INTERNATIONAL ENTERTAINMENT CORPORATION
國 際 娛 樂 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01009)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

RESULTS

The board of directors (the "Board") of International Entertainment Corporation (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 31 December 2021, together with the comparative unaudited figures for the six months ended 31 December 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 December 2021

	Notes	**Six months ended 31 December 2021** ***HK$'000*** **(Unaudited)**	Six months ended 31 December 2020 *HK$'000* (Unaudited)
Revenue	*6(b)*	**27,635**	35,300
Cost of sales		**(31,878)**	(32,773)
Gross (loss)/profit		**(4,243)**	2,527
Other income		**2,369**	8,684
Other losses		**(2,210)**	(5,543)
Change in fair value of financial assets at fair value through profit or loss	*15*	**(12,240)**	(9,101)
Change in fair value of financial liabilities at fair value through profit or loss	*19*	**1,601**	2,636
Change in fair value of investment properties	*13*	**(65,376)**	(36,564)
Impairment loss of plant and equipment	*12*	**(1,444)**	–
Impairment loss of right-of-use assets		**(706)**	–
Share of (loss)/profit of associates	*14*	**(2,319)**	394
Selling and marketing expenses		**–**	(50)
General and administrative expenses		**(36,722)**	(39,964)
Finance costs	*7*	**(15,452)**	(13,053)

	Notes	**Six months ended 31 December 2021** *HK$'000* **(Unaudited)**	Six months ended 31 December 2020 *HK$'000* (Unaudited)
Loss before taxation	*8*	**(136,742)**	(90,034)
Income tax credit/(expenses)	*9*	**109**	(1,028)
Loss for the period		**(136,633)**	(91,062)
Other comprehensive loss that will not be reclassified to profit or loss:			
— Remeasurement of defined benefit obligations		**(53)**	(1,289)
— Exchange differences arising on translation of presentation currency		**(63,266)**	69,281
Total comprehensive loss for the period		**(199,952)**	(23,070)
		HK Cents	*HK Cents*
Loss per share attributable to owners of the Company			
— Basic	*10*	**(9.98)**	(6.65)
— Diluted	*10*	**(9.98)**	(6.65)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	**31 December 2021** **HK$'000** **(Unaudited)**	30 June 2021 *HK$'000* (Audited)
Non-current assets			
Property, plant and equipment	*12*	**192,615**	223,330
Investment properties	*13*	**1,117,000**	1,231,000
Loan receivables		**68,426**	77,203
Interest in associates	*14*	**51,142**	55,686
Right-of-use assets		**35,192**	37,735
Other receivables, deposits and prepayments		**15,551**	16,995
		1,479,926	1,641,949
Current assets			
Inventories		**1,267**	1,403
Financial assets at fair value through profit or loss	*15*	**38,415**	52,573
Trade receivables	*16*	**4,229**	4,347
Contract assets		**370**	2,232
Other receivables, deposits and prepayments		**30,594**	30,433
Amounts due from associates		**1,197**	3,275
Bank balances and cash		**533,328**	564,942
		609,400	659,205
Total assets		**2,089,326**	2,301,154
Current liabilities			
Trade payables	*17*	**2,094**	1,779
Other payables and accrued charges	*17*	**34,617**	29,863
Promissory note		**384,015**	382,196
Contract liabilities		**3**	19
Bank borrowings		**19,081**	19,887
Lease liabilities		**3,504**	2,469
		443,314	436,213
Net current assets		**166,086**	222,992

	Notes	**31 December 2021**	30 June 2021
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Non-current liabilities			
Deferred tax liabilities		**146,618**	152,255
Other liabilities		**1,084**	999
Lease liabilities		**39,911**	42,394
Bank borrowings		**23,852**	34,803
Convertible bond	*19*	**42,890**	42,881
		254,355	273,332
NET ASSETS		**1,391,657**	1,591,609
EQUITY			
Equity attributable to owners of the Company			
Share capital	*18*	**1,369,157**	1,369,157
Share premium and reserves		**22,500**	222,452
TOTAL EQUITY		**1,391,657**	1,591,609

NOTES

1. GENERAL

International Entertainment Corporation (the "Company") was incorporated in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As of 31 December 2021, Brighten Path Limited ("Brighten Path") and Head and Shoulders Direct Investment Limited ("Head and Shoulders") are the Company's immediate and ultimate parent respectively. Head and Shoulders is wholly and beneficially owned by Dr. Choi Chiu Fai Stanley, executive Director. The address of the Company's registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of the Company's principal place of business in Hong Kong is at Units 2109–10, 21st Floor, Wing On House, No. 71 Des Voeux Road Central, Hong Kong.

The Company is an investment holding company. The Group were principally involved in hotel operations, leasing of properties equipped with entertainment equipment and participating in the gaming operation at the hotel complex of the Group in Metro Manila in the Philippines (the "Hotel Operation Business" and "Gaming Operation Business") and live poker events (the "Live Events Business") in Macau.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on the Stock Exchange. These condensed consolidated interim financial statements were authorised for issue on 28 February 2022.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2021 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 July 2021. Details of any changes in accounting policies are set out in Note 4. The adoption of the new and revised HKFRSs have no material effect on these condensed consolidated interim financial statements. The Group has not early adopted any new and revised HKFRSs that has been issued but not yet effective in the current accounting period.

The preparation of the condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in Note 5.

The functional currency of the Company is Philippine Peso ("Peso"), the currency of the primary economic environment in which the Company's major subsidiaries operate. The condensed consolidated financial information are presented in Hong Kong Dollars ("HK$"), unless otherwise stated, as the directors of the Company (the "Directors") consider that it is an appropriate presentation of a company listed in Hong Kong and for convenience of the shareholders of the Company (the "Shareholders"). The condensed consolidated financial information contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2021 annual consolidated financial statements. The condensed consolidated financial information and notes do not include all of the information required for a complete set of financial statements prepared in accordance with HKFRSs and should be read in conjunction with the 2021 annual consolidated financial statements.

These condensed consolidated interim financial statements are unaudited, but have been reviewed by the Audit Committee of the Company.

3. SIGNIFICANT EVENTS

The World Health Organisation declared coronavirus and COVID-19 a global health emergency on 30 January 2020. Since then, the Group has experienced significant disruption to its operations in the following respects:

— Number of hotel guests dropped significantly because of travel restriction imposed by the Philippines government; and

— Limited to a maximum 50 percent capacity of the Casino are required under social distancing measurement.

The significant events and transactions that have occurred since 30 June 2021 relate to the effects of the global pandemic on the Group's condensed consolidated interim financial statements for the six months ended 31 December 2021 are summarised as follows.

(a) Fair value measurement of investment properties

The casino operated by Philippine Amusement and Gaming Corporation ("PAGCOR") in the Group's property leased was limited to a maximum of fifty percent capacity during the period. The Group measures fair value based on a valuation carried out by JLL with income capitalisation approach. The Group considered their expectation on when the casino operated by PAGCOR can be resumed to normal capacity as a significant judgement and the forecasts used in the income capitalisation approach were probability weighted by scenarios. For detailed assessment please refer to Note 13.

(b) Provision for impairment loss on trade receivables and contract assets

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix.

The management has incorporated their judgements on deciding forward-looking factors in the calculation of expected credit losses. Management's judgements regarding expected credit losses are based on the facts available to management currently. Due to the unprecedented nature of the COVID-19 pandemic, its effect on the Group's customers and their ability to meet their financial obligations to the Group is difficult to predict. As a result, the Group's judgments and associated estimates of expected credit losses may ultimately prove, with the benefit of hindsight, to be incorrect.

4. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of preparation of the Group's annual consolidated financial statements for the year ended 30 June 2021, as described therein.

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

The following new or amended HKFRSs have been adopted by the Group for the financial year beginning on or after 1 July 2021:

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — phase 2
Amendments to HKFRS 16	Covid-19 Related Rent Concessions beyond 30 June 2021

5. USE OF JUDGEMENTS AND ESTIMATES

The preparation of the 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 expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2021 annual financial statements.

However, as disclosed in Note 3, the effects of COVID-19 have required significant judgments and estimates to be made, including calculating the recoverable amount for cash generating units that exhibit indicators of impairment as at the period end and the methodology used to estimate the fair value of investment properties as their valuation techniques incorporate significant unobservable inputs.

Additionally, while the changes in the following estimates and judgments have not had a material impact on the Group, the effects of COVID-19 have required revisions to: estimates of expected credit losses attributable to accounts receivable arising from sales to customers, including the incorporation of forward-looking information to supplement historical credit loss rates.

6. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions. The chief operating decision-maker has been identified as the Executive Directors of the Company.

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Executive Directors in order to allocate resources and assess performance of the segment.

The Executive Directors have determined that the Group has the following reportable segments:

— the "Hotel Operation" segment represents the operation of hotel business in the Philippines;

— the "Gaming Operation" segment represents leasing of investment properties equipped with entertainment equipment to PAGCOR and participation in the gaming operation (Note (i)); and

— the "Live Events" segment represents the operation of live poker events business (Note (ii)).

Notes:

(i) In previous years, the Group leased its properties equipped with entertainment equipment to PAGCOR for gaming operation. On 9 August 2021, the Group and PAGCOR entered into the cooperation agreement (the "Cooperation Agreement"), in which, except for leasing of properties with entertainment equipment, the Group would participate in gaming operation through a management committee jointly established with PAGCOR. Accordingly, this segment has been presented as 'Gaming Operation' in the period under review.

(ii) Due to the prevalence of COVID-19 pandemic, there was no live poker event held during the period.

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit that is used by the chief operating decision-maker for assessment of segment performance.

(a) Business segments

Segment information about these reportable segments are presented below:

For the six months ended 31 December 2021 (Unaudited)

	Hotel Operation *HK$'000*	Gaming Operation *HK$'000*	Live Events *HK$'000*	Consolidated *HK$'000*
Revenue — external	**11,960**	**15,675**	**–**	**27,635**
Segment results	**(22,502)**	**(72,149)**	**(335)**	**(94,986)**
Change in fair value of financial assets at FVTPL				**(12,240)**
Change in fair value of financial liabilities at FVTPL				**1,601**
Unallocated other income				**192**
Exchange losses				**(4,945)**
Share of loss of associates				**(2,319)**
Auditor's remuneration				**(1,200)**
Legal and professional fees				**(2,990)**
Salaries and allowances				**(6,995)**
Depreciation of right-of-use assets				**(502)**
Finance costs				**(11,238)**
Unallocated expenses				**(1,120)**
Loss before taxation for the period				**(136,742)**

Segment information about these reportable segments are presented below:

For the six months ended 31 December 2020 (Unaudited)

	Hotel Operation *HK$'000*	Leasing *HK$'000*	Live Events *HK$'000*	Consolidated *HK$'000*
Revenue — external	20,855	14,445	–	35,300
Segment results	(1,231)	(55,802)	(817)	(57,850)
Change in fair value of financial assets at FVTPL				(9,101)
Change in fair value of financial liabilities at FVTPL				2,636
Unallocated other income				487
Exchange losses				(3,712)
Share of profit of associates				394
Auditor's remuneration				(1,620)
Legal and professional fees				(2,898)
Salaries and allowances				(6,357)
Depreciation of right-of-use assets				(683)
Finance costs				(10,365)
Unallocated expenses				(965)
Loss before taxation for the period				(90,034)

(b) Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

For the six months ended 31 December 2021 (Unaudited)

	Hotel Operation ***HK$'000***	**Gaming Operation** ***HK$'000***	**Consolidated** ***HK$'000***
Primary geographical markets			
The Philippines	**11,960**	**15,675**	**27,635**
Revenue from contracts with customers			
Recognized over time			
Room revenue	**9,297**	**–**	**9,297**
Food and beverages	**1,790**	**–**	**1,790**
Other hotel service income	**873**	**–**	**873**
	11,960	**–**	**11,960**
Revenue from other source			
Gaming operation	**–**	**15,675**	**15,675**
	11,960	**15,675**	**27,635**

For the six months ended 31 December 2020 (Unaudited)

	Hotel Operation *HK$'000*	Leasing *HK$'000*	Consolidated *HK$'000*
Primary geographical markets			
The Philippines	20,855	14,445	35,300
Revenue from contracts with customers			
Recognized over time			
Room revenue	18,432	–	18,432
Food and beverages	2,124	–	2,124
Other hotel service income	299	–	299
	20,855	–	20,855
Revenue from other source			
Leasing of investment properties equipped with entertainment equipment	–	14,445	14,445
	20,855	14,445	35,300

7. FINANCE COSTS

	For the six months ended 31 December 2021 ***HK$'000*** **(Unaudited)**	For the six months ended 31 December 2020 *HK$'000* (Unaudited)
Interest on promissory note	**9,580**	8,671
Interest on bank borrowings	**2,110**	3,004
Interest on lease liabilities	**2,152**	1,664
Interest on convertible bond	**1,610**	1,664
	15,452	15,003
Less: Amount capitalised *(note)*	**–**	(1,950)
	15,452	13,053

Note:

Borrowing costs capitalised during the period arose on the specific borrowings to expenditure on qualifying assets.

8. LOSS BEFORE TAXATION

	For the six months ended 31 December 2021 *HK$'000* **(Unaudited)**	For the six months ended 31 December 2020 *HK$'000* (Unaudited)
Loss before taxation has been arrived at after charging/(crediting):		
Directors' emoluments	**1,884**	1,616
Staff costs (excluding directors' emoluments):		
Salaries and allowances	**13,603**	16,571
Retirement benefits scheme contributions	**873**	641
Total staff costs	**16,360**	18,828
Change in fair value of financial assets at FVTPL	**12,240**	9,101
Change in fair value of financial liabilities at FVTPL	**(1,601)**	(2,636)
Change in fair value of investment properties	**65,376**	36,564
Impairment loss of plant and equipment	**1,444**	–
Impairment loss of right-of-use assets	**706**	–
Auditor's remuneration		
— Audit services	**1,020**	1,200
— Non-audit service	**180**	420
Cost of inventories recognised as an expense	**1,058**	1,260
Provision/(reversal) for expected credit losses		
— Trade receivables	**29**	(308)
Depreciation of property, plant and equipment		
— included in cost of sales	**23,927**	22,462
— included in general and administrative expenses	**8**	270
Depreciation of right-of-use assets (included in general and administrative expenses)	**2,350**	1,982
Gain on disposal of property, plant and equipment	**–**	(183)
Legal and professional fees	**4,081**	4,761

9. INCOME TAX (CREDIT)/EXPENSES

The amount of tax recognised in the condensed consolidated statement of comprehensive income represents:

	For the six months ended 31 December 2021	For the six months ended 31 December 2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax expenses	**–**	56
Deferred tax (credit)/expenses	**(109)**	972
Income tax (credit)/expenses	**(109)**	1,028

Hong Kong profits tax for the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and 16.5% on the estimated assessable profits above HK$2 million for both periods. Hong Kong profits tax for other group entities is calculated at 16.5% on the estimated profits. No provision for taxation in Hong Kong was made in the financial statements for the current period as the Group's operations in HK had no assessable profits.

The Group's subsidiaries in the Philippines are subject to the Philippines profits tax rate of 25% for the period ended 31 December 2021 and 2020. The withholding tax rate in respect of a dividend distributed by a subsidiary of the Company operating in the Philippines to its overseas immediate holding company is 15% for the period ended 31 December 2021 and 2020. No provision for taxation in the Philippines was made in the financial statements for the current period as the Group's operations in the Philippines had no assessable profits.

The Group's subsidiary in Macau is subject to Macau profits tax rate of 12% for the period ended 31 December 2021 and 2020. No provision for taxation in Macau was made in the financial statements for the current period as the Group's operations in Macau had no assessable profits.

At 31 December 2021, there are tax dispute cases between Marina Square Properties, Inc. ("MSPI"), an indirect wholly-owned subsidiary of the Company principally engaging in the business of leasing of properties and participating in the gaming operation in the Philippines, and Bureau of Internal Revenue ("BIR") in the Philippines for the calendar years of 2008, 2012, 2014 and 2015 which were pending for final decision of the court. Based on the advice of the independent legal advisor of the subsidiary, the Directors believe that MSPI has valid legal arguments to defend the tax disputes and concluded that the possibility of additional tax liabilities is remote.

10. LOSS PER SHARE

The basic and diluted loss per share attributable to the owners of the Company are calculated as follows:

	For the six months ended 31 December 2021	For the six months ended 31 December 2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss attributable to the owners of the Company for the purpose of calculation of basic and diluted loss per share	**(136,633)**	(91,062)

	For the six months ended 31 December 2021	For the six months ended 31 December 2020
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,369,157**	1,369,157

	For the six months ended 31 December 2021	For the six months ended 31 December 2020
	HK Cents	*HK Cents*
	(Unaudited)	(Unaudited)
Loss per share		
— Basic	**(9.98)**	(6.65)
— Diluted	**(9.98)**	(6.65)

The computation of diluted loss per share for the six months ended 31 December 2021 and 31 December 2020 do not assume the exercise of the Company's outstanding share options and convertible bond as the exercise price of those options and convertible bond is higher than the average market price for shares for the period.

11. DIVIDENDS

The board does not propose an interim dividend for the six months ended 31 December 2021 (six months ended 31 December 2020: nil).

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2021, the Group acquired property, plant and equipment of HK$3,401,000 (six months ended 31 December 2020: HK$11,682,000).

Impairment tests for Hotel operation CGU

The group of non-financial assets included in hotel operation segment ("Hotel operation CGU") is tested for impairment as the hotel operation segment recorded a segment loss during the financial period ended 31 December 2021. For the purpose of impairment testing, gross carrying amount of property, plant and equipment of HK$198,528,000 and right-of-use assets of HK$24,997,000 of the hotel operation segment were allocated to the Hotel operation CGU. The recoverable amount of the Hotel operation CGU has been determined by fair value less costs of disposal ("FVLCOD") with reference to the valuation prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), an independent professional valuer not connected to the Group. The fair value of the hotel operation CGU were measured using income capitalisation approach with use of significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy. There were no transfer into or out of Level 3 during the period. Key assumptions used in calculating the recoverable amount are as follows:

	31 December 2021	30 June 2021
Growth rate of revenue	**4.0%**	4.0%
Discount rate	**11.5%**	12.0%
Capitalisation rate	**7.5%**	8.0%

During the period, the global health emergency resulting from the COVID-19 pandemic has remained and led to a significant disruption in tourist activities in the Philippines. The forecasts used in the income capitalisation approach were probability weighted based on the following scenarios to account for the impact of COVID-19:

— Base case (75% weighting): Subject to the travel restriction and reduction in customer demands, revenue generated from hotel operation segment can be recovered and return to ordinary level in the mid of financial year of 2022/23.

— Conservative case (25% weighting): Subject to the travel restriction and reduction in customer demands, revenue generated from hotel operation segment can be recovered and return to ordinary level in the mid of financial year of 2023/24.

The recoverable amount of the Hotel operation CGU measured from income capitalisation approach is approximately HK$217,000,000 (year ended 30 June 2021: HK$214,000,000) which is higher than the carrying amount. Therefore, no further impairment loss was provided to property, plant and equipment and right-of-use assets attributable to the Hotel operation CGU for the period ended 31 December 2021. The property, plant and equipment was impaired by approximately HK$22,530,000 and right-of-use assets was impaired by approximately HK$2,831,000 of the Hotel operation CGU during the year ended 30 June 2021.

Impairment tests for Gaming Operation CGU

The group of non-financial assets included in Gaming Operation segment ("Gaming Operation CGU") with gross carrying amount of HK$41,408,000 is tested for impairment as the Gaming Operation segment recorded a segment loss during the period ended 31 December 2021. The recoverable amount of the Gaming Operation CGU of HK$36,309,000 have been determined by FVLCOD with reference to the valuation prepared by JLL using income capitalisation approach with use of significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy, impairment loss was provided to property, plant and equipment and right-of-use assets attributable to the Gaming Operation CGU for the period ended 31 December 2021 by approximately HK$1,444,000 and HK$706,000 (year ended 30 June 2021: HK$2,267,000 and HK$897,000) respectively.

13. INVESTMENT PROPERTIES

	31 December 2021	30 June 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
FAIR VALUE		
At beginning of the period/year	**1,231,000**	1,308,000
Additions	**67**	4,183
Fair value loss	**(65,376)**	(111,939)
Exchange adjustment	**(48,691)**	30,756
At end of the period/year	**1,117,000**	1,231,000

The above investment properties are located in the Philippines. The Group's property interest held to earn rentals is measured using the fair value model and is classified and accounted for as investment property.

Investment properties are pledged to a bank to secure the loan and general banking facilities granted to the Group.

Fair value measurement of Investment properties

The fair values of the Group's investment properties as at 31 December 2021 was approximately HK$1,117,000,000 (30 June 2021: HK$1,231,000,000). The fair values have been arrived at based on a valuation carried out by JLL, independent valuer not connected with the Group. JLL is a member of the Royal Institution of Chartered Surveyors.

The fair values were determined based on the income approach, where capitalising the estimated net income derived from the investment properties with reference to the Lease Agreement and Cooperation Agreement and taking into account the future growth potential with reference to historical income trend achieved in previous years. The discount rate was determined by reference to weighted average cost of capital of the listed companies with similar business portfolio. There had been no change from the valuation technique used in the prior period. Key assumptions used in calculating the recoverable amount are as follows:

	31 December 2021	30 June 2021
Growth rate of revenue	**3.0%**	3.0%
Discount rate	**13.0%**	12.5%
Capitalisation rate	**7.5%**	7.5%

During the period, the casino operated by PAGCOR in the Group's property leased was limited to a maximum of 50% capacity. The forecasts used in the income capitalisation approach were probability weighted based on the following scenarios to account for the impact of COVID-19 as discussed in Note 3:

— Base case (75% weighting): The casino operated by PAGCOR is limited to a maximum of 50% capacity and gradually resume to ordinary level from the mid of financial year of 2022/23.

— Conservative case (25% weighting): The casino operated by PAGCOR is limited to a maximum of 50% capacity and gradually resume to ordinary level from the mid of financial year of 2023/24.

In addition, as a result of the increased uncertainty, significant judgement is required when evaluating the inputs used in the fair value estimate. Reasonably possible changes at the reporting date to any of the relevant assumptions would have affected the fair value of the investment property.

The fair value of the investment property as at 31 December 2021 and 30 June 2021 were measured using valuation techniques with significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy. There were no transfer into or out of Level 3 during the period.

A significant increase/decrease in the rental value in isolation would result in a significant increase/decrease in the fair value of the investment properties. A significant increase/decrease in the discount rate and capitalisation rate in isolation would result in a significant decrease/increase in the fair value of the investment properties. Generally, a change in the assumption made for the rental value is accompanied by a directionally similar change in the rent growth per annum.

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

14. INTEREST IN ASSOCIATES

	31 December 2021 *HK$'000* (Unaudited)	30 June 2021 *HK$'000* (Audited)
Share of net assets	**51,142**	55,686

Particulars of the Group's associates are as follows:

Name of associates	Principal activities	Place of incorporation and operations	Percentage held by the Group %
Harbor View Properties and Holdings, Inc. ("HVPHI")	Property developer	the Philippines	40
Blue Marine Properties, Inc. ("BMP")	Investment holdings	the Philippines	40

(a) Harbor View Properties and Holdings, Inc.

	31 December 2021 *HK$'000* (Unaudited)	30 June 2021 *HK$'000* (Audited)
Current assets	**48,914**	51,596
Non-current assets	**199,470**	207,903
Current liabilities	**(95,144)**	(95,572)
Non-current liabilities	**(71,708)**	(74,737)
Net assets	**81,532**	89,190
Net assets attributable to owners of the equity	**81,532**	89,190
Group's share of the net assets of the associate	**32,613**	35,676

	For the six months ended 31 December 2021 HK$'000 (Unaudited)	For the six months ended 31 December 2020 HK$'000 (Unaudited)
Revenue	**706**	728
Loss for the period	**(4,099)**	(170)
Total comprehensive loss	**(4,099)**	(170)
Dividends received from the associate	**–**	–

(b) Blue Marine Properties, Inc.

	31 December 2021 HK$'000 (Unaudited)	30 June 2021 HK$'000 (Audited)
Current assets	**8,101**	14,209
Non-current assets	**100,118**	106,589
Current liabilities	**(37,513)**	(45,200)
Non-current liabilities	**(24,383)**	(25,574)
Net assets	**46,323**	50,024
Net assets attributable to owners of the equity	**46,323**	50,024
Group's share of the net assets of the associate	**18,529**	20,010

	For the six months ended 31 December 2021 HK$'000 (Unaudited)	For the six months ended 31 December 2020 HK$'000 (Unaudited)
Revenue	**2,746**	3,425
(Loss)/profit for the period	**(1,699)**	1,154
Total comprehensive (loss)/income	**(1,699)**	1,154
Dividends received from the associate	**–**	–

The summarised movements of interest in associates during the period/year are as below:

	31 December 2021 *HK$'000* **(Unaudited)**	30 June 2021 *HK$'000* (Audited)
At beginning of the period/year	**55,686**	55,228
Share of current period/year's loss of associates	**(2,319)**	(789)
Exchange adjustments	**(2,225)**	1,247
At end of the period/year	**51,142**	55,686

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss include the following:

	31 December 2021 *HK$'000* **(Unaudited)**	30 June 2021 *HK$'000* (Audited)
Current assets		
Deutsche Far Eastern DWS Asia High Yield Bond Income Fund	**713**	717
Unlisted investment fund *(note)*	**37,702**	51,856
	38,415	52,573

Note:

The unlisted investment fund mainly represented 48% interests in Hontai Capital Fund II Limited Partnership (the "Hontai Fund").

This Hontai Fund was established principally to achieve long-term capital appreciation primarily through privately-negotiated investments in companies and/or its affiliates which is/are engaged in the production and distribution of the sports events and entertainment content and sports media rights market. The Group is a limited partner in this Hontai Fund and does not have control nor significant influence in the Hontai Fund's operational and financing decisions.

The directors of the Company have determined the fair value of the interest in the Hontai Fund as at 31 December 2021 with reference to the valuation report issued by JLL, an independent professional valuer who has professional qualifications and relevant experience. The fair value of the Hontai Fund is determined by market approach, with references to comparable companies benchmark multiples. During the period ended 31 December 2021, the Group recognised a fair value loss of HK$12,240,000 (year ended 30 June 2021: fair value loss of HK$46,545,000) in the Condensed Consolidated Statement of Comprehensive Income.

16. TRADE RECEIVABLES

	31 December 2021	30 June 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**4,578**	4,737
Less: Provision for expected credit losses	**(349)**	(390)
	4,229	4,347

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on invoice date which approximate the respective revenue recognition date at the end of the reporting periods.

	31 December 2021	30 June 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0–30 days	**3,906**	3,429
31–60 days	**7**	–
61–90 days	**–**	50
Over 90 days	**316**	868
	4,229	4,347

The Group has a policy allowing its customers credit periods normally ranging from 0 to 90 days. The Group does not hold any collateral as security.

The Group recognised impairment loss based on the expected credit loss model.

17. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

Trade payables, other payables and accrued charges comprise amounts outstanding for the purchase and ongoing costs.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

The average credit period on purchase of goods is 90 days.

	31 December 2021	30 June 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0–30 days	**1,412**	1,587
31–60 days	**49**	68
61–90 days	**32**	–
Over 90 days	**601**	124
	2,094	1,779

18. SHARE CAPITAL

	31 December 2021	30 June 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Ordinary shares of HK$1 each		
Authorised:		
2,000,000,000 ordinary shares	**2,000,000**	2,000,000
Issued and fully paid:		
1,369,157,235 ordinary shares at beginning and end of period/year	**1,369,157**	1,369,157

19. CONVERTIBLE BOND

Pursuant to the share purchase agreement (the "Agreement") for the acquisition of 100% interest in Oriental-Invest Properties Limited entered into by a wholly owned subsidiary of the Company, Baltic Success Limited ("BSL") on 5 July 2019, BSL issued a 5 years zero coupon convertible bond with principal amount of HK$53,000,000 on 5 July 2019 (the "Bond"). The Bond entitled the holders to convert them into ordinary shares of the Company at a conversion price of HK$1.01 as set out in the Company's announcement dated 30 April 2019.

Based on the terms of the Agreement, the Bond contain two components, (i) the host debt; and (ii) the conversion derivatives. The Group recognised both components as liability as the conversion derivatives of the Bond did not meet the "fixed for fixed" test under HKAS 32. At the issue date, the fair value of both components of the Bond were determined based on a valuation report issued by JLL. Subsequently, the host debt component is recognised as "financial liabilities at amortised cost" and the conversion derivatives is recognised as "financial liabilities at fair value through profit and loss".

The fair value of the conversion derivatives of the Bond upon issuance and as at 31 December 2021 is determined using the Binomial Option Pricing Model. The key inputs used in the Binomial Option Pricing Model were as follows:

	31 December 2021	30 June 2021
Stock price (HK$)	**0.305**	0.42
Exercise price (HK$)	**1.01**	1.01
Expected life	**2.5 years**	3 years
Expected volatility	**85.15%**	75.09%
Expected dividend yield	**0%**	0%
Risk free rate	**0.74%**	0.31%

The movement for the convertible bond during the period is as below:

	Financial liability at amortised cost	**Financial liability at FVTPL**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
At 1 July 2021	**39,370**	**3,511**	**42,881**
Amortised interest for the period	**1,610**	**–**	**1,610**
Fair value adjustments	**–**	**(1,601)**	**(1,601)**
At 31 December 2021	**40,980**	**1,910**	**42,890**

	Financial liability at amortised cost	Financial liability at FVTPL	Total
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)
At 1 July 2020	36,077	8,615	44,692
Amortised interest for the year	3,293	–	3,293
Fair value adjustments	–	(5,104)	(5,104)
At 30 June 2021	39,370	3,511	42,881

20. CAPITAL COMMITMENTS

Capital expenditure contracted for but not yet accounted for at the end of the reporting period in the financial statements is as follows:

	31 December 2021	30 June 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Property, plant and equipment	**6,250**	4,852

21. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions during the period:

	Notes	**For the six months ended 31 December 2021** ***HK$'000*** **(Unaudited)**	For the six months ended 31 December 2020 *HK$'000* (Unaudited)
Interest income from associates	*(i)*	**1,321**	1,372
Lease payment to associates	*(ii)*	**(3,272)**	(2,880)

Notes:

(i) The interest income from associates represented the interest income from loan receivables with principle amount of Peso 430,000,000 (30 June 2021: Peso 430,000,000) from HVPHI and Peso 18,000,000 (30 June 2021: Peso 55,000,000) from Pacific Bayview Properties, Inc. ("PBPI"), respectively.

(ii) Lease payment to associates represented the lease agreements entered with HVPHI and PBPI for the hotel complex, staff accommodation and parking lot situated in the Philippines.

(b) Compensation of key management personnel

	For the six months ended 31 December 2021 ***HK$'000*** **(Unaudited)**	For the six months ended 31 December 2020 *HK$'000* (Unaudited)
Short term employee benefits	**1,524**	1,216
Post-employment benefits	**9**	9
	1,533	1,225

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's revenue for the six months ended 31 December 2021 (the "Period") was approximately HK$27.6 million, representing a decrease of approximately 21.8%, as compared with approximately HK$35.3 million for the six months ended 31 December 2020 (the "Previous Period"). The Group reported a gross loss of approximately HK$4.2 million for the Period, while a gross profit of approximately HK$2.5 million for the Previous Period. Gross profit margin for the Period was approximately -15.2%, as compared to gross profit margin of approximately 7.1% for the Previous Period. Such changes were mainly due to the decrease in revenue from the hotel operation for the Period because anti-pandemic measures such as travel restrictions and community quarantine requirements continued to impact the tourism and hotel industry in the Philippines. As there were approximately HK$23.9 million (the Previous Period: HK$22.5 million) depreciation charges included in the cost of sales, a significant drop of revenue from hotel operation resulted in a negative gross profit margin for the Period.

Other income for the Period was approximately HK$2.4 million, representing a decrease of approximately 72.4%, as compared with approximately HK$8.7 million in the Previous Period. This was because there were more short term rental income in the Previous Period.

Other losses mainly represented net foreign exchange losses. It amounted to approximately HK$2.2 million for the Period (approximately HK$5.5 million for the Previous Period).

The Group recorded a loss of approximately HK$12.2 million on change in fair value of financial assets at fair value through profit or loss for the Period, representing an increase of approximately 34.1%, as compare with a loss of approximately HK$9.1 million for the Previous Period.

The Group recorded a gain of approximately HK$1.6 million on change in fair value of financial liabilities at fair value through profit or loss for the Period, representing a decrease of approximately 38.5%, as compared with a gain of approximately HK$2.6 million for the Previous Period.

The fair value of the Group's investment properties has been arrived at based on a valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), an independent professional valuer not connected to the Group. The fair value loss for the Period amounted to approximately HK$65,376,000, representing an increase of 78.8% when compared to approximately HK$36,564,000 for the Previous Period. This is because a series of anti-pandemic measures such as entry restriction and different levels of community quarantine requirements imposed in the Philippines to battle the COVID-19 pandemic continued to impact the performance of the gaming operation segment.

Selling and marketing expenses, and general and administrative expenses of the Group decreased by approximately 8.3% to approximately HK$36.7 million for the Period from approximately HK$40.0 million in the Previous Period. Included in the expenses for the Period, approximately 44.7% and 11.4% were the staff costs and the utilities expenses respectively. The staff costs for the Period was approximately HK$16.4 million, representing a decrease of approximately 12.8%, as compared with approximately HK$18.8 million in the Previous Period and the utilities expenses for the Period was approximately HK$4.2 million, representing a decrease of approximately 16.0%, as compared with approximately HK$5.0 million in the Previous Period.

Finance costs of the Group for the Period was approximately HK$15.5 million, representing an increase of approximately 18.3% as compared with approximately HK$13.1 million in the Previous Period. The finance costs included the interest on the promissory note, bank borrowings, lease liabilities and convertible bond.

The Group recorded income tax credit of approximately HK$0.1 million for the Period, while income tax expenses of approximately HK$1.0 million was recognised for the Previous Period.

The Group recorded a loss for the Period of approximately HK$136.6 million as compared with a loss of approximately HK$91.1 million for the Previous Period.

Loss per share for the Period amounted to approximately 9.98 HK cents, as compared with loss per share of approximately 6.65 HK cents for the Previous Period.

BUSINESS REVIEW

The principal activities of the Group are gaming operation, hotel operation and live events.

1. Gaming operation

The "Gaming Operation" segment represents leasing of investment properties equipped with entertainment equipment to Philippine Amusement and Gaming Corporation ("PAGCOR") and participation in the gaming operation.

The revenue derived from the gaming operation is based on an agreed percentage of net gaming revenue generated from the local gaming area operated by PAGCOR or a fixed amount, whichever is higher.

In August 2021, in order for the Group to participate and accumulate relevant experience in gaming operations, Marina Square Properties, Inc. ("MSPI"), an indirect wholly-owned subsidiary of the Group in the Philippines entered into a cooperation agreement (the "Cooperation Agreement") with PAGCOR and jointly established a management committee (the "Management Committee") for casino operations at the casino located in the Group's hotel premises. Since the establishment of the Management Committee, the representatives of MSPI, through the Management Committee, have been participating in the Casino operations. The representatives of MSPI has attended the Management Committee monthly meetings to transact the business of the Casino, including but not limited to, (i) review the operational performance and understand the fluctuation of operational performance; (ii) plan the business framework, flow and model for the operation and development; (iii) review and approve on the budget planning, forecasting and variance analysis; (iv) review and approve expenditures in excess of pre-approved budgets; (v) prepare marketing and promotion proposal and timetable; (vi) review and monitor capital injection commitment; and (vii) ensure compliance to relevant laws, rules and regulations issued or promulgated by pertinent authorities and requiring all department heads of Casino to report any non-compliance issue or potential non-compliance issue occur (collectively, the "Management Functions"). Apart from the Management Functions, MSPI also undertakes certain functions in connection with the Casino operation such as provision of food and beverages service and marketing and promotion function of the Casino. In view of MSPI's participation in the casino operation, the segment has been presented as "Gaming Operation" in the Period (the Previous Period: "Leasing") of the Group.

The revenue derived from the gaming operation for the Period was approximately HK$15.7 million, representing an increase of approximately 9.0%, as compared with approximately HK$14.4 million for the Previous Period. Various anti-pandemic measures such as border restriction and different levels of community quarantine requirements have been imposed by the government of the Philippines according to the development of the COVID-19 pandemic since the outbreak, the performance of the segment has been affected by these policies. The revenue contributed approximately 56.7% of the Group's total revenue during the Period under review (the Previous Period: 40.9%).

2. Hotel operation

The revenue derived from the hotel operation mainly includes room revenue, revenue from food and beverages and other hotel service income. The hotel of the Group is located in Manila City which is a tourist spot with churches and historical sites as well as various night spots catered for tourists and is one of the major tourist destinations in the Philippines.

The revenue derived from the hotel operation for the Period was approximately HK$12.0 million, representing a decrease of approximately 42.6%, as compared with approximately HK$20.9 million in the Previous Period. It contributed approximately 43.3% (the Previous Period: 59.1%) of the Group's total revenue.

Included in the revenue derived from the hotel operations, approximately 77.5% of the revenue was contributed by room revenue for the Period under review. In the Previous Period, it was approximately 88.0% of the revenue derived from the hotel operation. The room revenue for the Period was approximately HK$9.3 million, representing a decrease of approximately 49.5%, as compared with approximately HK$18.4 million in the Previous Period. The decrease was mainly due to a substantial decrease in the average hotel room occupancy rate from 69% for the Previous Period to 40% for the Period as the COVID-19 pandemic continued to hit the business segment's performance.

3. Live events

The revenue represented income from sponsorship and entrance fee of live poker events. However, there was no live poker event during the Period due to the impact of COVID-19 pandemic.

FUTURE OUTLOOK

Countries across the globe are taking unprecedented measures to combat the spread of COVID-19 pandemic since its initial outbreak back in January of 2020. Travel restriction, travellers quarantine and even "lock down" policies have been impacting the global economy seriously. Different degrees of community quarantine measures were imposed by the Philippines government and visitation to the Philippines decreased drastically since the outbreak. It is uncertain when this will end. However, following the roll out of the vaccination programmes, it is expected that some restrictions may be eased in the near term. The Group remain cautiously optimistic about the recovery of the tourism and gaming industry in the Philippines. The Group will continue to focus on its existing business operations and investments in the Philippines riding on business environment to strive for exploring potential business opportunities.

MSPI submitted an application to PAGCOR for a provisional license (the “Provisional License”) in order to expand and upgrade the current hotel premises, facilities and services by the establishment and operation of a casino and the development of an integrated resort in the Philippines. As disclosed in the announcement of the Company dated 18 September 2020, MSPI received the draft provisional license agreement (the “Provisional License Agreement”) in relation to the grant of Provisional License from PAGCOR on 18 September 2020. As at the date of this announcement, (i) MSPI and PAGCOR are still negotiating the terms of the draft Provisional License Agreement, including the development scale and timeline of the Integrated Resort; and (ii) the Group has not yet identified suitable land to expand the Hotel Premises, hence the Provisional License Agreement has yet been executed.

In August 2021, in order for MSPI to participate and accumulate relevant experience in gaming operations, MSPI entered into the Cooperation Agreement with PAGCOR and jointly established a management committee (the “Management Committee”) to commence casino operations at the casino located in the Group’s hotel premises.

Regarding for the future development of an integrated resort, the Board of the Company will consider different financing method and change of capital structure (as the case may be) in order to expand our business and maintain the liquidity of the Group.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2021, the Group’s net current assets amounted to approximately HK$166.1 million (as at 30 June 2021: HK$223.0 million). Current assets amounted to approximately HK$609.4 million (as at 30 June 2021: HK$659.2 million), of which approximately HK$533.3 million (as at 30 June 2021: HK$564.9 million) was bank balances and cash, approximately HK$4.2 million (as at 30 June 2021: HK$4.3 million) was trade receivables, approximately HK$30.6 million (as at 30 June 2021: HK$30.4 million) was other receivables, deposits and prepayments, approximately HK$1.3 million (as at 30 June 2021: HK$1.4 million) was inventories, approximately HK$38.4 million (as at 30 June 2021: HK$52.6 million) was financial assets at fair value through profit or loss, approximately HK$0.4 million (as at 30 June 2021: HK$2.2 million) was contract assets, and approximately HK$1.2 million (as at 30 June 2021: HK$3.3 million) was amounts due from associates.

As at 31 December 2021, the Group had current liabilities amounted to approximately HK$443.3 million (as at 30 June 2021: HK$436.2 million), of which approximately HK$2.1 million (as at 30 June 2021: HK$1.8 million) was trade payables, approximately HK$34.6 million (as at 30 June 2021: HK$29.9 million) was other payables and accrued charges, approximately HK$19.1 million (as at 30 June 2021: HK$19.9 million) was bank and other borrowings, approximately HK$3,000 (as at 30 June 2021: HK$0.02 million) was contract liabilities, approximately HK$3.5 million (as at 30 June 2021: HK$2.5 million) was lease liabilities, and approximately HK$384.0 million (as at 30 June 2021: 382.2) was promissory note.

The bank balances and cash of the Group as at 31 December 2021 was mainly denominated in Peso, HK$ and United States Dollars ("USD").

Net cash used in operating activities of the Group was approximately HK$15.8 million for the Period (the Previous Period: approximately HK$5.7 million). Net assets attributable to the owners of the Company as at 31 December 2021 amounted to approximately HK$1,391.7 million (as at 30 June 2021: approximately HK$1,591.6 million).

On 27 July 2017, the Company entered into a placing agreement with a placing agent (the "Placing Agreement"). The completion of the placing took place on 10 August 2017. Pursuant to the terms and conditions of the Placing Agreement, an aggregate of 190,000,000 ordinary shares of the Company of HK$1.00 each as placing shares were successfully placed by the placing agent at the placing price of HK$1.90 per placing share. Further details are set out in the announcements of the Company dated 27 July 2017 and 10 August 2017. The net proceeds from the placing, after deducting the placing commission and other related expenses payable by the Company, were approximately HK$358.5 million. The net proceeds from the placing were intended to be used as to (i) approximately HK$150.0 million for the renovation of a hotel of the Group in Manila City (the "Hotel"); (ii) approximately HK$100.0 million for the development of the parcels of land adjacent to the Hotel (the "New Hotel Land"), including but not limited to the construction of a carpark and amenities of the Hotel, and the provision of a facility to an independent third party for the acquisition of the New Hotel Land;

(iii) approximately HK$70.0 million for the potential acquisition of, including but not limited to, lands in the Philippines for the construction of hotel(s) and/or casino(s); and (iv) the remaining proceeds for the general working capital of the Group. Due to the impact of COVID-19 pandemic, there was no progress during the Period under review. Set forth below is a summary of the utilization of the net proceeds:

	Intended use of the net proceeds *(HK$ million)*	**Amount of the net proceeds utilised as at 31 December 2021** *(HK$ million)*	**Balance of the net proceeds unutilised as at 31 December 2021** *(HK$ million)*	**Expected timeline for the application of the balance of the net proceeds**
Renovation of the Hotel *(Note 1)*	150.0	120.0	30.0	On or before 30 June 2022
Development of the New Hotel Land, including but not limited to the construction of a carpark and amenities of the Hotel, and the provision of a facility to an independent third party for the acquisition of the New Hotel Land *(Note 2)*	100.0	52.6	47.4	On or before 30 June 2022
Potential acquisition (the "Potential Acquisition") of, including but not limited to, lands in the Philippines for the construction of hotel(s) and/or casino(s) *(Note 3)*	70.0	–	70.0	On or before 30 June 2022
General working capital of the Group	38.5	38.5	–	
Total	358.5	211.1	147.4	

Notes:

1. The renovation of the Hotel was almost completed during the six months ended 31 December 2021. Due to the COVID-19 pandemic, the renovation of the Hotel was put on hold during the six months ended 31 December 2021, and expected to be completed in the financial year ending 30 June 2022.

2. The HK$52.6 million utilised comprised HK$51.9 million loan to Harbor View Properties and Holdings, Inc. for the acquisition of the New Hotel Land and HK$0.7 million for the payment of the design and consultancy services fees for the development of the New Hotel Land. Priority will be given to the development of the new lands to be acquired in the Potential Acquisition before the development of the New Hotel Land. Due to the COVID-19 pandemic, the Potential Acquisition is expected to be completed in the financial year ending 30 June 2022. It is expected that in addition to the balance of the net proceeds of approximately HK$47.4 million allocated, further financial resources are required for the development of the New Hotel Land. The time for commencement of the development of the New Hotel Land and use of the remaining net proceeds allocated for the development of the New Hotel Land will depend on the internal and external financial resources available to the Group and commencement of the development of the new lands to be acquired.

3. It is expected that the HK$70 million allocated for the Potential Acquisition will be utilised in the financial year ending 30 June 2022.

The gearing ratios, measured in terms of the carrying values of total borrowings divided by total assets, were approximately 22.5% and 20.8% as at 31 December 2021 and 30 June 2021 respectively.

For the Period under review, the Group financed its operations including but not limited to internally generated cash flows and the issuance of the promissory note.

CHARGES ON GROUP ASSETS

As at 31 December 2021 and 30 June 2021, the bank loans were secured by the Group's investment properties amounted to approximately HK$1,117 million and HK$1,231 million respectively.

MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

On 22 June 2020, MSPI submitted an application to PAGCOR for the Provisional License from PAGCOR in relation to the establishment and operation of a casino in the City of Manila, Philippines. On 4 November 2020, PAGCOR in principle agreed to grant the Provisional License to MSPI subject to the parties entering into the Provisional License Agreement. MSPI is in the course of reviewing the terms of the Provisional License Agreement.

The operation of gambling casinos in the Philippines is a regulated activity, and every gambling casino in the Philippines has to be licensed by PAGCOR and obtain a valid license from PAGCOR for the operation of the gambling activities. Pursuant to the draft Provisional License Agreement, the Provisional License to be granted to MSPI shall take effect on the date of the Provisional License Agreement and shall be valid until the issuance of the regular casino gaming license (the "Regular Casino Gaming License") by PAGCOR upon completion of the development of the integrated resort and upon approval by PAGCOR of the report detailing the actual total project cost to ensure MSPI's compliance with the approved project cost based on the approved plan. The Provisional License and the Regular Casino Gaming License shall have an aggregate term of fifteen (15) years from the issue date of the Provisional License or until 11 July 2033, whichever comes first. The Regular Casino Gaming License may be renewed subject to the same terms and conditions pursuant to the Provisional License Agreement. According to the draft Provisional License Agreement, MSPI can only commence the operation of gambling activities upon the receipt of the notice of commencement after PAGCOR is satisfied that the casino in the integrated resort is fully compliant with the approved plans and the pre-conditions provided by PAGCOR, and in any event, the notice of commencement will not be issued by PAGCOR earlier than 28 February 2022. In order for MSPI to participate and accumulate relevant experience in gaming operations prior to issue of the notice of commencement by PAGCOR in early 2022, PAGCOR and MSPI entered into the Cooperation Agreement in August 2021. The entering into of the Provisional License Agreement and the execution of the Cooperation Agreement are not interconditional upon each other.

The transactions contemplated under the Cooperation Agreement constituted a major transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and were subject to the reporting, announcement, circular and Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules. The relevant resolution as set out in the notice of the extraordinary general meeting of the Company (the "EGM") dated 21 July 2021 was duly passed by the Shareholders by way of poll at the EGM held on 6 August 2021. The Board was notified by MSPI that it received the signed Cooperation Agreement dated 9 August 2021 from PAGCOR, and the Cooperation Agreement took effect for a period of fifteen (15) years as from 1 April 2016 until 31 March 2031 (both dates inclusive), unless otherwise lawfully terminated in accordance with the Cooperation Agreement. Following the execution of the Cooperation Agreement, MSPI and PAGCOR jointly established the Management Committee as a governing body for the management and operations of the casino and commenced casino operations, in which MSPI has the authority to participate in the management of the casino through the Management Committee. Further details are set out in the announcements of the Company dated 10 June 2020, 18 June 2020, 22 June 2020, 18 September 2020, 5 November 2020, 26 February 2021, 16 July 2021, 6 August 2021, 13 August 2021 and 30 August 2021; and the circular of the Company dated 21 July 2021.

In view of MSPI's participation in the casino operation during the Period, the Company considered it is more appropriate to present the Group's business segment as "Gaming Operation" while its properties will remain the same as "Investment Properties".

Save as disclosed above, there was no other acquisition or disposal of subsidiary and associated company or significant investments of the Group, which would have been required to be disclosed under the Listing Rules for the six months ended 31 December 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group will continue to explore the market and identify any business opportunities which may provide its growth and development potential, enhance the profitability, and strive for better return to the Shareholders. The Group will also continue to consider a renovation plan to improve the properties of the Group as well as the facilities therein so as to attract more guests and enhance their experience during their stays.

RISKS AND UNCERTAINTIES

Owing to the outbreak of COVID-19 pandemic since the early of 2020, countries across the world are taking unprecedented measures to combat the spread of the virus. Travel restriction, travellers quarantine and even "lock down" policies have been impacting the global economy seriously. Visitation to the Philippines decreased drastically since the outbreak. Different degrees of community quarantine measures were imposed by the Philippines government during the Period. The Group's hotel and the casino in the hotel may be subject to temporary mandated closures to comply with those anti-pandemic measures. All these pose negative impact on the Group's revenue from its hotel and leasing operations in the Philippines.

It is uncertain when this will end. The Group will closely monitor the current market situation and make corresponding measures such as cost control policy in order to sustain our business.

The Group continues to face significant risks and uncertainties from the economic growth and the competition in the market that the Group operates, and changes in economic, political and social conditions and changes in the relevant laws and regulations in the places that the Group operates.

The Group is also exposed to currency risk as the Group's assets and liabilities are mainly denominated in HK$, USD, Peso and EURO and the Group primarily earns its revenue and income in HK$, USD and Peso while the Group primarily incurs costs and expenses mainly in HK$ and Peso.

In addition, uncertainties exist with regard to the tax disputes between certain subsidiaries of the Company operating in the Philippines and the Bureau of Internal Revenue in the Philippines.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The functional currency of the Company is Peso, the currency of the primary economic environment in which the Company's major subsidiaries operate. The interim financial information of the Group is presented in HK$ as the Directors consider that it is an appropriate presentation for a company listed in Hong Kong and for the convenience of the Shareholders.

The Group's assets and liabilities are mainly denominated in HK$, USD, Peso and EURO. The Group primarily earns its revenue and income in HK$, USD and Peso while the Group primarily incurs costs and expenses mainly in HK$ and Peso. Therefore, the Group may be exposed to currency risk.

The Group has not implemented any foreign currency hedging policy. However, the management of the Group will monitor foreign currency exposure for each business segment and review the needs of individual geographical area, and consider appropriate hedging policy in future when necessary.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group was 228 as at 31 December 2021 (as at 31 December 2020: 204). The staff costs for the six months ended 31 December 2021 was approximately HK$16.4 million (for the six months ended 31 December 2020: HK$18.8 million). The remuneration policy of the Company is recommended by the remuneration committee of the Company. The remuneration of the Directors and the employees of the Group is based on the performance and experience of the individuals and is determined with reference to the Group's performance, the remuneration benchmark in the industry and the prevailing market conditions. In addition to the salaries, the employees of the Group are entitled to benefits including medical, insurance and retirement benefits. Besides, the Group regularly provides internal and external training courses for the employees of the Group to meet their needs.

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

During the six months ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 31 December 2021 (2020: nil).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance practices and procedures and to complying with the statutory and regulatory requirements with an aim to maximising the shareholders' values and interests as well as to enhancing the stakeholders' transparency and accountability. During the six months ended 31 December 2021, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (the "Code on Securities Transactions"), the standard of which is no less than the required standard provided in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code").

The Company, having made specific enquiries of all Directors, was not aware of any non-compliance with the required standard provided in the Model Code and the Code on Securities Transactions throughout the six months ended 31 December 2021.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises all three independent non-executive Directors, namely Mr. Ha Kee Choy Eugene (Chairman of the Audit Committee), Mr. Lau Ka Ho and Mr. Cheng Hong Wai with terms of reference prepared in accordance with the requirements of the Listing Rules. At least one of the members of the Audit Committee possesses appropriate professional accounting qualification as defined under the Listing Rules. The primary duties of the Audit Committee are, inter alia, to oversee the relationship with the external auditor, to review the financial information of the Group, and to review and supervise the financial reporting process, internal controls and risk management functions of the Group.

The Audit Committee has reviewed the unaudited interim financial information of the Group and the interim report of the Company for the six months ended 31 December 2021.

By order of the Board
International Entertainment Corporation
Dr. Choi Chiu Fai Stanley
Chairman

Hong Kong, 28 February 2022

As at the date of this announcement, the Board comprises two executive Directors, namely Dr. Choi Chiu Fai Stanley and Mr. Ho Wong Meng, and three independent non-executive Directors, namely Mr. Ha Kee Choy Eugene, Mr. Lau Ka Ho and Mr. Cheng Hong Wai.