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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 2020

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 2020, together with the comparative unaudited figures for the six months ended 31 December 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2020

		Six months ended 31 December 2020 <i>HK\$'000</i> (Unaudited)	Six months ended 31 December 2019 <i>HK\$'000</i> (Unaudited) (Re-presented)
	<i>Notes</i>		
Revenue	<i>6(b)</i>	35,300	159,171
Cost of sales		(32,773)	(45,422)
Gross profit		2,527	113,749
Other income		8,684	6,965
Other losses		(5,543)	(322)
Change in fair value of financial assets at fair value through profit or loss	<i>15</i>	(9,101)	61,194
Change in fair value of financial liabilities at fair value through profit or loss	<i>19</i>	2,636	13,301
Change in fair value of investment properties	<i>13</i>	(36,564)	(49,171)
Share of profit of associates		394	3,603
Selling and marketing expenses		(50)	(2,744)
General and administrative expenses		(39,964)	(75,084)
Finance costs	<i>7</i>	(13,053)	(16,425)

	<i>Notes</i>	Six months ended 31 December 2020 HK\$'000 (Unaudited)	Six months ended 31 December 2019 HK\$'000 (Unaudited) (Re-presented)
(Loss)/profit before taxation	8	(90,034)	55,066
Income tax (expenses)/credit	9	(1,028)	1,174
(Loss)/profit for the period from continuing operations		(91,062)	56,240
Discontinued operation			
Loss for the period from discontinued operation		—	(105,509)
Loss for the period		(91,062)	(49,269)
Other comprehensive (loss)/income that will not be reclassified to profit or loss:			
— Remeasurement of defined benefit obligations		(1,289)	952
— Exchange differences arising on translation of presentation currency		69,281	16,118
Total comprehensive loss for the period		(23,070)	(32,199)
(Loss)/profit attributable to:			
Owners of the Company			
— from continuing operations		(91,062)	56,240
— from discontinued operation		—	(91,857)
		(91,062)	(35,617)
Non-controlling interests			
— from continuing operations		—	—
— from discontinued operation		—	(13,652)
		—	(13,652)
		(91,062)	(49,269)
Total comprehensive (loss)/profit for the period			
— Owners of the Company		(23,070)	60,969
— Non-controlling interests		—	(93,168)
		(23,070)	(32,199)
		HK Cents	HK Cents
(Loss)/earnings per share attributable to owners of the Company			
Basic	10		
— from continuing operations		(6.65)	4.11
— from discontinued operation		—	(6.71)
		(6.65)	(2.60)
Diluted	10		
— from continuing operations		(6.65)	4.11
— from discontinued operation		—	(6.71)
		(6.65)	(2.60)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		31 December 2020 <i>HK\$'000</i> (Unaudited)	30 June 2020 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	12	277,125	280,786
Investment properties	13	1,321,000	1,308,000
Loan receivable		78,321	75,503
Interest in associates	14	57,649	55,228
Right-of-use assets		33,000	33,787
Other receivables, deposits and prepayments		15,666	14,329
		1,782,761	1,767,633
Current assets			
Inventories		1,586	1,840
Financial assets at fair value through profit or loss	15	84,340	93,441
Trade receivables	16	6,070	7,053
Contract assets		2,832	4,128
Other receivables, deposits and prepayments		38,682	38,231
Amounts due from associates		3,068	3,173
Bank balances and cash		598,675	623,170
		735,253	771,036
Total assets		2,518,014	2,538,669
Current liabilities			
Trade payables	17	5,155	3,544
Other payables and accrued charges	17	65,465	61,999
Contract liabilities		100	972
Bank borrowings		20,175	19,450
Lease liabilities		4,073	2,774
Promissory note		347,529	–
		442,497	88,739
Net current assets		292,756	682,297

		31 December	30 June
		2020	2020
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current liabilities			
Deferred tax liabilities		186,792	179,889
Other liabilities		1,012	4,661
Lease liabilities		33,188	32,807
Promissory note		–	345,915
Bank borrowings		45,395	53,486
Convertible bond	<i>19</i>	43,720	44,692
		<u>310,107</u>	<u>661,450</u>
NET ASSETS		<u>1,765,410</u>	<u>1,788,480</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>18</i>	1,369,157	1,369,157
Share premium and reserves		396,253	419,323
		<u>1,765,410</u>	<u>1,788,480</u>
TOTAL EQUITY		<u>1,765,410</u>	<u>1,788,480</u>

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 the date of this announcement, 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 Company is an investment holding company. 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 “Hotel Business” and “Leasing Business”), live poker events (the “Live Events Business”) in Macau and operation of a football club with related and ancillary activities (the “Football Club Business”) in the United Kingdom (the “UK”). During the year ended 30 June 2020, the Football Club Business was disposed and presented as a discontinued operation.

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 of Hong Kong Limited.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2020 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 2020. 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 2020 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 2020 annual consolidated financial statements.

These condensed consolidated interim financial statements are unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the HKICPA.

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;
- Limited to a maximum 30 percent capacity of the Casino are required under social distancing measurement; and
- Significant uncertainty concerning when government lockdowns will be lifted, social distancing requirements will be eased and the long-term effects of the pandemic on the demand for the Group's primary business/services.

The significant events and transactions that have occurred since 30 June 2020 relate to the effects of the global pandemic on the Group's condensed consolidated interim financial statements for the six months ended 31 December 2020 and are summarised as follows.

(a) Decrease in sales and cash flows from hotel segment, leading to impairment of non-current assets

The revenue streams from the hotel segment was decreased during the period. It is caused by decrease in the number of tourists given the travel restrictions imposed by the local government of the Philippines. The hotel has changed to accommodate business customers who were unable to return to their countries at a lower room rate. The Group considered the segment loss and failure of meeting budgeted revenue as indicators of impairment, and therefore determined the recoverable amount for all of its cash generating units. The recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use was higher in all cases due to the nature of the assets included in the carrying amount of cash generating units. For detailed assessment please refer to Note 12.

(b) Fair value assessment of investment properties

The casino operated by PAGCOR in the Group's property leased had been closed since mid-March 2020 and reopened limited to a maximum of thirty percent capacity in late August 2020. 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 rental income forecasts used in the income capitalisation approach were probability weighted by scenarios. For detailed assessment please refer to Note 13.

(c) 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 2020, 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 2020:

Amendments to HKFRS 3	Definition of a business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Amendments to HKFRS 3 — Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a “substantive process”.

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of “outputs” and a “business” to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 — Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

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 this 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 2020 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:

Continuing operations:

- the “Hotel” segment represent the operation of hotel business in the Philippines;
- the “Leasing” segment represent leasing of investment properties equipped with entertainment equipment to PAGCOR.;
- the “Live Events” segment represents the operation of live poker events business.

Discontinued operation:

- the “Football Club” segment represents the operation of Wigan A.F.C, which was a football club in the UK disposed on 29 May 2020. Accordingly, it was presented as discontinued operation and its relevant figures for the six months ended 31 December 2019 have been represented.

Therefore, the Group has presented three reportable segments in 31 December 2020 and four reportable segments in 31 December 2019 as below:

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 2020 (Unaudited)

	Hotel <i>HK\$'000</i>	Leasing <i>HK\$'000</i>	Live Events <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue — external	<u>20,855</u>	<u>14,445</u>	<u>–</u>	<u>35,300</u>
Segment results	<u>(1,231)</u>	<u>(55,802)</u>	<u>(817)</u>	(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				<u>(965)</u>
Loss before taxation for the period				<u>(90,034)</u>

Segment information about these reportable segments are presented below:

For the six months ended 31 December 2019 (Unaudited) (Re-presented)

	Continuing operations				Discontinued operation	Consolidated <i>HK\$'000</i>
	Hotel <i>HK\$'000</i>	Leasing <i>HK\$'000</i>	Live Events <i>HK\$'000</i>	Subtotal <i>HK\$'000</i>	Football Club <i>HK\$'000</i>	
Revenue — external	<u>54,328</u>	<u>101,411</u>	<u>3,432</u>	<u>159,171</u>	<u>80,087</u>	<u>239,258</u>
Segment results	<u>(6,050)</u>	<u>13,197</u>	<u>(1,606)</u>	<u>5,541</u>	<u>(104,932)</u>	(99,391)
Change in fair value of financial assets at FVTPL						61,194
Change in fair value of financial liabilities at FVTPL						13,301
Unallocated other income						550
Share of profit of associates						3,603
Audit fee						(1,610)
Legal and professional fees						(3,071)
Salaries and allowances						(6,295)
Finance costs						(12,903)
Unallocated expenses						<u>(5,996)</u>
Loss before taxation for the period						(50,618)
Less: loss before taxation for the period from discontinued operation						<u>105,684</u>
Profit before taxation for the period from continuing operations						<u>55,066</u>

(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 2020 (Unaudited)

	Hotel <i>HK\$'000</i>	Leasing <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Primary geographical markets			
The Philippines	<u>20,855</u>	<u>14,445</u>	<u>35,300</u>
Timing of revenue recognition			
<i>Transferred over time</i>			
Room revenue	18,432	–	18,432
Food and beverages	2,124	–	2,124
Other hotel service income	<u>299</u>	<u>–</u>	<u>299</u>
	<u>20,855</u>	<u>–</u>	<u>20,855</u>
Other source of income			
Leasing of investment properties equipped with entertainment equipment	<u>–</u>	<u>14,445</u>	<u>14,445</u>
	<u>–</u>	<u>14,445</u>	<u>14,445</u>
	<u>20,855</u>	<u>14,445</u>	<u>35,300</u>

For the six months ended 31 December 2019 (Unaudited) (Re-presented)

	Continuing operations				Discontinued operation	Consolidated HK\$'000
	Hotel HK\$'000	Leasing HK\$'000	Live Events HK\$'000	Subtotal HK\$'000	Football Club HK\$'000	
Primary geographical markets						
The Philippines	54,328	101,411	–	155,739	–	155,739
The UK	–	–	–	–	80,087	80,087
Others	–	–	3,432	3,432	–	3,432
	<u>54,328</u>	<u>101,411</u>	<u>3,432</u>	<u>159,171</u>	<u>80,087</u>	<u>239,258</u>
Timing of revenue recognition						
<i>Transferred over time</i>						
Room revenue	34,186	–	–	34,186	–	34,186
Food and beverages	19,093	–	–	19,093	–	19,093
Other hotel service income	1,049	–	–	1,049	–	1,049
Commercial income	–	–	–	–	27,870	27,870
Broadcasting income	–	–	–	–	40,521	40,521
Matchday income	–	–	–	–	11,696	11,696
Live event income	–	–	3,432	3,432	–	3,432
	<u>54,328</u>	<u>–</u>	<u>3,432</u>	<u>57,760</u>	<u>80,087</u>	<u>137,847</u>
Other source of income						
Leasing of investment properties equipped with entertainment equipment	–	101,411	–	101,411	–	101,411
	<u>–</u>	<u>101,411</u>	<u>–</u>	<u>101,411</u>	<u>–</u>	<u>101,411</u>
	<u>54,328</u>	<u>101,411</u>	<u>3,432</u>	<u>159,171</u>	<u>80,087</u>	<u>239,258</u>

7. FINANCE COSTS

	For the six months ended 31 December 2020 HK\$'000 (Unaudited)	For the six months ended 31 December 2019 HK\$'000 (Unaudited) (Re-presented)
Continuing operations		
Interest on promissory note	8,671	8,595
Interest on bank borrowings	3,004	3,253
Interest on other borrowings	–	3,156
Interest on lease liabilities	1,664	1,170
Interest on convertible bond	1,664	1,619
	<hr/>	<hr/>
	15,003	17,793
Less: Amount capitalised (<i>note</i>)	(1,950)	(1,368)
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	13,053	16,425
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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 2020 HK\$'000 (Unaudited)	For the six months ended 31 December 2019 HK\$'000 (Unaudited) (Re-presented)
Continuing operations		
Loss before taxation has been arrived at after charging/(crediting):		
Directors' emoluments	1,616	1,089
Staff costs (excluding directors' emoluments):		
Salaries and allowances	16,571	27,386
Retirement benefits scheme contributions	641	711
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Total staff costs	18,828	29,186
Change in fair value of financial assets at FVTPL	9,101	(61,194)
Change in fair value of financial liabilities at FVTPL	(2,636)	(13,301)
Change in fair value of investment properties	36,564	49,171
Auditor's remuneration		
— Audit services	1,200	810
— Non-audit service	420	800
Cost of inventories recognised as an expense	1,260	11,355
Allowance for bad debts for trade receivables, net (Reversal)/provision for expected credit losses	—	76
— Trade receivables	(308)	281
Depreciation of property, plant and equipment	22,732	21,834
Depreciation of right-of-use assets	1,982	1,924
Gain on disposal at property, plant and equipment	(183)	(124)
Legal and professional fees	4,761	4,783
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9. INCOME TAX EXPENSES/(CREDIT)

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

	For the six months ended 31 December 2020 HK\$'000 (Unaudited)	For the six months ended 31 December 2019 HK\$'000 (Unaudited) (Re-presented)
Continuing operations		
Current tax expenses	56	–
Deferred tax expenses/(credit)	972	(1,174)
Income tax expenses/(credit)	<u>1,028</u>	<u>(1,174)</u>

Hong Kong profits tax 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. No provision for taxation in Hong Kong was made in the financial statements for the current year 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 30% for the period ended 31 December 2020 and 2019. 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 2020 and 2019. No provision for taxation in the Philippines was made in the financial statements for the current year 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 2020 and 2019. No provision for taxation was made in the financial statements for the current year as the Group's operations in Macau had no assessable profits.

At 31 December 2020, 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 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)/EARNINGS PER SHARE

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

	For the six months ended 31 December 2020 HK\$'000 (Unaudited)	For the six months ended 31 December 2019 HK\$'000 (Unaudited) (Re-presented)
Continuing operations	(91,062)	56,240
Discontinued operation	–	(91,857)
	<u><u> </u></u>	<u><u> </u></u>
	For the six months ended 31 December 2020 '000 (Unaudited)	For the six months ended 31 December 2019 '000 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share	<u><u>1,369,157</u></u>	<u><u>1,369,157</u></u>
	For the six months ended 31 December 2020 HK Cents (Unaudited)	For the six months ended 31 December 2019 HK Cents (Unaudited)
(Loss)/earnings per share		
Basic		
— Continuing operations	(6.65)	4.11
— Discontinued operation	–	(6.71)
	<u><u> </u></u>	<u><u> </u></u>
	(6.65)	(2.60)
Diluted		
— Continuing operations	(6.65)	4.11
— Discontinued operation	–	(6.71)
	<u><u> </u></u>	<u><u> </u></u>
	(6.65)	(2.60)

The computation of diluted (loss)/earnings per share for the six months ended 31 December 2020 and 31 December 2019 do not assume the exercise of the Company's outstanding share options as the exercise price of those options 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 2020 (six months ended 31 December 2019: nil).

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2020, the Group acquired property, plant and equipment of HK\$11,682,000 (six months ended 31 December 2019: HK\$15,574,000).

Impairment tests for Property, plant and equipment

The Hotel CGU is tested for impairment as the hotel segment recorded a segment loss during the financial year/period ended 2020. For the purpose of impairment testing, gross carrying amount of properties, plant and equipment of HK\$229,649,000 and right-of-use assets of HK\$17,528,000 of the hotel segment were allocated to the cash generating units (“CGU”) of Hotel. The recoverable amounts of the Hotel CGU have been determined with reference to the valuation prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“JLL”), an independent valuer not connected to the Group by income capitalisation approach. Key assumptions used in calculating the recoverable amount are as follows:

	31 December 2020	30 June 2020
Growth rate of revenue	4.0%	4.0%
Discount rate	11.0%	11.0%
Capitalisation rate	7.0%	7.0%

In 2020, the global health emergency resulting from the Covid-19 pandemic has led to a significant disruption in tourist activities and closure of casino. This places intense pressure on the Hotel Business and causes an adverse impact on the estimated value in use of the CGU.

The recoverable amounts of the CGU has been determined from value in use calculations based on cash flow projections approved by the Directors of the Company. Due to the increase in the level of uncertainty following the impact of Covid-19 pandemic, the discounted cash flow in 2020 was prepared by using the expected cash flow approach, which involved multiple cash flow projections and taking into consideration of assumed probabilities to different future events in each scenario, instead of using a single scenario that was applied for the purpose of 2019 impairment test. While many scenarios and probabilities may exist, ultimately two scenarios were established with the following key assumptions:

- Base case (80% weighting): Subject to the travel restriction and reduction in customer demands, revenue generated from hotel segment can be recovered steadily in July 2021 and fully covered during the financial year of 2022 when tourism activities expected to be resumed.
- Negative case (20% weighting): Subject to the travel restriction and reduction in customer demands, revenue generated from hotel segment can be recovered steadily October 2021 and fully recovered in the financial year of 2022 when tourism activities expected to be resumed.

	Base case	Negative case
Growth rate in 2022–2025	4%	4%
Net profit margin in 2021	4.6%	-2.7%
Net profit margin in 2022	16.8%	16.8%
Net profit margin in 2023–2025	17.4%–18.6%	17.4%–18.6%
Occupancy rate in 2021	65%–75%	65%–70%
Occupancy rate in 2022–2025	80%	80%

Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 4.0% (30 June 2020: 4.0%), which does not exceed the long-term growth rate for the industry in the Philippines. Discount rate used of 11.0% (30 June 2020: 11.0%) is pre-tax and reflect specific risks relating to the relevant CGU. Operating margin and growth rate within the five-year period was based on past experience and had taken into consideration of the decrease in revenue under each scenario. Occupancy rate adopted based on historical performance of the group.

The recoverable amount of the Hotel CGU measured from income capitalisation approach is approximately HK\$254,450,000 (year ended 30 June 2020: HK\$252,839,000) which is higher than the carrying amount. Therefore, no impairment loss was provided to properties, plant and equipment and right-of-use assets attributable to the Hotel CGU for the period ended 31 December 2020. The properties, plant and equipment was impaired by approximately HK\$8,709,000 and right-of-use assets was impaired by approximately HK\$666,000 of the Hotel CGU during the year ended 30 June 2020.

Impact of possible changes in key assumptions

As significant judgments are used to estimate the weighing of different scenario and the key inputs used in each scenario, such as growth rates, gross profit margin, wage inflation and pre-tax discount rates, any adverse change in the key assumptions used to calculate the recoverable amount would result in further impairment losses. Sensitivity of the impairment assessment to a reasonably possible change in each of the key inputs is as follows:

	Change in assumptions, holding other inputs constant	Change in recoverable amount HK\$'000
Growth rate	Reduced by 1.0%	(45,000)
Operating margin	Reduced by 3.0%	(40,000)
Occupancy rate	Reduced by 3.0%	(14,000)
Discount rate	Increased by 1.0%	(17,000)

13. INVESTMENT PROPERTIES

	31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
FAIR VALUE		
At beginning of the period/year	1,308,000	1,510,000
Additions	3,909	33,967
Fair value loss	(36,564)	(262,125)
Exchange adjustment	45,655	26,158
At end of the period/year	<u>1,321,000</u>	<u>1,308,000</u>

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 2020 was approximately HK\$1,321,000,000 (30 June 2020: HK\$1,308,000,000). The fair values have been arrived at based on a valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("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 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 2020	30 June 2020
Growth rate of revenue	3%	3%
Discount rate	11.5%	11.5%
Capitalisation rate	7.5%	7.5%

During the period, the casino operated by PAGCOR in the Group's property leased was closed from mid-March 2020 and reopened limited to a maximum of 30% capacity since late August 2020. The rental income 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 (80% weighting): The casino operated by PAGCOR is reopened but reopened limited to a maximum of 30% capacity gradually resume to 50% in August 2021 and resume its business on January 2022, and since then the Group's rental income can resume to ordinary level comparable with 2019's forecast.
- Negative case (20% weighting): The casino operated by PAGCOR is reopened but reopened limited to a maximum of 30% capacity gradually resume to 50% in October 2021 resume its business on January 2022, and since then the Group's rental income can resume to ordinary level comparable with 2019's forecast.

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 effect of Covid-19 pandemic would meant that the range of reasonably possible changes as presented below:

	31 December 2020 HK\$'000
Discount rate increased by 1%	(77,000)
Rental growth rate decreased by 1%	(73,000)
Capitalisation rate decreased by 1%	(38,000)

The fair value of the investment property as at 31 December 2020 and 30 June 2020 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 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
Share of net assets	<u>57,649</u>	<u>55,228</u>

Particulars of the Group's associates are as follows:

Name of associates	Principal activities	Place of incorporation and operations	Percentage held by the Company %
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 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
Current assets	55,498	55,570
Non-current assets	212,351	206,962
Current liabilities	(98,327)	(93,997)
Non-current liabilities	(76,423)	(78,615)
Net assets	<u>93,099</u>	<u>89,920</u>
Net assets attributable to owners of the equity	<u>93,099</u>	<u>89,920</u>
Group's share of the net assets of the associate	<u>37,206</u>	<u>35,969</u>

	For the six months ended 31 December 2020 HK\$'000 (Unaudited)	For the six months ended 31 December 2019 HK\$'000 (Unaudited)
Revenue	<u>728</u>	<u>583</u>
Loss for the period	<u>(170)</u>	<u>(5,238)</u>
Total comprehensive loss	<u>(170)</u>	<u>(5,238)</u>
Dividends received from the associate	<u>–</u>	<u>–</u>
(b) Blue Marine Properties, Inc.		
	31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
Current assets	<u>12,611</u>	9,928
Non-current assets	<u>110,528</u>	108,833
Current liabilities	<u>(45,521)</u>	(45,240)
Non-current liabilities	<u>(26,509)</u>	(25,375)
Net assets	<u>51,109</u>	<u>48,146</u>
Net assets attributable to owners of the equity	<u>51,109</u>	<u>48,146</u>
Group's share of the net assets of the associate	<u>20,443</u>	<u>19,259</u>
	For the six months ended 31 December 2020 HK\$'000 (Unaudited)	For the six months ended 31 December 2019 HK\$'000 (Unaudited)
Revenue	<u>3,425</u>	<u>1,812</u>
Profit/(loss) for the period	<u>1,154</u>	<u>(656)</u>
Total comprehensive income/(loss)	<u>1,154</u>	<u>(656)</u>
Dividends received from the associate	<u>–</u>	<u>–</u>

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

	31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
At beginning of the period/year	55,228	–
Share of the net fair value of associates at acquisition date	–	54,599
Gain on bargain purchase	–	5,961
Share of current period's profit/(loss) of associates	394	(6,087)
Exchange adjustments	2,027	755
At end of the period/year	<u>57,649</u>	<u>55,228</u>

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
<i>Current assets</i>		
Deutsche Far Eastern DWS Asia High Yield Bond Income Fund	736	711
Unlisted investment fund (<i>note</i>)	83,604	92,730
	<u>84,340</u>	<u>93,441</u>

Note:

The unlisted investment fund mainly represented 50% interests in a fund, as a limited partner, 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 2020 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 2020, the Group recognised a fair value loss of HK\$9,125,000 (year ended 30 June 2020: fair value gain of HK\$29,119,000) in the Condensed Consolidated Statement of Comprehensive Income.

16. TRADE RECEIVABLES

	31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
Trade receivables	6,951	8,199
Less: Provision for expected credit losses	(881)	(1,146)
	<u>6,070</u>	<u>7,053</u>

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

	31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
0–30 days	4,087	3,927
31–60 days	37	6
61–90 days	1	6
Over 90 days	1,945	3,114
	<u>6,070</u>	<u>7,053</u>

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 and the Company 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 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
0–30 days	2,524	2,606
31–60 days	291	62
61–90 days	135	127
Over 90 days	2,205	749
	<u>5,155</u>	<u>3,544</u>

18. SHARE CAPITAL

	31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
Ordinary shares of HK\$1 each		
Authorised:		
2,000,000,000 ordinary shares	<u>2,000,000</u>	<u>2,000,000</u>
Issued and fully paid:		
1,369,157,235 ordinary shares at beginning and end of period/year	<u>1,369,157</u>	<u>1,369,157</u>

19. CONVERTIBLE BOND

Pursuant to the share purchase agreement (the “Agreement”) for the acquisition (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 circular dated 5 July 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 host debt of the Bond upon issuance were calculated at the present value of the estimated coupon interest payments and principal amount. The discount rate used in the calculation is 14.67%. The fair value of the conversion derivatives of the Bond upon issuance and as at 31 December 2020 is determined using the Binomial Option Pricing Model. The key inputs used in the Binomial Option Pricing Model were as follows:

	31 December 2020	30 June 2020
Stock price (HK\$)	0.475	0.66
Exercise price (HK\$)	1.01	1.01
Expected life	3.51 years	4.01 years
Expected volatility	69.42%	65.50%
Expected dividend yield	0%	0%
Risk free rate	0.15%	0.23%

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 2020	36,077	8,615	44,692
Amortised interest for the period	1,664	–	1,664
Fair value adjustments	–	(2,636)	(2,636)
	<u>37,741</u>	<u>5,979</u>	<u>43,720</u>
	Financial liability at amortised cost HK\$'000 (Audited)	Financial liability at FVTPL HK\$'000 (Audited)	Total HK\$'000 (Audited)
At 5 July 2019	32,811	21,788	54,599
Amortised interest for the year	3,266	–	3,266
Fair value adjustments	–	(13,173)	(13,173)
	<u>36,077</u>	<u>8,615</u>	<u>44,692</u>

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 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
Property, plant and equipment	<u>4,384</u>	<u>10,247</u>

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 2020 HK\$'000 (Unaudited)	For the six months ended 31 December 2019 HK\$'000 (Unaudited)
Service fee income earned from associates	(i)	–	480
Interest income from associates	(ii)	1,372	1,278
Lease payment to associates	(iii)	(2,880)	(5,602)

Notes:

- (i) The service fee income were charged in accordance with the terms and conditions of the administrative service agreements entered with HVPHI and BMP respectively. During the period, the Group has terminated the agreements with HVPHI and BMP. The Group is no longer received service fee income since then.
- (ii) The interest income from associates represented the interest income from loan receivables with principle amount of Peso 430,000,000 to HVPHI and Peso 55,000,000 to PBPI respectively.
- (iii) 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 2020 HK\$'000 (Unaudited)	For the six months ended 31 December 2019 HK\$'000 (Unaudited)
Short term employee benefits	1,216	720
Post-employment benefits	9	9
	<u>1,225</u>	<u>729</u>

22. EVENT AFTER THE REPORTING PERIOD

Application of Provisional License

Pursuant to the Company's announcement dated 10 June 2020, MSPI intends to apply for a provisional license (the "Provisional License") from PAGCOR 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 City of Manila, Philippines (the "Integrated Resort"). On 22 June 2020, MSPI has submitted an application to PAGCOR for the Provisional License. On 18 September 2020, MSPI received a letter from PAGCOR informing that PAGCOR has conditionally approved the issuance of the Provisional License to MSPI. On 4 November 2020, MSPI received the draft provisional license agreement (the "Provisional License Agreement") in relation to the grant of Provisional License from PAGCOR. As at the date of approving the interim financial statements, MSPI is in the course of reviewing the terms under the Provisional License Agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Continuing Operations

The Group's revenue for the six months ended 31 December 2020 was approximately HK\$35.3 million, representing a decrease of approximately 77.8%, as compared with approximately HK\$159.2 million for the six months ended 31 December 2019. The revenue from the leasing of properties for the six months ended 31 December 2020 decreased as compared with the six months ended 31 December 2019 and the revenue from the hotel operations for the six months ended 31 December 2020 decreased as compared with the six months ended 31 December 2019. The Group reported a gross profit of approximately HK\$2.5 million for the six months ended 31 December 2020, representing a decrease of approximately 97.8%, as compared with approximately HK\$113.7 million in the six months ended 31 December 2019. Gross profit margin for the six months ended 31 December 2020 was approximately 7.1%, representing a decrease of approximately 64.3% as compared to gross profit margin of approximately 71.4% for the six months ended 31 December 2019. The decrease in gross profit for the period was mainly due to (i) the substantial decrease in the number of tourists given the travel restrictions imposed by the local government of the Philippines, (ii) the decrease in the room occupancy rate and the selling price for the hotel segment, and (iii) the decrease in the leasing income from Philippine Amusement and Gaming Corporation ("PAGCOR") as a result of imposition of different levels of community quarantine requirements in the Philippines in light of the development of COVID-19 pandemic.

Other income for the six months ended 31 December 2020 was approximately HK\$8.7 million, representing an increase of approximately 24.3%, as compared with approximately HK\$7.0 million in the six months ended 31 December 2019. The increase was mainly due to rise of sundry income. The Group recorded other losses of approximately HK\$5.5 million for the six months ended 31 December 2020, while other losses of approximately HK\$0.3 million was recognised for the six months ended 31 December 2019. The other losses represented a net foreign exchange loss of approximately HK\$5.7 million and a gain on written – off of property, plant and equipment of approximately HK\$0.2 million.

The Group recorded a loss of approximately HK\$9.1 million on change in fair value of financial assets at fair value through profit or loss for the six months ended 31 December 2020, as compared with a gain of approximately HK\$61.2 million for the six months ended 31 December 2019. The Group recorded a gain of approximately HK\$2.6 million on change in fair value of financial liabilities at fair value through profit or loss for the six months ended 31 December 2020, representing a decrease of approximately 80.5%, as compared with a gain of approximately HK\$13.3 million on change in fair value of financial liabilities at fair value through profit or loss for the six months ended 31 December 2019.

Selling and marketing expenses, and general and administrative expenses of the Group decreased by approximately 48.6% to approximately HK\$40.0 million for the six months ended 31 December 2020 from approximately HK\$77.8 million in the six months ended 31 December 2019. Included in the expenses for the six months ended 31 December 2020, approximately 47.1% and 12.5% were the staff costs and the utilities expenses respectively. The staff costs for the six months ended 31 December 2020 was approximately HK\$18.8 million, representing a decrease of approximately 35.5%, as compared with approximately HK\$29.2 million in the six months ended 31 December 2019 and the utilities expenses for the six months ended 31 December 2020 was approximately HK\$5.0 million, representing a decrease of approximately 49.0%, as compared with approximately HK\$9.8 million in the six months ended 31 December 2019.

The Group recorded income tax expenses of approximately HK\$1.0 million for the six months ended 31 December 2020, while income tax credit of approximately HK\$1.2 million was recognised for the six months ended 31 December 2019. Such turnaround from income tax credit to income tax expenses was mainly due to changes of deferred tax expenses.

The Group recorded a loss for continuing operations of approximately HK\$91.1 million for the six months ended 31 December 2020 as compared with a profit for continuing operations of approximately HK\$56.2 million for the six months ended 31 December 2019.

Loss per share for continuing operations for the six months ended 31 December 2020 amounted to approximately 6.65 HK cents, as compared with profit for continuing operations per share of approximately 4.11 HK cents for the six months ended 31 December 2019. Loss per share for discontinued operation per share of approximately 6.71 HK cents for the six months ended 31 December 2019.

BUSINESS REVIEW

The principal activities of the Group are hotel operations, leasing of properties equipped with entertainment equipment and live poker events operations.

1. Leasing of properties

The revenue derived from the leasing of properties represents the rental income from the premises of the Group leased to PAGCOR. The monthly rental income is based on an agreed percentage of net gaming revenue generated from the local gaming area operated by PAGCOR as lessee of the Group's premises or a fixed rental amount, whichever is higher.

The revenue derived from the leasing of properties for the six months ended 31 December 2020 was approximately HK\$14.4 million, representing a decrease of approximately 85.8%, as compared with approximately HK\$101.4 million in the six months ended 31 December 2019. The decrease was mainly due to effect of COVID-19 pandemic, and the local government of the Philippines has been imposing different levels of community quarantine requirements which affected the gaming operations in Manila. As a result, the leasing income from PAGCOR also decreased. It contributed approximately 40.9% of the Group's total revenue during the period under review. In the six months ended 31 December 2019, it contributed approximately 63.7% of the Group's total revenue.

2. Hotel operations

The revenue derived from the hotel operations 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 operations for the six months ended 31 December 2020 was approximately HK\$20.9 million, representing a decrease of approximately 61.5%, as compared with approximately HK\$54.3 million in the six months ended 31 December 2019.

Included in the revenue derived from the hotel operations, approximately 88.4% of the revenue was contributed by room revenue for the period under review. In the six months ended 31 December 2019, it was approximately 62.9% of the revenue derived from the hotel operations. The room revenue for the six months ended 31 December 2020 was approximately HK\$18.4 million, representing a decrease of approximately 46.2%, as compared with approximately HK\$34.2 million in the six months ended 31 December 2019. The decrease was mainly due to the substantial decrease in the number of tourists given the travel restrictions imposed by the local government of the Philippines, and the decrease in the room occupancy rate and the selling price for the hotel rooms.

3. Live poker events operations

The revenue derived from the live poker events operations represents the live event income from the sponsorship and the entrance fee. There was no live poker event during the six months period from 1 July 2020 to 31 December 2020 due to COVID-19 pandemic.

FUTURE OUTLOOK

The COVID-19 pandemic since early 2020 has impacted all company over the world. The COVID-19 pandemic has caused the decrease in both the hotel revenue and leasing income in the Philippines. The gradual easing of the COVID-19 pandemic situation in Manila has led to the recovery of the hotel rooms booking and the casino located in the Hotel is reopened. 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.

The tourism industry in the Philippines is expected to grow after COVID-19 pandemic, with higher disposable incomes, increasingly discerning market demographic and other positive factors have driven the booming development of the Philippines. MSPI had submitted an application to PAGCOR for a 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 in relation to the grant of Provisional License from PAGCOR on 18 September 2020.

The board of directors of PAGCOR and the representatives of MSPI are discussing and negotiating for the detail terms and conditions for the provisional license agreement. We are trying to explore and develop a new operation format with PAGCOR. In the meantime, we engaged independent professional parties to review the internal control measures implemented and anti-money laundering policy, to ensure the Group will comply with all applicable laws and listing rules for the future operations.

Regarding for the future development of an integrated resort, the Board 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 2020, the Group's net current assets amounted to approximately HK\$292.8 million (as at 30 June 2020: HK\$682.3 million). Current assets amounted to approximately HK\$735.3 million (as at 30 June 2020: HK\$771.0 million), of which approximately HK\$598.7 million (as at 30 June 2020: HK\$623.2 million) was bank balances and cash, approximately HK\$6.1 million (as at 30 June 2020: HK\$7.1 million) was trade receivables, approximately HK\$38.7 million (as at 30 June 2020: HK\$38.2 million) was other receivables, deposits and prepayments, approximately HK\$1.6 million (as at 30 June 2020: HK\$1.8 million) was inventories, approximately HK\$84.3 million (as at 30 June 2020: HK\$93.4 million) was financial assets at fair value through profit or loss, approximately HK\$2.8 million (as at 30 June 2020: HK\$4.1 million) was contract assets, and approximately HK\$3.1 million (as at 30 June 2020: HK\$3.2 million) was amounts due from associates.

As at 31 December 2020, the Group had current liabilities amounted to approximately HK\$442.5 million (as at 30 June 2020: HK\$88.7 million), of which approximately HK\$5.2 million (as at 30 June 2020: HK\$3.5 million) was trade payables, approximately HK\$65.5 million (as at 30 June 2020: HK\$62.0 million) was other payables and accrued charges, approximately HK\$20.2 million (as at 30 June 2020: HK\$19.5 million) was bank and other borrowings, approximately HK\$0.1 million (as at 30 June 2020: HK\$1.0 million) was contract liabilities, approximately HK\$4.1 million (as at 30 June 2020: HK\$2.8 million) was lease liabilities, and approximately HK\$347.5 million (as at 30 June 2020: nil) was promissory note.

The bank balances and cash of the Group as at 31 December 2020 was mainly denominated in Peso, HK\$ and United States Dollars ("USD").

The Group recorded net cash used in operating activities of approximately HK\$5.7 million for the six months ended 31 December 2020, while net cash generated from operating activities of approximately HK\$4.8 million was recognised for the six months ended 31 December 2019. Net assets attributable to the owners of the Company as at 31 December 2020 amounted to approximately HK\$1,765.4 million (as at 30 June 2020: HK\$1,788.5 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:

	Intended use of the net proceeds (HK\$ million)	Amount of the net proceeds utilised as at 31 December 2020 (HK\$ million)	Balance of the net proceeds unutilised as at 31 December 2020 (HK\$ million)
Renovation of the Hotel (<i>Note 1</i>)	150.0	119.7	30.3
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 (<i>Note 2</i>)	100.0	52.6	47.4
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) (<i>Note 3</i>)	70.0	–	70.0
General working capital of the Group	38.5	38.5	–
Total	<u>358.5</u>	<u>210.8</u>	<u>147.7</u>

Notes:

1. Due to the COVID-19 pandemic, the renovation of the Hotel was put on hold during the interim period.
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 18.1% and 18.3% as at 31 December 2020 and 30 June 2020 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 2020 and 30 June 2020, the bank loans were secured by the Group's investment properties amounted to approximately HK\$1,321 million and HK\$1,308 million respectively.

MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

MSPI intended to apply for the Provisional License from PAGCOR, the regulatory and licensing authority for gaming and gambling in the Philippines, 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 City of Manila, the Philippines.

On 18 September 2020, MSPI received a letter from PAGCOR informing that PAGCOR has conditionally approved the issuance of the Provisional License to MSPI.

On 4 November 2020, MSPI received the draft provisional license agreement in relation to the grant of Provisional License from PAGCOR. MSPI is in the course of reviewing the terms under the Provisional License Agreement.

Further details are set out in the announcements of the Company dated 10 June 2020, 18 June 2020, 22 June 2020, 18 September 2020 and 5 November 2020.

Save as disclosed above, there was no acquisition or disposal of subsidiary and associated company or significant investments of the Group, which would have been required to be disclosed under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), for the six months ended 31 December 2020.

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.

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 204 as at 31 December 2020 (as at 31 December 2019: 329). The staff costs for the six months ended 31 December 2020 was approximately HK\$18.8 million (for the six months ended 31 December 2019: HK\$29.2 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.

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 2020. The Company’s auditor, BDO Limited, has reviewed the unaudited interim financial information of the Group for the six months ended 31 December 2020 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

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 2020, 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 2020.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 31 December 2020 (2019: nil).

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

During the six months ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 24 February 2021

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.