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 2022

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 2022, together with the comparative unaudited figures for the six months ended 31 December 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 December 2022

	Notes	**Six months ended 31 December 2022** *HK$'000* **(Unaudited)**	Six months ended 31 December 2021 *HK$'000* (Unaudited)
Revenue	*5(b)*	**94,050**	27,635
Cost of sales		**(35,757)**	(31,878)
Gross profit/(loss)		**58,293**	(4,243)
Other income	*6*	**5,311**	2,369
Other losses	*7*	**(101)**	(2,210)
Change in fair value of financial assets at fair value through profit or loss	*18*	**(825)**	(12,240)
Change in fair value of financial liabilities at fair value through profit or loss	*25*	**325**	1,601
Change in fair value of investment properties	*14*	**(16,017)**	(65,376)
Impairment loss of property, plant and equipment	*13*	**–**	(1,444)
Impairment loss of right-of-use assets	*13*	**–**	(706)
Share of loss of associates	*16*	**(48)**	(2,319)
General and administrative expenses		**(41,944)**	(36,722)
Finance costs	*8*	**(11,656)**	(15,452)

	Notes	**Six months ended 31 December 2022** *HK$'000* **(Unaudited)**	Six months ended 31 December 2021 *HK$'000* (Unaudited)
Loss before taxation	*9*	**(6,662)**	(136,742)
Income tax credit	*10*	**255**	109
Loss for the period attributable to owners of the Company		**(6,407)**	(136,633)
Other comprehensive loss that will not be reclassified to profit or loss:			
— Remeasurement of defined benefit obligations		**224**	(53)
— Exchange differences arising on translation of presentation currency		**(18,635)**	(63,266)
Total comprehensive loss for the period		**(24,818)**	(199,952)
		HK Cents	*HK Cents*
Loss per share attributable to owners of the Company			
— Basic	*11*	**(0.47)**	(9.98)
— Diluted	*11*	**(0.47)**	(9.98)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	**31 December 2022** *HK$'000* **(Unaudited)**	30 June 2022 *HK$'000* (Audited)
Non-current assets			
Property, plant and equipment	*13*	**143,619**	162,453
Investment properties	*14*	**960,000**	993,000
Loan receivables	*15*	**62,890**	63,967
Interest in associates	*16*	**43,130**	43,917
Right-of-use assets	*17*	**28,754**	31,442
Other receivables, deposits and prepayments		**16,902**	15,351
		1,255,295	1,310,130
Current assets			
Inventories		**1,115**	1,242
Financial assets at fair value through profit or loss	*18*	**8,041**	8,212
Trade receivables	*19*	**16,318**	12,981
Contract assets		**6**	224
Other receivables, deposits and prepayments		**32,982**	28,966
Amounts due from associates		**896**	917
Income tax recoverable	*20*	**59,804**	–
Bank balances and cash		**454,273**	512,104
		573,435	564,646
Total assets		**1,828,730**	1,874,776
Current liabilities			
Trade payables	*21*	**2,837**	2,088
Other payables and accrued charges	*21*	**43,023**	30,319
Promissory notes	*23*	**400,300**	400,300
Contract liabilities		**–**	184
Bank borrowings	*24*	**–**	31,216
Lease liabilities		**3,090**	3,501
		449,250	467,608
Net current assets		**124,185**	97,038

	Notes	31 December 2022 HK$'000 (Unaudited)	30 June 2022 HK$'000 (Audited)
Non-current liabilities			
Deferred tax liabilities		**129,616**	131,829
Other liabilities		**867**	890
Lease liabilities		**33,634**	35,553
Convertible bond	*25*	**44,283**	42,998
		208,400	211,270
NET ASSETS		**1,171,080**	1,195,898
EQUITY			
Equity attributable to owners of the Company			
Share capital	*22*	**1,369,157**	1,369,157
Share premium and reserves		**(198,077)**	(173,259)
TOTAL EQUITY		**1,171,080**	1,195,898

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2022

1. GENERAL

International Entertainment Corporation was incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O.Box 2681, Grand Cayman KY1-1111, Cayman Islands, and the head office and principal place of business in Hong Kong of the Company is located 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 Company and its subsidiaries (together the "**Group**") were principally involved in hotel operations, leasing of properties equipped with entertainment equipment at the hotel complex of the Group in Metro Manila in the Philippines (the "**Philippines**") to the Philippine Amusement and Gaming Corporation ("**PAGCOR**") and participating in the gaming operation (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 (the "**Listing Rules**"). These condensed consolidated interim financial statements were authorised for issue on 28 February 2023.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2022 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 2022. Details of newly effective accounting policies are set out in Note 3. The adoption of the new and revised Hong Kong Financial Reporting Standards ("**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 4.

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 interim financial statements 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 interim financial statements contain condensed consolidated statement of financial position, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows 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 2022 annual consolidated financial statements. The condensed consolidated interim financial statements 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 2022 annual consolidated financial statements.

These condensed consolidated interim financial statements are unaudited, but have been reviewed by the audit committee of the Company, which comprises three independent non-executive Directors of the Company.

3. 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 2022, 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 2022:

Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Annual Improvements to HKFRSs 2018–2020	Annual improvement project

4. USE OF JUDGEMENTS AND ESTIMATES

The preparation of the condensed consolidated interim financial statements 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 2022 annual financial statements.

5. 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.

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; and

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

Note:

(i) Due to the impact of the novel coronavirus ("**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 2022 (Unaudited)

	Hotel Operation *HK$'000*	**Gaming Operation** *HK$'000*	**Live Events** *HK$'000*	**Consolidated** *HK$'000*
Revenue — external	**34,692**	**59,358**	**–**	**94,050**
Segment results	**(9,111)**	**16,794**	**(50)**	**7,633**
Change in fair value of financial assets at FVTPL				**(825)**
Change in fair value of financial liabilities at FVTPL				**325**
Unallocated other income				**3,723**
Exchange gains				**665**
Share of loss of associates				**(48)**
Auditor's remuneration				**(1,257)**
Legal and professional fees				**(1,265)**
Salaries and allowances				**(4,892)**
Depreciation of right-of-use assets				**(501)**
Finance costs				**(9,660)**
Unallocated expenses				**(560)**
Loss before taxation for the period				**(6,662)**

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)

(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 2022 (Unaudited)

	Hotel Operation ***HK$'000***	**Gaming Operation** ***HK$'000***	**Consolidated** ***HK$'000***
Primary geographical markets			
The Philippines	**34,692**	**59,358**	**94,050**
Timing of revenue recognition			
Transferred over time			
Room revenue	**23,126**	**–**	**23,126**
Food and beverages	**10,770**	**–**	**10,770**
Other hotel service income	**796**	**–**	**796**
	34,692	**–**	**34,692**
Other source of income			
Leasing of investment properties equipped with entertainment equipment for gaming operation	**–**	**59,358**	**59,358**
	34,692	**59,358**	**94,050**

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
Timing of revenue recognition			
Transferred 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
Other source of income			
Leasing of investment properties equipped with entertainment equipment for gaming operation	–	15,675	15,675
	11,960	15,675	27,635

6. OTHER INCOME

	For the six months ended 31 December 2022 ***HK$'000*** **(Unaudited)**	For the six months ended 31 December 2021 *HK$'000* (Unaudited)
Interest income	**4,690**	1,908
Sundry income	**621**	461
	5,311	2,369

7. OTHER LOSSES

	For the six months ended 31 December 2022 ***HK$'000*** **(Unaudited)**	For the six months ended 31 December 2021 *HK$'000* (Unaudited)
Net foreign exchange loss	**(101)**	(2,210)

8. FINANCE COSTS

	For the six months ended 31 December 2022	For the six months ended 31 December 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on promissory notes	**8,028**	9,580
Interest on bank borrowings	**243**	2,110
Interest on lease liabilities	**1,775**	2,152
Interest on convertible bond	**1,610**	1,610
	11,656	15,452

9. LOSS BEFORE TAXATION

	For the six months ended 31 December 2022	For the six months ended 31 December 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss before taxation has been arrived at after charging/(crediting):		
Directors' emoluments	**2,593**	1,884
Staff costs (excluding directors' emoluments):		
Salaries and allowances	**12,909**	13,603
Retirement benefits scheme contributions	**544**	873
Total staff costs	**16,046**	16,360
Depreciation of property, plant and equipment		
— included in cost of sales	**18,422**	23,927
— included in general and administrative expenses	**4**	8
Depreciation of right-of-use assets (included in general and administrative expenses)	**2,149**	2,350
Total depreciation	**20,575**	26,285
Change in fair value of financial assets at FVTPL	**825**	12,240
Change in fair value of financial liabilities at FVTPL	**(325)**	(1,601)
Change in fair value of investment properties	**16,017**	65,376
Impairment loss of plant and equipment	**–**	1,444
Impairment loss of right-of-use assets	**–**	706
Auditor's remuneration		
— Audit services	**1,161**	1,020
— Non-audit service	**220**	180
Cost of inventories recognised as an expense	**3,998**	1,058
(Reversal of)/provision for expected credit losses of		
— Trade receivables	**(27)**	29
Legal and professional fees	**1,409**	4,081

10. INCOME TAX CREDIT

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

	For the six months ended 31 December 2022	For the six months ended 31 December 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax expenses	**–**	–
Deferred tax credit	**(255)**	(109)
Income tax credit	**(255)**	(109)

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 Hong Kong had no assessable profits.

The Group's subsidiaries in the Philippines are subject to the Philippines profits tax rate of 25% for the periods ended 31 December 2022 and 2021. 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 2022 and 2021. 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 periods ended 31 December 2022 and 2021. 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.

There had been 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 with gaming equipment in the Philippines, and Bureau of Internal Revenue ("**BIR**") in the Philippines for the calendar years of 2008, 2012, 2014, and 2015 of around Peso3,676,000,000 (equivalent to approximately HK$515,802,000 (30 June 2022: HK$524,610,000)) inclusive of interest, surcharge and penalties as stated in the latest assessments from BIR. The disputed tax assessments for calendar years 2008 and 2012 are still pending with the BIR, while the assessments for calendar years 2014 and 2015 are on appeal with the court. Based on the advice of the independent tax and 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.

On 4 May 2022, MSPI received a formal letter of demand from BIR for alleged deficiency taxes covering the calendar year of 2018 amounting to approximately Peso767,663,000 (equivalent to approximately HK$107,700,000 (30 June 2022: HK$109,544,000)) inclusive of penalties and interest.

On 3 June 2022, MSPI filed an administrative protest/request for reinvestigation with BIR, Large Taxpayers Service ("**LTS**") against the formal letter of demand for 2018, in accordance with the relevant laws, rules and regulations of the Philippines.

MSPI submitted its supporting documents to BIR, LTS on 2 August 2022, and the BIR have a period of 180 days from 2 August 2022 within which to issue its Final Decision on Disputed Assessment ("**FDDA**"). Up to date of issue of these condensed consolidated interim financial statements, MSPI has yet to receive the BIR's FDDA for the disputed 2018 assessment.

Based on the advice of the independent tax and legal advisor of MSPI, the Directors believe that MSPI has valid legal arguments to defend the tax dispute. Accordingly, no provision has been made for the tax dispute in the consolidated financial statements of the Group for the year ended 30 June 2022 and six months ended 31 December 2022. However, as there is at present a possible obligation (existence of which can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of such subsidiary) which may or may not require an initial outflow of resources, the Directors consider it prudent to estimate the contingent liabilities in respect of the alleged deficiency taxes covering the calendar year of 2018 that may be assessed by BIR for the taxable year 2018 which are not yet barred by prescription under the relevant laws, rules and regulations of the Philippines as being a total of approximately Peso767,633,000 (equivalent to approximately HK$107,700,000 (30 June 2022:HK$109,544,000)) as a possible outflow of resources.

The potential exposure to the Group for the alleged tax disputes in relation to CY 2008, 2012, 2014, 2015 and 2018, inclusive of potential accrued interest, surcharge and penalties up to 31 December 2022 was approximately Peso6,606,000,000 (equivalent to approximately HK$926,863,000), 30 June 2022: Peso6,410,000,000 (equivalent to HK$914,700,000).

11. 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 2022	For the six months ended 31 December 2021
	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	**(6,407)**	(136,633)

	For the six months ended 31 December 2022	For the six months ended 31 December 2021
	'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 2022	For the six months ended 31 December 2021
	HK Cents	*HK Cents*
	(Unaudited)	(Unaudited)
Loss per share		
— Basic	**(0.47)**	(9.98)
— Diluted	**(0.47)**	(9.98)

The computation of diluted loss per share for the six months ended 31 December 2022 and 31 December 2021 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.

12. DIVIDENDS

The board does not propose an interim dividend for the six months ended 31 December 2022 (six months ended 31 December 2021: nil).

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2022, the Group acquired property, plant and equipment of HK$2,591,000 (six months ended 31 December 2021: HK$3,401,000).

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 2022. For the purpose of impairment testing, gross carrying amount of property, plant and equipment of HK$162,978,000 and right-of-use assets of HK$19,955,000 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 2022	30 June 2022
Growth rate of revenue	**3.0%**	3.0%
Discount rate	**12.5%**	12.5%
Capitalisation rate	**9.5%**	9.5%

The income forecasts used in the income capitalisation approach were probability weighted based on the following scenarios:

— Base case (75% weighting): The hotel operated by the Group itself has no capacity limit during the forecast period and gradually resume to ordinary level from early financial year of 2023/24.

— Conservative case (25% weighting): The expected resumption of the tourism activities and expected cashflow from recovery in base case would defer for 1 year due to uncertainty of recovery of the industry.

Base on management's assessment in impairment test of Hotel Operation CGU, no impairment loss is recognised or reversed in profit or loss for the six months ended 31 December 2022 (six months ended 31 December 2021: nil).

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.

Management recognised impairment loss for property, plant and equipment and right-of-use assets attributable to the Gaming Operation CGU for the six months ended 31 December 2021 by approximately HK$1,444,000 and HK$706,000 respectively.

For the six months ended 31 December 2022, base on management's assessment no impairment loss is recognised or reversed in profit or loss for the six months ended 31 December 2022.

14. INVESTMENT PROPERTIES

	31 December 2022 *HK$'000* **(Unaudited)**	30 June 2022 *HK$'000* (Audited)
FAIR VALUE		
At beginning of the period/year	**993,000**	1,231,000
Additions	**–**	1,837
Fair value loss	**(16,017)**	(120,731)
Exchange adjustment	**(16,983)**	(119,106)
At end of the period/year	**960,000**	993,000

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.

As at 30 June 2022, investment properties are pledged to a bank to secure the loan and general banking facilities granted to the Group. As at 31 December 2022, there was no charge on the Group's investment properties as the bank loan was fully settled during the period.

Fair value measurement of Investment properties

The fair values of the Group's investment properties as at 31 December 2022 was approximately HK$960,000,000 (30 June 2022: HK$993,000,000). 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 Hong Kong Institution of 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 and latest market condition. 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 2022	30 June 2022
Growth rate of revenue	**3.0%**	3.0%
Discount rate	**13.5%**	13.5%
Capitalisation rate	**7.5%**	7.5%

The rental income forecasts used in the income capitalisation approach were probability weighted based on the following scenarios:

— Base case (75% weighting): The casino operated by PAGCOR has no capacity limit during the forecast period and gradually resume to ordinary level from early financial year of 2023/24.

— Conservative case (25% weighting): The expected resumption of the gaming activities and expected cashflow from recovery in base case would defer for 1 year due to uncertainty of recovery of the industry.

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 2022 and 30 June 2022 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.

15. LOAN RECEIVABLES

As at 31 December 2022, the Group's loan receivables represents three loans to associates as below:

(a) A loan advance with principal of Peso338,000,000 (equivalent to HK$47,457,000, 30 June 2022: HK$48,269,000) was granted to Harbor View Properties and Holdings, Inc. ("**HVPHI**"), which is an associate of the Company. The loan is interest bearing at 3.5% per annum, repayable annually and the whole principal amount is repayable on 3 August 2032.

The loan was secured by parcels of land owned by HVPHI. Management considered that the estimated fair value of these collaterals was not less than the carrying amount of the respective loan receivable as at 31 December 2022.

The Group additionally granted Peso92,000,000 (equivalent to HK$12,908,000, 30 June 2022: HK$13,129,000) to HVPHI. The loan is interest bearing at 3.5% per annum, repayable on demand and unsecured. The Group does not intend to request for repayment within twelve months after the end of the reporting period.

(b) A loan advance with principal of Peso55,000,000 was granted in prior years to Pacific Bayview Properties, Inc. ("**PBPI**"), which is the wholly owned subsidiary of Blue Marine Properties, Inc., and is an associate of the Company. The loan is interest bearing at 3.5% per annum and repayable on demand. During the year ended 30 June 2022, PBPI had repaid Peso37,000,000 to the Group with principal amount of Peso18,000,000 (equivalent of HK$2,525,000) outstanding at 31 December 2022 (30 June 2022: Peso18,000,000 equivalent to HK$2,569,000). The Group does not intend to request for repayment within twelve months after the end of the reporting period.

The loan was secured by condominium properties owned by PBPI. Management considered that the estimated fair value of these collaterals was not less than the carrying amount of the respective loan receivable as at 31 December 2022.

16. INTEREST IN ASSOCIATES

	31 December 2022	30 June 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Share of net assets	**43,130**	43,917

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.	Property developer	the Philippines	40
Blue Marine Properties, Inc.	Investment holdings	the Philippines	40

(a) Harbor View Properties and Holdings, Inc.

	31 December 2022 *HK$'000* **(Unaudited)**	30 June 2022 *HK$'000* (Audited)
Current assets	**45,692**	46,148
Non-current assets	**183,768**	185,253
Current liabilities	**(97,696)**	(97,107)
Non-current liabilities	**(66,706)**	(64,576)
Net assets	**65,058**	69,718
Net assets attributable to owners of the equity	**65,058**	69,718
Group's share of the net assets of the associate	**26,023**	27,887

	For the six months ended 31 December 2022 *HK$'000* **(Unaudited)**	For the six months ended 31 December 2021 *HK$'000* (Unaudited)
Revenue	**629**	706
Loss for the period	**(3,430)**	(4,099)
Total comprehensive loss	**(3,430)**	(4,099)
Dividends received from the associate	**–**	–

(b) Blue Marine Properties, Inc.

	31 December 2022 *HK$'000* **(Unaudited)**	30 June 2022 *HK$'000* (Audited)
Current assets	**12,782**	9,987
Non-current assets	**89,377**	92,617
Current liabilities	**(37,496)**	(39,911)
Non-current liabilities	**(21,895)**	(22,618)
Net assets	**42,768**	40,075
Net assets attributable to owners of the equity	**42,768**	40,075
Group's share of the net assets of the associate	**17,107**	16,030

	For the six months ended 31 December 2022 HK$'000 (Unaudited)	For the six months ended 31 December 2021 HK$'000 (Unaudited)
Revenue	**4,027**	2,746
Profit/(loss) for the period	**3,311**	(1,699)
Total comprehensive profit/(loss)	**3,311**	(1,699)
Dividends received from the associate	**–**	–

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

	31 December 2022 HK$'000 (Unaudited)	30 June 2022 HK$'000 (Audited)
At beginning of the period/year	**43,917**	55,686
Share of current period/year's loss of associates	**(48)**	(6,445)
Exchange adjustments	**(739)**	(5,324)
At end of the period/year	**43,130**	43,917

17. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000 (Unaudited)	Properties HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
At 1 July 2022	**11,735**	**19,707**	**31,442**
Depreciation for the period	**(175)**	**(1,974)**	**(2,149)**
Exchange adjustments	**(201)**	**(338)**	**(539)**
At 31 December 2022	**11,359**	**17,395**	**28,754**

	Leasehold land HK$'000 (Audited)	Properties HK$'000 (Audited)	Total HK$'000 (Audited)
At 1 July 2021	13,487	24,248	37,735
Depreciation for the year	(387)	(4,258)	(4,645)
Addition	–	2,006	2,006
Exchange adjustments	(1,365)	(2,289)	(3,654)
At 30 June 2022	11,735	19,707	31,442

No provision of impairment loss provide for right-of-use assets for six months ended 31 December 2022 and year ended 30 June 2022.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	31 December 2022 ***HK$'000*** **(Unaudited)**	30 June 2022 *HK$'000* (Audited)
Current assets		
Unlisted investment fund *(note)*	**8,041**	8,212

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 have determined the fair value of the interest in the Hontai Fund as at 31 December 2022 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 NAV summation method with fair value of underlying investment determined by market approach, with references to comparable companies benchmark multiples. During the period ended 31 December 2022, the Group recognised a fair value loss of HK$825,000 (year ended 30 June 2022: fair value loss of HK$40,949,000) in the Condensed Consolidated Statement of Comprehensive Income.

19. TRADE RECEIVABLES

	31 December 2022 HK$'000 (Unaudited)	30 June 2022 HK$'000 (Audited)
Trade receivables	**16,810**	13,475
Less: Provision for expected credit losses	**(492)**	(494)
	16,318	12,981

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 2022 HK$'000 (Unaudited)	30 June 2022 HK$'000 (Audited)
0–30 days	**12,736**	11,875
31–60 days	**839**	32
61–90 days	**737**	203
Over 90 days	**2,006**	871
	16,318	12,981

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.

20. INCOME TAX RECOVERABLE

On 15 June 2022, MSPI received a warrant of distraint and/or levy ("**WDL**") from BIR which directed its collection and enforcement team to distrain and/or levy on MSPI's properties in relation to the disputed deficiency tax assessments for calendar year of 2015 (Note 10). Upon receipt of WDL, MSPI filed an Urgent Motion to Quash WDL ("**Motion to Quash**") to Court of Tax Appeals ("**CTA**") on 23 June 2022. Between end of July 2022 and early August 2022, MSPI was informed by certain banks that they received warrants of garnishment from the BIR. Upon receipt of warrants of garnishment, some of these banks have complied with the warrants of garnishment, approximately Peso426,000,000 has been garnished. On 4 January 2023, MSPI received the CTA's Resolution dated 19 December 2022 denying the Motion to Quash. On 19 January 2023, MSPI timely filed a Motion for Reconsideration of the CTA's Resolution dated 19 December 2022. Pursuant to the CTA's order, the BIR filed its Comment/Opposition against MSPI's Motion for Reconsideration. As of the date of this announcement, the Motion for Reconsideration is deemed submitted for the CTA's resolution. Based on the advice of the independent legal adviser of MSPI, the Directors believe that MSPI has valid legal arguments to defend the tax dispute with right to request for refund of the garnished amounts.

21. 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 2022 *HK$'000* **(Unaudited)**	30 June 2022 *HK$'000* (Audited)
0–30 days	**2,541**	1,800
31–60 days	**101**	119
61–90 days	**14**	9
Over 90 days	**181**	160
	2,837	2,088

22. SHARE CAPITAL

	31 December 2022 *HK$'000* **(Unaudited)**	30 June 2022 *HK$'000* (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

23. PROMISSORY NOTES

The promissory note (the "**2016 PN**") was issued on 3 October 2016 by Fortune Growth Overseas Limited ("**Fortune Growth**"), a wholly-owned subsidiary of the Company and the holder is an independent third party (the "**Holder**"). The 2016 PN carries interest which accrues on the outstanding principal amount of HK$350,000,000 from its issue date until repayment in full of the principal amount at the fixed rate of 4% per annum. The promissory note shall become due and payable in full on the business day immediately preceding the fifth anniversary of its issue date and is unsecured and guaranteed by the Company.

On 31 March 2021, Fortune Growth issued 6 promissory notes (the "**2021 PNs**") to the Holder in exchange for the 2016 PN. The 2021 PNs in the principal amount of HK$64,150,685 each and totalling HK$384,904,110 represented the principal amount and the accrued interest of the 2016 PN. The 2021 PNs carry interest which accrues on the outstanding principal amount of HK$384,904,110 from its issue date until repayment in full of the principal amount at the fixed rate of 4% per annum. The 2021 PNs shall become due and payable in full on the business day immediately preceding the first anniversary of its issue date and is unsecured and guaranteed by the Company.

On 31 March 2022, Fortune Growth issued for 6 new promissory notes (the "**2022 PNs**") to the Holder in exchange for the matured debt under the 2021 PNs. No default for repayment of 2021 PNs before the exchange of 2022 PNs for 2021 PNs. The 2022 PNs in principal amount of HK$66,716,712 each and totalling HK$400,300,272 represented the principal amount and accrued interest of the 2021 PNs. The 2022 PNs carry interest which accrues on the outstanding principal amount of HK$400,300,272 from its issue date until repayment in full of the principal amount at the fixed rate of 4% per annum. The 2022 PNs shall become due and payable in full on the business day immediately preceding the first anniversary of its issue date (i.e. 30 March 2023) and is unsecured and guaranteed by the Company. There was no early repayment of the 2022 PNs during the period.

The above promissory notes are denominated in HK$ which is the foreign currency of the relevant group entity (where functional currency is Peso).

24. BANK BORROWINGS

	31 December 2022	30 June 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current		
Bank loans due for repayment within one year	**–**	31,216

As at 4 March 2019, a banking facility had been granted to a subsidiary of the Group of Peso1,500,000,000 (equivalent to HK$238,648,000), of which Peso218,750,000 (equivalent to approximately HK$31,216,000) has been utilised and outstanding as at 30 June 2022. Interest is charged at a fixed rate of 8.53% per annum in respect to this banking facility.

As at 30 June 2022, the bank loan was secured by the subsidiary' investment properties (Note 14).

As at 30 June 2022, management has classified the bank loan as current liability because the subsidiary did not has the right to defer settlement of the bank loan for at least 12 months after 30 June 2022 as a result of breach of covenant related to debt service coverage ratio. The bank loan was fully settled in August 2022 and there was no bank loan obtained during the period.

25. 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 2022 is determined using the Binomial Option Pricing Model. The key inputs used in the Binomial Option Pricing Model were as follows:

	31 December 2022	30 June 2022
Stock price (HK$)	**0.180**	0.199
Exercise price (HK$)	**1.01**	1.01
Expected life	**1.5 years**	2 years
Expected volatility	**60.77%**	85.97%
Expected dividend yield	**0%**	0%
Risk free rate	**3.51%**	2.56%

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

	Financial liability at amortised cost *HK$'000* **(Unaudited)**	**Financial liability at FVTPL** *HK$'000* **(Unaudited)**	**Total** *HK$'000* **(Unaudited)**
At 1 July 2022	**42,663**	**335**	**42,998**
Amortised interest for the period	**1,610**	**–**	**1,610**
Fair value adjustments	**–**	**(325)**	**(325)**
At 31 December 2022	**44,273**	**10**	**44,283**

	Financial liability at amortised cost *HK$'000* (Audited)	Financial liability at FVTPL *HK$'000* (Audited)	Total *HK$'000* (Audited)
At 1 July 2021	39,370	3,511	42,881
Amortised interest for the year	3,293	–	3,293
Fair value adjustments	–	(3,176)	(3,176)
At 30 June 2022	42,663	335	42,998

26. 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 2022 ***HK$'000*** **(Unaudited)**	30 June 2022 *HK$'000* (Audited)
Property, plant and equipment	**6,306**	4,904

27. 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 2022** ***HK$'000*** **(Unaudited)**	For the six months ended 31 December 2021 *HK$'000* (Unaudited)
Interest income from associates	*(i)*	**1,073**	1,321
Lease payment to associates	*(ii)*	**(2,846)**	(3,272)

Notes:

(i) The interest income from associates represented the interest income from loan receivables with principle amount of Peso430,200,000 (30 June 2022: Peso430,200,000) to HVPHI and Peso18,000,000 (30 June 2022: Peso18,000,000) to PBPI, respectively.

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

(b) Compensation of key management personnel

	For the six months ended 31 December 2022	For the six months ended 31 December 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Short term employee benefits	**2,227**	1,524
Post-employment benefits	**6**	9
	2,233	1,533

28. EVENTS AFTER THE END OF REPORTING PERIOD

The Board is not aware of any material event affecting the Group since the Period end date 31 December 2022 and up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Following the reopening of the borders to local and foreign tourists and the lifting of most of the anti-pandemic measures in the first half of 2022, the tourism and gaming sectors in the Philippines have started to recover since then. Gaming venues capacity restrictions were removed in March 2022 while masks mandates ended in November 2022. Customers confidence have returned. The Philippine Amusement and Gaming Corporation (PAGCOR) recorded a robust revenue growth in 2022 to PHP58.96 billion, representing an approximately 66.2% increase as compared to its PHP35.48 billion in 2021. At the same time, the Philippines tourism bounced back. It exceeded its 1.7 million target by year-end with 2.65 million international visitor arrivals as of 31 December 2022.

Benefited from the recovery of the industries, the Group's total revenue for the six months ended 31 December 2022 (the "**Period**") increased significantly from approximately HK$27.6 million for the six months ended 31 December 2021 (the "**Previous Period**") to approximately HK$94.1 million for the Period, representing an approximately 240.9% increase. The Group reported a gross profit of approximately HK$58.3 million for the Period under review, as compared to a gross loss of approximately HK$4.2 million in the Previous Period. Gross profit margin for the Period was approximately 62.0%, as compared to gross profit margin of approximately -15.2% for the Previous Period.

Other income of the Group for the Period was approximately HK$5.3 million, representing an increase of approximately 120.8%, as compared with approximately HK$2.4 million for the Previous Period. This was mainly due increase in interest income during the Period.

Other losses of the Group mainly represented the net foreign exchange gain or loss. The Group recorded a net foreign exchange loss of approximately HK$0.1 million for the Period as compared to approximately HK$2.2 million in the Previous Period, representing an approximately 95.5% decrease.

The Group recorded a loss of approximately HK$0.8 million on change in fair value of financial assets at fair value through profit or loss in the Period, as compared to approximately HK$12.2 million in the Previous Period, representing an approximately 93.4% decrease.

The Group also recorded a gain of approximately HK$0.3 million on change in fair value of financial liabilities at fair value through profit or loss for the Period, as compared to approximately HK$1.6 million in the Previous Period, representing an approximately 81.3% decrease.

The fair value of the Group's investment properties has been arrived at based on a valuation carried out by JLL, an independent professional valuer not connected to the Group. The fair value loss for the Period amounted to approximately HK$16.0 million, as compared to approximately HK$65.4 million for the Previous Period, representing an approximately 75.5% decrease. Positive economic outlook helped to improve the expected future cash flow from the Group's business.

There were no impairment loss of property, plant and equipment and impairment loss of right-of-use assets recorded in the Period, as compared to approximately HK$1.4 million for property, plant and equipment and HK$0.7 million for right-of-use assets respectively for gaming operation in the Previous Period. Positive economic outlook helped to improve the expected future cash flow from the Group's business.

General and administrative expenses of the Group increased by approximately 14.2% to approximately HK$41.9 million for the Period from approximately HK$36.7 million in the Previous Period. Included in these expenses for the Period, approximately 36.3% and 22.7% were staff costs and utilities expenses respectively. The staff costs for the Period was approximately HK$15.2 million, representing a decrease of approximately 7.3%, as compared with approximately HK$16.4 million in the Previous Period because there was a cost reduction in our Hong Kong headquarter due to manpower adjustment. The utilities expenses for the Period was approximately HK$9.5 million, representing an increase of approximately 126.2%, as compared with approximately HK$4.2 million in the Previous Period. Electricity cost of the Group's operations in the Philippines increased in the Period due to the surge in international coal prices.

Finance costs of the Group for the Period was approximately HK$11.7 million, representing a decrease of approximately 24.5% as compared with approximately HK$15.5 million in the Previous Period. This was mainly due to the full settlement of the bank loan in the Period.

The Group recorded income tax credit of approximately HK$0.3 million for the Period, as compared to approximately HK$0.1 million in the Previous Period.

The Group recorded a loss of approximately HK$6.4 million for the Period as compared with a loss of approximately HK$136.6 million for the Previous Period.

The loss per share for the Period amounted to approximately 0.47 HK cents, as compared with the loss per share of approximately 9.98 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 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, 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" since the Previous Period.

The revenue derived from the gaming operation for the Period was approximately HK$59.4 million, representing an increase of approximately 278.3%, as compared with approximately HK$15.7 million in the Previous Period. Most anti-pandemic measures such as border restriction and different levels of community quarantine requirements had been lifted by the government of the Philippines in 2022. Capacity restriction for casinos in Manila has been dropped since March 2022. Revenue in the segment started to pick up since then. It contributed approximately 63.1% of the Group's revenue during the Period under review (the Previous Period: 56.7%).

At 31 December 2022 and 2021, there were tax disputes between MSPI, an indirect wholly-owned subsidiary of the Company and BIR in the Philippines. Please refer to Note 10 and Note 20 to the consolidated financial statements in this announcement for more details and estimated contingent liabilities.

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$34.7 million, representing an increase of approximately 189.2%, as compared with approximately HK$12.0 million in the Previous Period. Included in the total hotel revenue for the Period was approximately HK$23.1 million or 66.6% contributed by room revenue (Previous Period: HK$9.3 million or 77.5%). The increase in total revenue was mainly due to increase in average hotel room occupancy from 40% in the Previous Period to 82% in the Period, plus the increase in revenue from the food and beverages service.

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

Following the easing of most of the anti-pandemic measures, the gaming industry and tourism industry in the Philippines have shown significant recovery in 2022. The Philippines government's supportive policies such as moving public holidays to create long weekend, and introduction of a new "eTravel" system to replace the old One Health Pass will further help to boost the tourism. It is hopeful that the Philippines gaming and tourism industries will reach pre-pandemic levels in the near future.

However, challenges such as inflation, measures undertaken by other countries to promote tourism recovery, and geopolitical tensions may have an impact on the pace of recovery of economy in the Philippines. The Group remain cautiously optimistic about the outlook for 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 had 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.

Regarding for the future development of an integrated resort, the Board will consider different financing methods 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 2022, the Group's net current assets amounted to approximately HK$124.2 million (as at 30 June 2022: HK$97.0 million). Current assets amounted to approximately HK$573.4 million (as at 30 June 2022: HK$564.6 million), of which approximately HK$454.3 million (as at 30 June 2022: HK$512.1 million) was bank balances and cash, approximately HK$16.3 million (as at 30 June 2022: HK$13.0 million) was trade receivables, approximately HK$33.0 million (as at 30 June 2022: HK$29.0 million) was other receivables, deposits and prepayments, approximately HK$1.1 million (as at 30 June 2022: HK$1.2 million) was inventories, approximately HK$8.0 million (as at 30 June 2022: HK$8.2 million) was financial assets at fair value through profit or loss, approximately HK$6,000 (as at 30 June 2022: HK$0.2 million) was contract assets, approximately HK$0.9 million (as at 30 June 2022: HK$0.9 million) was amounts due from associates, and approximately HK$59.8 million (as at 30 June 2022: nil) was income tax recoverable.

As at 31 December 2022, the Group had current liabilities amounted to approximately HK$449.3 million (as at 30 June 2022: HK$467.6 million), of which approximately HK$2.8 million (as at 30 June 2022: HK$2.1 million) was trade payables, approximately HK$43.0 million (as at 30 June 2022: HK$30.3 million) was other payables and accrued charges, there was no (as at 30 June 2022: HK$31.2 million) bank and other borrowings, there was no (as at 30 June 2022: HK$0.2 million) contract liabilities, approximately HK$3.1 million (as at 30 June 2022: HK$3.5 million) was lease liabilities, and approximately HK$400.3 million (as at 30 June 2022: HK$400.3 million) was promissory note.

The bank balances and cash of the Group as at 31 December 2022 was mainly denominated in Peso, HK$ and United States Dollars ("**USD**").

Net cash used in operating activities of the Group was approximately HK$23.5 million for the Period (the Previous Period: approximately HK$15.8 million). Net assets attributable to the owners of the Company as at 31 December 2022 amounted to approximately HK$1,171.1 million (as at 30 June 2022: approximately HK$1,195.9 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.

Set forth below is a summary of the utilization of the net proceeds as at 31 December 2022:

	Intended use of the net proceeds *(HK$ million)*	**Amount of the net proceeds utilised as at 31 December 2022** *(HK$ million)*	**Balance of the net proceeds unutilised as at 31 December 2022** *(HK$ million)*	**Expected timeline for the application of the balance of the net proceeds** *(Note 4)*
Renovation of the Hotel *(Note 1)*	150.0	123.3	26.7	On or before 30 June 2023
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 2023
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 2023
General working capital of the Group	38.5	38.5	–	
Total	358.5	214.4	144.1	

Notes:

1. The renovation of the Hotel was almost completed. Due to the COVID-19 pandemic, the remaining renovation work of the Hotel was slow during the Period, and expected to be completed in the financial year ending 30 June 2023.

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 continuous outbreak of the COVID-19 pandemic, the Group had been more prudent in applying the proceeds during the Period. The expected timeline for application of the balance of the proceeds is 30 June 2023. 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. Due to the continuous outbreak of the COVID-19 pandemic, the Group had been more prudent in applying the proceeds for acquisition and there was no progress for the Potential Acquisition during the Period. The expected timeline for the application of the balance of the net proceeds is 30 June 2023.

4. The expected timeline for the application of the balance of the net proceeds is based on the management's best estimation barring unforeseen circumstances, and would be subject to change based on the future development of market conditions. The corporate and commercial environment has changed significantly due to the COVID-19 pandemic. The uncertain economic and market conditions make some of the Group's operations more challenging. The Group will continue to assess the plans for application of the balance of the net proceeds, and may revise or amend such plans where necessary, to cope with the changing market conditions and strive for better business performance for the Group. Should there be any material change in the intended use of the balance of the net proceeds, the Company will make appropriate announcement in due course.

The gearing ratios, measured in terms of the carrying values of total borrowings divided by total assets, were approximately 24.3% and 25.3% as at 31 December 2022 and 30 June 2022 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 30 June 2022, the bank loans were secured by the Group's investment properties amounted to approximately HK$993 million.

As at 31 December 2022, there was no charge on the Group's assets as the bank loan was fully settled during the Period.

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 Listing Rules 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, 30 August 2021 and 28 February 2022; and the circular of the Company dated 21 July 2021.

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 2022.

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 condensed consolidated interim financial statements 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 237 as at 31 December 2022 (as at 31 December 2021: 228). The staff costs for the six months ended 31 December 2022 was approximately HK$16.0 million (for the six months ended 31 December 2021: HK$16.4 million) among which, HK$15.2 million (the Previous Period: HK$16.4 million) was included in the general and administrative expenses, and HK$0.8 million (the Previous Period: nil) was included in cost of sales. 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 2022, 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 2022 (2021: 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.

Throughout the six months ended 31 December 2022, the Company has complied with all the applicable code provisions under the Corporate Governance Code as contained in Appendix 14 of the Listing Rules, with the exception of code provision C.2.1.

Code provision C.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual.

Mr. Ho Wong Meng ("**Mr. Ho**") who serves as executive Director and the chief executive officer of the Company (the "**Chief Executive Officer**"), has been appointed as the chairman of the Board (the "**Chairman**") with effect from 1 April 2022. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Company with strong and consistent leadership, allows for effective and efficient planning and implementation of business decisions and strategies, and is beneficial to the business prospects and management of the Group. Although Mr. Ho performs both the roles of Chairman and Chief Executive Officer, the division of responsibilities between the Chairman and Chief Executive Officer is clearly established. These two roles are performed by Mr. Ho distinctly.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of Listing Rules (the "**Model Code**") as its own code of conduct regarding the securities transactions of the Directors. All Directors have confirmed, following specific enquiries by the Company, that they have complied with the required standards set out in the Model Code throughout the six months ended 31 December 2022.

REVIEW BY AUDIT COMMITTEE

The Company has established the audit committee of the Company (the "**Audit Committee**") with written terms of reference in compliance with the Listing Rules, in accordance with provisions set out in the Corporate Governance Code which are available on the websites of the Stock Exchange and the Company.

The Audit Committee currently consist of all three independent non-executive Directors, namely Mr. Cheng Hong Wai (Chairman of the Audit Committee), Mr. Lau Ka Ho and Mr. Chung Dan. The chairman of the Audit Committee is Mr. Cheng Hong Wai, who has appropriate professional qualifications and experience in accounting matters.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 31 December 2022 and was of the opinion that such statements had been prepared in compliance with the applicable accounting standards and the Listing Rules.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (http://www.ientcorp.com). The interim report of the Company for the Period containing all information as required by the Listing Rules will be despatched to the Shareholders and will be available on the websites of the Stock Exchange and the Company in due course.

By order of the Board
International Entertainment Corporation
Ho Wong Meng
Chairman, Chief Executive Officer and
Executive Director

Hong Kong, 28 February 2023

As at the date of this announcement, the Board comprises two executive directors, namely Mr. Ho Wong Meng and Mr. Aurelio Jr. Dizon Tablante, and three independent non-executive directors, namely Mr. Lau Ka Ho, Mr. Cheng Hong Wai and Mr. Chung Dan.