or loss in 6M2024 as opposed to a loss of approximately ¥39 million in 6M2023, which is primarily attributable to fluctuations in the market prices of the underlying assets in the Company's investments. Although changes in market conditions will continue to result in fair value gains or losses from financial assets, the Directors are of the view that the investment in financial assets will help to increase the average yield earned from the excess funds from the Group's business overall. To the best of their knowledge and as at the date of this announcement, the Directors do not foresee any default or any impairment to be made to any financial assets held by the Group.

Furthermore, as disclosed in the previous interim reports and annual reports of the Company, on 26 July 2018, the Company entered into two agreements with the Bond Issuer, pursuant to which the Company subscribed for two series of Bonds at face value issued by the Bond Issuer, in an aggregate amount of ¥1,000 million. The Bond Issuer is a company incorporated under the laws of Japan and headquartered in Fukuoka, Japan, engaging in the business of commercial and consumer finance. Completion of the subscription of such Bonds took place on 27 July 2018. On 25 January 2019, the Company, the Bond Issuer and Everglory Capital entered into an amendment agreement to, among others, extend the maturity/redemption date of the 2nd Series Bond and include Everglory Capital as a guarantor to guarantee the obligations of the Bond Issuer of its obligations under the 2nd Series Bond. Everglory Capital is a company incorporated under the laws of Japan and headquartered in Tokyo, Japan, principally engaged in investment and financial advisory businesses in Japan. On 24 January 2020, the Company, the Bond Issuer and Everglory Capital entered into an agreement to further extend the maturity/redemption date of the 2nd Series Bond and increase its interest rate for the extended period. On 25 January 2021, the Company, the Bond Issuer and Everglory Capital entered into an amendment agreement to further extend the maturity/redemption date of the 2nd Series Bond. On 30 July 2021, the Company, the Bond Issuer and Everglory Capital entered into an amendment agreement to, among others, extend the maturity/redemption date of the 1st Series Bond, increase its interest rate for the extended period, and include Everglory Capital as a guarantor to guarantee the obligations of the Bond Issuer of its obligations under the 1st Series Bond. On 25 January 2022, the Company, the Bond Issuer and Everglory Capital entered into an amendment agreement to further extend the maturity/redemption date of the 2nd Series Bond. On 27 January 2023, the Company, the Bond Issuer and Everglory Capital entered into an amendment agreement to further extend the maturity/redemption date of the 2nd Series Bond. On 25 January 2024, the Company, the Bond Issuer and Everglory Capital entered into an amendment agreement to further extend the maturity/redemption date of the 2nd Series Bond. For details, please refer to the announcements of the Company dated 26 July 2018, 25 January 2019, 24 January 2020, 25 January 2021, 30 July 2021, 25 January 2022, 27 January 2023 and 25 January 2024 and the circular of the Company dated 29 October 2021.

As at 31 December 2023, the fair value of each of the 1st Series Bond and the 2nd Series Bond was ¥500 million, which in aggregate constituted approximately 5.52% of the Company's total assets. There is no change to the fair value of each of the 1st Series Bond and the 2nd Series Bond for 6M2024 as they are calculated at amortised cost. For 6M2024, the amount of interest earned by the Group under each of the 1st Series Bond and the 2nd Series Bond is approximately ¥10 million and ¥10 million, respectively.

The Company expects that the subscription of the Bonds will allow the Group to earn a higher yield. In light of the ongoing uncertainty in the business outlook of the pachinko industry, the Directors consider the additional amount of interest to be received by the Group pursuant to the aforementioned extension of the maturity/redemption date and/or change of interest rate (as the case may be) of the 1st Series Bond and the 2nd Series Bond will continue to generate a stable source of cash flow and income for the Group, which is beneficial to the Group's financial position. Therefore, the Company will continue with this investment in accordance with the terms of the Bonds.

Save as disclosed herein, the Group did not hold any significant investments as at 31 December 2023.

HUMAN RESOURCES

Employees and remuneration policies

As at 31 December 2023, the Group had 381 employees (31 December 2022: 390 employees), almost all of whom were based in Japan, and of whom 339 were stationed at the Group's pachinko and pachislot halls. For newly recruited employees, the Group has prepared a series of training sessions which mainly focuses on pachinko and pachislot hall operations and customer service. Upon appointment of every three years, as required by the Public Safety Commission, each hall manager is required to attend the training course conducted by the Public Safety Commission.

The staff costs include all salaries and benefits payable to the Group's employees and staff, including the Directors. The total staff costs for 6M2024 amounted to approximately ¥550 million (6M2023: approximately ¥547 million), which accounted for approximately 16.8% (6M2023: approximately 18.2%) of the total operating expenses, including the remuneration of the Directors.

The Directors and employees receive compensation in the form of salaries, and where applicable, allowances, bonuses and other benefits-in-kind, including the Group's contribution to the pension scheme. The Company's policy concerning the remuneration of the Directors and employees is that the amount of remuneration is determined on the basis of the relevant Director's or employee's experience, responsibility, performance and the time devoted to the Group's business.

Apart from basic remuneration, share options may be granted to individual Directors and employees under the share option scheme (the "**Share Option Scheme**") adopted by the Company on 10 April 2017, by reference to their performance.

The Share Option Scheme

On 10 April 2017, the Company adopted the Share Option Scheme. The principal terms of the Share Option Scheme were summarised in the paragraph headed "Statutory and General Information — F. Share Option Scheme" in Appendix VI to the prospectus of the Company dated 28 April 2017.

The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and providing benefits in the form of share options of the Company to eligible participants ("**Eligible Participants**") and for such other purposes as the Board approves from time to time.

Eligible Participants includes, among others, any full-time or part-time employees, or potential employees, executives or officers (including executive, non-executive and independent non-executive directors) of the Company or any of its subsidiaries and suppliers.

As at 1 July 2023 and at 31 December 2023, the maximum number of shares of the Company in respect of which options under the Share Option Scheme and any other share option schemes of the Company may be granted is 10% of the issued shares of the Company as at the date of the Company's listing (i.e., 15 May 2017), being 50,000,000 shares.

Since the adoption of the Share Option Scheme, and up to the date of this announcement, no option was granted, exercised, cancelled or lapsed under the Share Option Scheme.

ISSUE FOR CASH OF EQUITY SECURITIES

Placing of new shares under general mandate

On 30 March 2023 (after trading hours), the Company and Space Securities Limited (the "**Placing Agent**") (as placing agent) entered into a placing agreement (the "**Placing Agreement**") in relation to the placing of up to 100,000,000 new ordinary shares of the Company (the "**Placing Share(s)**") to not less than six placees at the placing price of HK$0.20 per Placing Share (the "**Placing Price**") subject to the terms and conditions set out in the Placing Agreement (the "**Placing**"). The Placing Price of HK$0.20 per Placing Share represents (i) a discount of approximately 11.1% to the closing price of HK$0.225 per share of the Company (the "**Share**") as quoted on the Stock Exchange on the date of the Placing Agreement, and (ii) a discount of approximately 9.75% to the average closing price of HK$0.2216 per Share in the last five trading days immediately prior to the date of the Placing Agreement. The net price (after deducting the placing commission payable to the Placing Agent and other costs and expenses incurred in the Placing) to the Company of each Placing Share was approximately HK$0.17.

Given the prolonged decline in the pachinko business coupled with rising cost of living in Japan reducing the disposable income of consumers, the Group continues to face challenges to its business recovery after the COVID-19 outbreak. As such, the Directors believe that the Placing represents a timely opportunity to strengthen the Group's financial position to support its efforts in boosting the recovery of the Group's operations and business performance, as well as to broaden the Company's capital and shareholder base.

The Placing was completed on 26 April 2023, where a total of 100,000,000 Placing Shares, representing approximately 16.67% of the total issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares, have been successfully placed to not less than six placees at the Placing Price of HK$0.20 per Placing Share who are professional, institutional and/or other investors. The Placing Shares were allotted and issued under the general mandate granted by the shareholders of the Company at the annual general meeting of the Company held on 22 November 2022.

The aggregate gross proceeds from the Placing amounted to HK$20.0 million and the aggregate net proceeds (after deducting the placing commission payable to the Placing Agent and other costs and expenses incurred in the Placing) from the Placing amounted to approximately HK$17.0 million (the "**Placing Net Proceeds**"). The Company intended to use approximately HK$12.75 million or 75% and approximately HK$2.55 million or 15% of the Placing Net Proceeds for (i) the purchase of pachinko and pachislot machines, and (ii) the renovation or enhancement of the Group's existing pachinko and pachislot halls and marketing expenses, respectively, and the remaining approximately HK$1.70 million or 10% for other general working capital of the Group. The Placing Net Proceeds have been applied in the manner consistent with the use of net proceeds as disclosed in the announcements of the Company dated 30 March 2023 and 26 April 2023 in relation to the Placing (the "**Placing Announcements**"). For details, please refer to the Placing Announcements.

The amount of unutilised Placing Net Proceeds brought forward from FY2023 to the beginning of 6M2024 amounted to approximately HK$8.55 million, and such unutilised placing net proceeds have been fully utilised during 6M2024.

As at 31 December 2023, the Group had applied the Placing Net Proceeds as follows:

Use of Placing Net Proceeds as disclosed in the Placing Announcements	**Amounts of planned use of Placing Net Proceeds as disclosed in the Placing Announcements** *(HK$) (Approximate)*	**Amounts of actual use of Placing Net Proceeds during FY2023** *(HK$) (Approximate)*	**Amounts of actual use of Placing Net Proceeds during 6M2024** *(HK$) (Approximate)*	**Amounts of unutilised Placing Net Proceeds as at 31 December 2023** *(HK$) (Approximate)*	**Expected timeframe of the full utilisation of the unutilised Placing Net Proceeds**
Purchase of pachinko and pachislot machines	12.75 million	6.34 million	6.41 million	Nil	Not applicable
Renovation or enhancement of the Group's existing pachinko and pachislot halls and marketing expenses	2.55 million	2.11 million	0.44 million	Nil	Not applicable
Other general working capital of the Group	1.70 million	Nil	1.70 million	Nil	Not applicable
Total:	**17.00 million**	**8.45 million**	**8.55 million**	**Nil**	

Issue of equity securities

During 6M2024, the Company did not issue for cash any equity securities (including securities convertible into equity securities).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During 6M2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MATERIAL ACQUISITION OF PROPERTIES

On 9 November 2023, K's Property Co., Ltd.* (株式会社ケイズプロパティー) ("**K's Property**") and G.K. Shunan Kaihatsu* (合同会社周南開発) ("**G.K. Shunan Kaihatsu**") entered into an acquisition agreement, pursuant to which K's Property, an indirectly wholly-owned subsidiary of the Company, as the purchaser agreed to purchase, and G.K. Shunan as the vendor agreed to sell the entrusted asset under the trust, which consists of (i) three parcels of land situated at Azakaisakuminami, Oazakuriya, Shunan-Shi, Yamaguchi Prefecture, Japan, with a total area of approximately 8,952 square metres, together with an irrigation channel of approximately 34 square metres (the "**Land**"); and (ii) a four-story building and a single-story warehouse erected on the Land with a total gross floor area of approximately 7,406 square metres and 118 square metres, respectively (the "**Buildings**", together with the Land, the "**Properties**"), at a total consideration of approximately ¥935 million (inclusive of consumption tax), subject to adjustments. The Acquisition was completed on 9 November 2023. For details, please refer to the announcement of the Company dated 9 November 2023.

MATERIAL ACQUISITIONS AND/OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During 6M2024, the Group did not conduct any material acquisitions or disposals of subsidiaries, associates and joint ventures.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

On 11 January 2024, Mr. Katsuya YAMAMOTO entered into a share purchase agreement with Ichikura Limited, pursuant to which Mr. Katsuya YAMAMOTO has agreed to sell and Ichikura Limited has agreed to purchase a total of 72,000,000 Shares of the Company at an aggregate consideration of approximately ¥537 million (the "**Share Transfer**"). For details, please refer to the Company's announcement dated 11 January 2024. The Share Transfer was completed on 18 January 2024.

As of 31 December 2023, the Group operated 11 pachinko and pachislot halls under the trading names "Big Apple.", "K's Plaza" and "SENKURA". Subsequent to 6M2024, the Company closed down one of its pachinko and pachislot halls, namely K's Plaza Ohato, with effect from 14 January 2024, having duly considered its deteriorating operating and financial performance since the outbreak of COVID-19 in Japan in January 2020 and the resulting low overall customer traffic since early 2020. For FY2023, revenue generated from K's Plaza Ohato amounted to approximately ¥309 million, contributing approximately 4.9% of the total revenue of the Group. The Group also recorded a loss before taxation of approximately ¥59 million for K's Plaza Ohato for FY2023. For details, please refer to the Company's announcement dated 9 January 2024.

On 25 January 2024, the Company, the Bond Issuer and Everglory Capital entered into a 6th amendment agreement to, among others, further extend the maturity/redemption date of the 2nd Series Bond from 31 January 2023 to 31 January 2027. For details, please refer to the Company's announcement dated 25 January 2024.

Save as disclosed in this announcement, there are no significant events after the reporting period up to the date of this announcement.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL INVESTMENTS

Save for those disclosed in this announcement, the Group has no plan authorised by the Board for other material investments or additions of capital assets as at the date of this announcement.

INTERIM DIVIDEND

No interim dividend for 6M2024 has been recommended by the Board (6M2023: Nil).

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Board has reviewed the unaudited condensed consolidated interim financial information and the interim results announcement for 6M2024 and discussed the financial related matters with the management. The unaudited condensed consolidated interim financial information of the Group for 6M2024 has been reviewed by the Company's auditor, PricewaterhouseCoopers, 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.

CORPORATE GOVERNANCE

The Directors consider that the Company has applied the principles of the Corporate Governance Code (the "**CG Code**") set out in Appendix C1 (previously Appendix 14) to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and complied with the code provisions, where applicable, during 6M2024 as set out in the CG Code, except for the following deviation:

Code Provision C.2.1

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. For the Group, Mr. Katsuya YAMAMOTO holds both of such positions. Mr. Katsuya YAMAMOTO has been primarily responsible for overseeing the Group's general management and business development and for formulating business strategies and policies for the Group's business management and operations since the Group was founded in 1984. The Company and the Directors (including the independent non-executive Directors) believe the combined roles of Mr. Katsuya YAMAMOTO provide for better leadership of the Board and management and allow for more focus on developing the Group's business strategies and implementation of policies and objectives, and therefore the present arrangements are beneficial to and in the interests of the Company and its shareholders as a whole.

The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that (i) the decision to be made by the Board requires approval by at least a majority of the Directors, and the Company believes that there is sufficient check and balance in the Board, (ii) Mr. Katsuya YAMAMOTO and other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interests of the Company and will make decisions for the Group accordingly, and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals with sufficient number thereof being independent non-executive Directors who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategies and other key business, financial, and operational policies of the Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman of the Board and chief executive is necessary. The Directors strive to achieve a high standard of corporate governance (which is of critical importance to the Group's development) to protect the interest of shareholders of the Company.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 (previously Appendix 10) to the Listing Rules as the required standards for securities transactions by the Directors. Specific enquiries have been made to all the Directors and all Directors have confirmed that they had complied with the required standards, where applicable, set out in the Model Code for 6M2024.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.okura-holdings.com. The interim report of the Company for 6M2024 will be despatched to the Company's shareholders and published on the aforesaid websites in due course.

By Order of the Board
Okura Holdings Limited
Katsuya YAMAMOTO
Chief Executive Officer, Executive Director and
Chairman of the Board

Hong Kong, 28 February 2024

As at the date of this announcement, the Board comprises six Directors, of which (i) three are executive Directors, namely Mr. Katsuya YAMAMOTO, Mr. Yutaka KAGAWA and Mr. Toshiro OE; and (ii) three are independent non-executive Directors, namely Mr. Kazuyuki YOSHIDA, Ms. Mariko YAMAMOTO and Mr. Masaaki AYRES (alias Gettefeld AYRES).

* *For identification purpose only*