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 2019

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 2019, together with the comparative unaudited figures for the six months ended 30 September 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2019

	Notes	**Six months ended 31 December 2019** ***HK$'000*** **(Unaudited)**	Six months ended 30 September 2018 *HK$'000* (Unaudited)
Revenue	*5(b)*	**239,258**	148,990
Cost of sales		**(160,118)**	(34,618)
Gross profit		**79,140**	114,372
Other income		**7,600**	15,609
Other gains		**1,626**	5,591
Change in fair value of financial assets at fair value through profit or loss	*14*	**61,194**	3,639
Change in fair value of financial liabilities at fair value through profit or loss	*18*	**13,301**	–
Change in fair value of investment properties	*12*	**(49,171)**	(29,753)
Selling and marketing expenses		**(2,744)**	(2,797)
General and administrative expenses		**(147,643)**	(75,259)
Finance costs	*7*	**(17,524)**	(8,373)
Share of profit of associates	*13*	**3,603**	–

	Notes	**Six months ended 31 December 2019** *HK$'000* **(Unaudited)**	Six months ended 30 September 2018 *HK$'000* (Unaudited)
(Loss)/profit before taxation	*6*	**(50,618)**	23,029
Income tax credit/(expenses)	*8*	**1,349**	(8,465)
(Loss)/profit for the period		**(49,269)**	14,564
Other comprehensive income/(loss) that will not be reclassified to profit or loss:			
— Remeasurement of defined benefit obligations		**952**	232
— Exchange differences arising on translation of presentation currency		**16,118**	(76,507)
Total comprehensive loss for the period		**(32,199)**	(61,711)
(Loss)/profit attributable to:			
— Owners of the Company		**(35,617)**	14,564
— Non-controlling interests		**(13,652)**	–
		(49,269)	14,564
Total comprehensive loss for the period			
— Owners of the Company		**(18,346)**	(61,711)
— Non-controlling interests		**(13,853)**	–
		(32,199)	(61,711)
		HK Cents	*HK Cents*
(Loss)/earnings per share attributable to owners of the Company			
Basic	*9*	**(2.60)**	1.06
Diluted	*9*	**(2.60)**	1.06

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	**31 December 2019** **HK$'000** **(Unaudited)**	30 June 2019 *HK$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*11*	**621,816**	619,956
Investment properties	*12*	**1,478,000**	1,510,000
Intangible assets		**101,432**	49,556
Loan receivable		**74,539**	51,575
Interest in associates	*13*	**58,228**	–
Right-of-use assets		**92,331**	–
Other receivables, deposits and prepayments		**17,564**	19,644
		2,443,910	2,250,731
Current assets			
Inventories		**4,302**	2,852
Financial assets at fair value through profit or loss	*14*	**125,555**	191,360
Trade receivables	*15*	**27,201**	26,450
Contract assets		**693**	934
Other receivables, deposits and prepayments		**49,053**	82,728
Amounts due from associates		**1,949**	–
Bank balances and cash		**373,781**	242,317
		582,534	546,641
Total assets		**3,026,444**	2,797,372
Current liabilities			
Trade payables	*16*	**20,492**	20,532
Other payables and accrued charges	*16*	**141,848**	121,572
Contract liabilities		**13,191**	11,343
Bank borrowings		**14,401**	4,765
Other borrowings		**95,000**	–
Lease liabilities		**4,051**	–
		288,983	158,212
Net current assets		**293,551**	388,429

	Notes	31 December 2019 HK$'000 (Unaudited)	30 June 2019 HK$'000 (Audited)
Non-current liabilities			
Deferred tax liabilities		**184,676**	184,786
Other liabilities		**12,799**	6,386
Lease liabilities		**88,811**	–
Promissory note		**344,366**	342,829
Bank borrowings		**62,404**	71,473
Convertible bond	*18*	**42,918**	–
		735,974	605,474
NET ASSETS		**2,001,487**	2,033,686
EQUITY			
Equity attributable to owners of the Company			
Share capital	*17*	**1,369,157**	1,369,157
Share premium and reserves		**635,764**	654,110
		2,004,921	2,023,267
Non-controlling interests		**(3,434)**	10,419
TOTAL EQUITY		**2,001,487**	2,033,686

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 addresses of the registered office and the principal place of business of the Company in Hong Kong are disclosed in "Corporate Information" section to this interim report.

The Company is an investment holding company. The Group were principally involved in hotel operations and leasing of properties equipped with entertainment equipment at the hotel complex of the Group in Metro Manila in the Republic of the Philippines (the "Philippines"). Following the acquisition of Wigan Athletics Holdings Limited on 7 November 2018, the Group started to engaged in operation of a football club with related and ancillary activities in the United Kingdom (the "UK").

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 were authorised for issue on 25 February 2020.

On 31 January 2019, the Company announced to change the financial year end date of the Company from 31 March to 30 June. Accordingly, the current condensed consolidated interim financial statements covered a six months period from 1 July 2019 to 31 December 2019 and the comparative figures covered a six months period from 1 April 2018 to 30 September 2018.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2019 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 2019. This is the first set of the Group's financial statements in which Hong Kong Financial Reporting Standard 16 Leases ("HKFRS 16") has been adopted. Details of any changes in accounting policies are set out in note 3. Except for the adoption of HKFRS 16, 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 financial information 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 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 2019 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 2019 annual consolidated financial statements.

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 period ended 30 June 2019, 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 2019:

HKFRS 16	*Lease*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Amendments to HKFRS 9	*Prepayment Features and Negative Compensation*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	*Annual Improvements to HKFRSs 2015–2017 Cycle*

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 July 2019 did not have any significant impact on the group's accounting policies.

(i) Impact of the adoption of HKFRS 16

HKFRS 16 supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group has adopted HKFRS 16 retrospectively from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening of condensed consolidated statement of financial position as of 1 July 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019.

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 30 June 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at 1 July 2019:

	HK$'000
Operating lease commitments disclosed as at 30 June 2019 *(note)*	146,470
Less: short-term leases for which lease terms ended within 30 June 2020 and recognised on a straight-line basis as expense	(642)
Add: lease included in extension option which the Group considers reasonably certain to exercise	60,498
Less: future interest expenses	(140,664)
Total lease liabilities recognised as at 1 July 2019 (unaudited)	65,662
Of which are:	
Current lease liabilities (unaudited)	2,649
Non-current lease liabilities (unaudited)	63,013
	65,662
Weighted average lessee's incremental borrowing rate at the date of initial application	7.17%

Note: The operating lease commitments has included the operating lease commitments for the Group's operation in Hong Kong and Philippines of HK$46,459,000 and the Group's operation in the UK of HK$100,011,000 based on the latest rental as at 30 June 2019, which was subject to review every five years.

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

	HK$'000
Leasehold land	42,547
Properties	23,115
Total right-of-use assets	65,662

The change in accounting policy affected the following items in the condensed consolidated statement of financial position as of 1 July 2019:

	HK$'000
Right-of-use assets — increase by	65,662
Lease liabilities — increase by	(65,662)
	–

Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

— the use of a single discount rate to a portfolio of leases with reasonably similar characteristics

— reliance on previous assessments on whether leases are onerous

— the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases

— the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application

— the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease, and

— to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of transition to HKFRSs

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

The Group leases various land, offices, staff quarters and football stadium. Rental contracts are typically made for fixed periods of 2 to 99 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

— fixed payments (including in-substance fixed payments), less any lease incentives receivable

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

— the amount of the initial measurement of lease liability

— any lease payments made at or before the commencement date less any lease incentives received

— any initial direct costs, and

— restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

4. 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 information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's consolidated financial statements for the period ended 30 June 2019, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 16 as described in Note 3.

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 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 Group's directors in order to allocate resources and assess performance of the segment.

In 2018, the executive Directors have determined that the Group had two reportable segments — "Hotel" and "Leasing". The hotel segment represents the operation of hotel business in the Philippines; the leasing segment represents leasing of investment properties equipped with entertainment equipment to Philippine Amusement and Gaming Corporation ("PAGCOR").

Upon the completion of the business combinations on 28 August 2018 and 7 November 2018 respectively, the directors of the Group have determined two new reporting segments — "Live Events" and "Football Club". The "Live Events" segment represents the operation of live poker events business; the "Football Club" segment represents the operation of Wigan A.F.C, which is a football club in the United Kingdom ("UK").

Therefore, the Group has presented four reportable segments 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 2019 (Unaudited)

	Hotel *HK$'000*	**Leasing** *HK$'000*	**Football Club** *HK$'000*	**Live Events** *HK$'000*	**Consolidated** *HK$'000*
Revenue — external	**54,328**	**101,411**	**80,087**	**3,432**	**239,258**
Segment results	**(6,050)**	**13,197**	**(104,932)**	**(1,606)**	**(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					**(5,996)**
Loss before taxation for the period					**(50,618)**

For the six months ended 30 September 2018 (Unaudited)

	Hotel *HK$'000*	Leasing *HK$'000*	Consolidated *HK$'000*
Revenue — external	53,711	95,279	148,990
Segment results	(12,558)	37,422	24,864
Unallocated other income			579
Co-branding, sales and marketing services income			11,761
Other gains/(losses)			9,707
Change in fair value of financial assets at FVTPL			3,639
Audit fee			(2,824)
Legal and professional fees			(8,014)
Salaries and allowances			(4,300)
Finance costs			(8,373)
Unallocated expenses			(4,010)
Profit before taxation for the period			23,029

(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 2019 (Unaudited)

Primary geographical markets	Hotel *HK$'000*	Leasing *HK$'000*	Football Club *HK$'000*	Live Events *HK$'000*	Consolidated *HK$'000*
The Philippines	**54,328**	**101,411**	**–**	**–**	**155,739**
The UK	**–**	**–**	**80,087**	**–**	**80,087**
Others	**–**	**–**	**–**	**3,432**	**3,432**
	54,328	**101,411**	**80,087**	**3,432**	**239,258**
Major products					
Room revenue	**34,186**	**–**	**–**	**–**	**34,186**
Food and beverages	**19,093**	**–**	**–**	**–**	**19,093**
Other hotel service income	**1,049**	**–**	**–**	**–**	**1,049**
Leasing of investment properties equipped with entertainment equipment	**–**	**101,411**	**–**	**–**	**101,411**
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**
	54,328	**101,411**	**80,087**	**3,432**	**239,258**
Timing of revenue recognition					
Transferred over time	**54,328**	**101,411**	**80,087**	**3,432**	**239,258**

For the six months ended 30 September 2018 (Unaudited)

	Hotel *HK$'000*	Leasing *HK$'000*	Consolidated *HK$'000*
Primary geographical markets			
The Philippines	53,711	95,279	148,990
Major products			
Room revenue	34,678	–	34,678
Food and beverages	17,856	–	17,856
Other hotel service income	1,177	–	1,177
Leasing of investment properties equipped with entertainment equipment	–	95,279	95,279
	53,711	95,279	148,990
Timing of revenue recognition			
Transferred over time	53,711	95,279	148,990

6. (LOSS)/PROFIT BEFORE TAXATION

	For the six months ended 31 December 2019 *HK$'000* (Unaudited)	For the six months ended 30 September 2018 *HK$'000* (Unaudited)
(Loss)/profit before taxation has been arrived at after charging/(crediting):		
Directors' emoluments	**1,089**	2,221
Staff costs (excluding directors' emoluments):		
Salaries and allowances	**67,389**	23,009
Retirement benefits scheme contributions	**3,166**	855
Total staff costs	**71,644**	26,085
Change in fair value of financial assets at FVTPL	**(61,194)**	(3,639)
Change in fair value of financial liabilities at FVTPL	**(13,301)**	–
Change in fair value of investment properties	**49,171**	29,753
Auditor's remuneration		
— Audit services	**810**	2,604
— Non-audit service	**800**	220
Bad debt written off	**–**	4
Cost of inventories recognised as an expense	**11,435**	4,592
Minimum lease payment under non-cancellable lease arrangements	**–**	4,627
Allowance for bad debts for trade receivables, net	**76**	27
Provision/(reversal) for expected credit losses		
— Trade receivables	**1,031**	–
— Other receivables	**(455)**	–
Depreciation of property, plant and equipment	**26,456**	14,853
Depreciation of right-of-use assets	**2,657**	–
Gain on disposal at intangible assets	**(491)**	–
Gain on disposal at property, plant and equipment	**(124)**	–
Lease payment of short-term leases	**724**	–
Amortisation of intangible assets	**28,644**	–
Legal and professional fees	**8,020**	8,658

7. FINANCE COSTS

	For the six months ended 31 December 2019 *HK$'000* **(Unaudited)**	For the six months ended 30 September 2018 *HK$'000* (Unaudited)
Interest on promissory note	**8,595**	8,373
Interest on bank borrowings	**3,253**	–
Interest on other borrowings	**3,156**	–
Interest on lease liabilities	**2,269**	–
Interest on convertible bond	**1,619**	–
	18,892	8,373
Less: Amount capitalised *(note)*	**(1,368)**	–
	17,524	8,373

Note:

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

8. INCOME TAX (CREDIT)/EXPENSES

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

	For the six months ended 31 December 2019 *HK$'000* **(Unaudited)**	For the six months ended 30 September 2018 *HK$'000* (Unaudited)
Current tax expenses	**–**	–
Deferred tax expenses	**(1,349)**	8,465
Income tax (credit)/expenses	**(1,349)**	8,465

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

The corporate income tax rate in the Philippines is 30% for both periods. 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 both periods.

The Group's subsidiaries in the UK are subject to UK Corporate income tax with tax rates of 19% for the period ended 31 December 2019. No provision for taxation in the UK was made in the condensed consolidated financial statements for the current period as the Group's operations in the UK 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 2019. No provision for taxation was made in the condensed consolidated financial statements for the current period as the Group's operations in Macau had no assessable profits.

At 31 December 2019, there are tax dispute cases between Marina Square Properties, Inc. ("MSPI"), a subsidiary of the Company principally engaging in the business of leasing of properties in the Philippines, and Bureau of Internal Revenue of the Philippines ("BIR") 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.

At 31 December 2019, there are tax dispute cases between New Coast Hotel, Inc. ("NCHI"), a subsidiary of the Company principally engaging in the hotel operations in the Philippines, and BIR for the calendar year of 2011 which were pending for final decision of the court. Based on the advice of the independent legal adviser of the subsidiary, the Directors believe that NCHI has valid legal arguments to defend the tax disputes and concluded that the possibility of additional tax liabilities is remote.

9. (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 2019	For the six months ended 30 September 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/profit for the period		
(Loss)/profit for the purpose of basic and diluted (loss)/earnings per share	**(35,617)**	14,564

	For the six months ended 31 December 2019	For the six months ended 30 September 2018
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share	**1,369,157**	1,369,157

	For the six months ended 31 December 2019 *HK Cents* (Unaudited)	For the six months ended 30 September 2018 *HK Cents* (Unaudited)
(Loss)/earnings per share		
— Basic	**(2.60)**	1.06
— Diluted	**(2.60)**	1.06

The computation of diluted earnings per share for the six months ended 31 December 2019 and 30 September 2018 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.

10. DIVIDENDS

The board does not propose an interim dividend for the six months ended 31 December 2019 (six months ended 30 September 2018: nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2019, the Group acquired property, plant and equipment of HK$15,574,000 (six months ended 30 September 2018: HK$9,200,000).

12. INVESTMENT PROPERTIES

	HK$'000 **(Unaudited)**
FAIR VALUE	
At 1 July 2019	**1,510,000**
Additions	**15,900**
Fair value loss	**(49,171)**
Exchange adjustment	**1,271**
At 31 December 2019	**1,478,000**

	HK$'000 **(Audited)**
FAIR VALUE	
At 1 April 2018	**1,527,000**
Additions	**54,813**
Fair value loss	**(89,396)**
Exchange adjustment	**17,583**
At 30 June 2019	**1,510,000**

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.

The fair values of the Group's investment properties at 31 December 2019 was approximately HK$1,478,000,000 (30 June 2019: HK$1,510,000,000). 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 2019	30 June 2019
Growth rate of revenue	**3%**	3%
Discount rate	**12.0%**	12.0%
Capitalisation rate	**7.5%**	7.5%

The fair values of the investment property at 31 December 2019 and 30 June 2019 were measured using valuation techniques with significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy. There was no transfer into or out of Level 3 during the period.

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

13. INTEREST IN ASSOCIATES

	31 December 2019 HK$'000 (Unaudited)
Share of net assets	**58,228**

Particulars of the Group's associates are as follows:

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

Note:

On 5 July 2019, the Group completed the acquisition (the "Acquisition") of 100% interest in Oriental-Invest Properties Limited ("OIP"), a company incorporated in the British Virgin Islands, at the consideration of HK$53,000,000 which settled by way of issue of the convertible bond by the Company to the owners of OIP. OIP is an investment holding company which owns 40% issued share capital of HVPHI and BMP respectively. OIP has the power to exercise significant influence to HVPHI and BMP. Since the completion of the Acquisition, the interest in HVPHI and BMP are recognised as interests in associates and equity accounted for. At the date of completion of the Acquisition, the fair value of consideration is HK$54,599,000 which is arrived at based on a valuation carried out by JLL. The excess of the Group's share of the net fair value of HVPHI and BMP's identifiable assets and liabilities over the cost of the investment is amounted to HK$3,521,000 and HK$2,440,000 respectively. They are included as Group's share of the associates' profit or loss in the condensed consolidated statement of comprehensive income.

(a) Harbor View Properties and Holdings, Inc.,

	31 December 2019 HK$'000 (Unaudited)
Current assets	**10,815**
Non-current assets	**244,753**
Current liabilities	**(106,021)**
Non-current liabilities	**(54,503)**
Net assets	**95,044**
Net assets attributable to owners of the equity	**95,044**
Group's share of the net assets of the associate	**38,017**

Period ended 31 December	*HK$'000* (Unaudited)
Revenue	583
Loss for the period	(5,238)
Total comprehensive income	(5,238)
Dividends received from the associate	–

(b) Blue Marine Properties, Inc.,

	31 December 2019 *HK$'000* (Unaudited)
Current assets	10,940
Non-current assets	108,876
Current liabilities	(44,272)
Non-current liabilities	(25,016)
Net assets	50,528
Net assets attributable to owners of the equity	50,528
Group's share of the net assets of the associate	20,211

Period ended 31 December	*HK$'000* (Unaudited)
Revenue	1,812
Loss for the period	(656)
Total comprehensive income	(656)
Dividends received from the associate	–

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

	HK$'000
Share of the net fair value of associates at acquisition date	**60,560**
Share of current period's profit from associates	**(2,358)**
Exchange adjustments	**26**
At 31 December 2019	**58,228**

Share of profit from associates during the period comprised of the below:

	HK$'000
Gain on bargain purchase	**5,961**
Share of current period's profit from associates	**(2,358)**
Share of profit from associates	**3,603**

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	31 December 2019 ***HK$'000*** **(Unaudited)**	30 June 2019 *HK$'000* (Audited)
Non-current assets		
Deutsche Far Eastern DWS Asia High Yield Bond Income Fund	**–**	–
Current assets		
Deutsche Far Eastern DWS Asia High Yield Bond Income Fund	**750**	770
Unlisted investment fund *(note)*	**124,805**	190,590
	125,555	191,360

Note:

On 15 June 2018, the Company's wholly owned subsidiary, IEC Investment Limited (previously known as VMS Private Investment Partners VIII Limited) entered into a Limited Partnership Agreement (the "Agreement") to subscribe for the interests in the Fund, as a limited partner, in the total amount of EUR26,200,000 (equivalent to approximately HK$242,350,000) of Hontai Capital Fund II Limited Partnership (the "Hontai Fund"). All required capital contribution of the investment was paid during the period ended 30 June 2019.

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.

On 25 October 2019, the Group entered into a share transfer agreement (the "Transfer Agreement") with another limited partner of the Hontai Fund (the "Purchaser") to dispose approximately 50% of the interest in the Hontai Fund to the Purchaser at the consideration of US$16.3 million (equivalent to approximately HK$126,000,000). The abovementioned transaction was completed on 30 December 2019.

The directors of the Company have determined the fair value of the remaining interest held in the unlisted fund as at 31 December 2019 with reference to the valuation report issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), an independent professional valuer who has professional qualifications and relevant experience. The fair value of the unlisted fund is determined by market approach, with references to comparable companies benchmark multiples. During the period ended 31 December 2019, the Group has recognised a fair value gain of HK$61,214,000 in the condensed consolidated statement of comprehensive income.

15. TRADE RECEIVABLES

	31 December 2019 *HK$'000* **(Unaudited)**	30 June 2019 *HK$'000* (Audited)
Trade receivables	**28,602**	26,760
Less: Provision for expected credit losses	**(1,401)**	(310)
	27,201	26,450

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 2019 *HK$'000* **(Unaudited)**	30 June 2019 *HK$'000* (Audited)
0–30 days	**19,675**	19,596
31–60 days	**3,235**	3,631
61–90 days	**1,465**	2,019
Over 90 days	**2,826**	1,204
	27,201	26,450

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.

16. 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 2019 HK$'000 (Unaudited)	30 June 2019 HK$'000 (Audited)
0–30 days	**13,425**	10,609
31–60 days	**4,086**	7,246
61–90 days	**1,001**	961
Over 90 days	**1,980**	1,716
	20,492	20,532

17. SHARE CAPITAL

	31 December 2019 HK$'000 (Unaudited)	30 June 2019 HK$'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	**1,369,157**	1,369,157

18. CONVERTIBLE BONDS

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 bonds 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 HKAS32. At the issue date, the fair value both components of the Bond were determined based on a valuation report issued by JLL. Subsequently, the host debt is recognised as "financial liabilities at amortised cost" and the conversion derivatives is recognized as "financial liabilities at fair value through profit or 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 2019 is determined using the Binomial Option Pricing Model. The key inputs used in the Binomial Option Pricing Model were as follows:

	31 December 2019	5 July 2019
Stock price (HK$)	**0.57**	0.92
Exercise price (HK$)	**1.01**	1.01
Expected life	**4.51 years**	5 years
Expected volatility	**55.32%**	62.61%
Expected dividend yield	**0%**	0%
Risk free rate	**1.7%**	1.36%

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

	Financial liability at amortised cost	**Financial liability at FVTPL**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)
At 5 July 2019	32,811	21,788	54,599
Amortised interest for the period	1,620	–	1,620
Fair value adjustments	–	(13,301)	(13,301)
At 31 December 2019	**34,431**	**8,487**	**42,918**

19. 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 2019	30 June 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Property, plant and equipment	**4,858**	41,730

20. 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 2019** **_HK$'000_** **(Unaudited)**	For the six months ended 30 September 2018 *HK$'000* (Unaudited)
Service fee income earned from associates	*(i)*	**480**	–
Interest income from associates	*(ii)*	**1,278**	–
Lease payment to an associate	*(iii)*	**(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.

(ii) The interest income from an associate represented the interest income from loan receivables with principle amount of Peso 375,000,000 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 2019 **_HK$'000_** **(Unaudited)**	For the six months ended 30 September 2018 *HK$'000* (Unaudited)
Short term employee benefits	**720**	900
Post-employment benefits	**9**	14
	729	914

21. EVENT AFTER THE REPORTING PERIOD

On 14 February 2020, the Company and Next Leader Fund, L.P. (as the purchaser) entered into a sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell and the purchaser has conditionally agreed to acquire the entire issued share capital of Newworth Ventures Limited ("Newworth"), a direct wholly-owned subsidiary of the Company. The total consideration for the sale shares shall be GBP17,500,000 (equivalent to approximately HK$175,350,000). On the same day, Wigan Athletic AFC Limited (the "Club"), an indirect subsidiary owned by Newworth, was indebted to the Company of approximately GBP25,770,000 (equivalent to approximately HK$258,215,400) as a result of the injection of daily working capital by the Company since the completion of the acquisition and pursuant to the sale and purchase agreement, pending completion, the Company shall continue to provide funding to the Club to enable the Club to maintain and continue its day-to-day business operations provided that (a) the amount provided or to be provided by the Company to the Club from the date of the sale and purchase agreement to the date of completion (both days inclusive) shall not, in any event, exceed GBP28,770,000, or its equivalent in Hong Kong dollars (i.e. approximately HK$288,275,400), and (b) for the avoidance of doubt, any such amount of such funding shall form part of the facility. Further details are set out in the announcement dated 14 February 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

As the Company changed its financial year end date from 31 March to 30 June in 2019, the financial information of the Company herein presented is for the six months ended 31 December 2019, with comparatives based on those for the six months ended 30 September 2018.

The Group's revenue for the six months ended 31 December 2019 was approximately HK$239.3 million, representing an increase of approximately 60.6%, as compared with approximately HK$149.0 million for the six months ended 30 September 2018. The revenue from the leasing of properties for the six months ended 31 December 2019 increased as compared with the six months ended 30 September 2018 and the revenue from the hotel operations for the six months ended 31 December 2019 increased as compared with the six months ended 30 September 2018. The Group reported a gross profit of approximately HK$79.1 million for the six months ended 31 December 2019, representing a decrease of approximately 30.9%, as compared with approximately HK$114.4 million in the six months ended 30 September 2018. Gross profit margin for the six months ended 31 December 2019 was approximately 33.1%, representing a decrease of approximately 43.7% as compared to gross profit margin of approximately 76.8% for the six months ended 30 September 2018. The decrease in gross profit for the period was mainly due to the lower gross profit margin for two new business segments — football club and live events.

Other income for the six months ended 31 December 2019 was approximately HK$7.6 million, representing a decrease of approximately 51.3%, as compared with approximately HK$15.6 million in the six months ended 30 September 2018. The decrease was mainly due to the co-branding, sales and marketing services income cancelled in November 2018. The Group recorded other gains of approximately HK$1.6 million for the six months ended 31 December 2019, while other gains of approximately HK$5.6 million was recognised for the six months ended 30 September 2018.

The Group recorded a gain of approximately HK$61.2 million on change in fair value of financial assets at fair value through profit or loss for the six months ended 31 December 2019, representing an increase of approximately 1,600.0%, as compared with a gain of approximately HK$3.6 million for the six months ended 30 September 2018. The Group recorded 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. The Group recorded Nil for the six months ended 30 September 2018.

Selling and marketing expenses, and general and administrative expenses of the Group increased by approximately 92.6% to approximately HK$150.4 million for the six months ended 31 December 2019 from approximately HK$78.1 million in the six months ended 30 September 2018. Included in the expenses for the six months ended 31 December 2019, approximately 47.6% and 3.5% were the staff costs and the utilities expenses respectively. The staff costs for the six months ended 31 December 2019 was approximately HK$71.6 million, representing an increase of approximately 174.3%, as compared with approximately HK$26.1 million in the six months ended 30 September 2018 and the utilities expenses for the six months ended 31 December 2019 was approximately HK$5.3 million, representing a decrease of approximately 32.9%, as compared with approximately HK$7.9 million in the six months ended 30 September 2018.

The Group recorded income tax credit of approximately HK$1.3 million for the six months ended 31 December 2019, while income tax expenses of approximately HK$8.5 million was recognised for the six months ended 30 September 2018. Such turnaround from income tax expenses to income tax credit was mainly due to release of deferred tax liabilities during the six months period ended 31 December 2019.

The Group recorded a loss of approximately HK$49.3 million for the six months ended 31 December 2019 as compared with a profit of approximately HK$14.6 million for the six months ended 30 September 2018.

Loss per share for the six months ended 31 December 2019 amounted to approximately 2.60 HK cents, as compared with earnings per share of approximately 1.06 HK cents for the six months ended 30 September 2018.

BUSINESS REVIEW

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

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 2019 was approximately HK$101.4 million, representing an increase of approximately 6.4%, as compared with approximately HK$95.3 million in the six months ended 30 September 2018. The increase was mainly due to the slight increase for the operation of PAGCOR. It contributed approximately 42.4% of the Group's total revenue during the period under review. In the six months ended 30 September 2018, it contributed approximately 64.0% 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 2019 was approximately HK$54.3 million, representing an increase of approximately 1.1%, as compared with approximately HK$53.7 million in the six months ended 30 September 2018. The increase was mainly due to increase in the food and beverages revenue.

Included in the revenue derived from the hotel operations, approximately 62.9% of the revenue was contributed by room revenue for the period under review. In the six months ended 30 September 2018, it was approximately 64.6% of the revenue derived from the hotel operations. The room revenue for the six months ended 31 December 2019 was approximately HK$34.2 million, representing a decrease of approximately 1.4%, as compared with approximately HK$34.7 million in the six months ended 30 September 2018. The decrease was mainly due to decrease in number of rooms sold.

3. Football club operations

The revenue derived from the football club operations represents broadcasting income, commercial income and matchday income. The broadcasting income represents central distributions of broadcasting revenue from the English Football League ("EFL") and solidarity payment from the Premier League. The commercial income represents the sponsorship, and other commercial income such as sales of food and beverages, stadium hiring income and hospitality sales. The matchday income represents the ticket income from EFL Championship competitions and other cups competitions.

The revenue derived from the football club operations for the six months ended 31 December 2019 was approximately HK$80.1 million. It contributed approximately 33.5% of the Group's total revenue during the period under review.

4. 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.

The revenue derived from the live poker events operations for the six months ended 31 December 2019 was approximately HK$3.4 million. It contributed approximately 1.4% of the Group's total revenue during the period under review.

FUTURE OUTLOOK

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 Company is renovating its investment properties as well as facilities, therein so as to retain the existing customers as well as to expand the customer base.

The tourism industry in the Philippines has experienced steady growth, with higher disposable incomes, increasingly discerning market demographic and other positive factors have driven the booming development of Philippines. On 30 April 2019, the Group had entered into the sale and purchase agreement with the vendors for a 100% equity interest of a British Virgin Islands company, which holds 40% equity interest of two companies in Philippines. Two companies in Philippines mainly hold pieces of land in Philippines. The acquisition will allow the Group to invest and gain exposure in land and properties in a premium location in Philippines and strengthen the Group's property investment portfolio. Given the promising long-term economic and hospitability prospects of Manila and the Philippines, there is potential for attractive capital appreciation for this investment over the long term.

In addition, currently pieces of land are leased to the Group. The Board believes that the Group can bolster the continuity and sustainability of its operation in Philippines by mitigating the risk of early termination or non-renewal of leases and alleviating its rental expenses burden.

On 28 June 2019, NCHI entered into a termination agreement with NWH Management Philippines, Incorporated and New World Hotel Management Limited to terminate the hotel management agreement and the sales and marketing agreement with effect from 31 December 2019. The Directors are of the view that (i) the hotel operations team of the Company had learnt and accumulated relevant knowledge and skills in hotel management and hotel marketing during the period such that the team has built up sufficient experience to undertake the scope of work under the agreements, if necessary; (ii) the business operations of the hotel has stabilized; and (iii) the termination of the agreements could reduce the operating costs of the hotel.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2019, the Group's net current assets amounted to approximately HK$293.6 million (as at 30 June 2019: HK$388.4 million). Current assets amounted to approximately HK$582.5 million (as at 30 June 2019: HK$546.6 million), of which approximately HK$373.8 million (as at 30 June 2019: HK$242.3 million) was bank balances and cash, approximately HK$27.2 million (as at 30 June 2019: HK$26.5 million) was trade receivables, approximately HK$49.1 million (as at 30 June 2019: HK$82.7 million) was other receivables, deposits and prepayments, and approximately HK$4.3 million (as at 30 June 2019: HK$2.9 million) was inventories, approximately HK$125.6 million (as at 30 June 2019: HK$191.4 million) was financial assets at fair value through profit or loss, approximately HK$0.7 million (as at 30 June 2019: HK$0.9 million) was contract assets, and approximately HK$1.9 million (as at 30 June 2019: nil) was amounts due from associates.

As at 31 December 2019, the Group had current liabilities amounted to approximately HK$289.0 million (as at 30 June 2019: HK$158.2 million), of which approximately HK$20.5 million (as at 30 June 2019: HK$20.5 million) was trade payables, approximately HK$141.8 million (as at 30 June 2019: HK$121.6 million) was other payables and accrued charges, approximately HK$109.4 million (as at 30 June 2019: HK$4.8 million) was bank and other borrowings, approximately HK$13.2 million (as at 30 June 2019: HK$11.3 million) was contract liabilities, and approximately HK$4.1 million (as at 30 June 2019: nil) was lease liabilities.

The bank balances and cash of the Group as at 31 December 2019 was mainly denominated in Peso, HK$, British Pound ("GBP") and United States Dollars ("USD").

The Group recorded net cash used in operating activities of approximately HK$4.8 million for the six months ended 31 December 2019, while net cash generated from operating activities of approximately HK$44.6 million was recognised for the six months ended 30 September 2018. Net assets attributable to the owners of the Company as at 31 December 2019 amounted to approximately HK$2,004.9 million (as at 30 June 2019: HK$2,023.3 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$358.50 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 2019** *(HK$ million)*	**Balance of the net proceeds unutilised as at 31 December 2019** *(HK$ million)*
Renovation of the Hotel *(Note 1)*	150.0	118.2	31.8
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	51.6	48.4
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) *(Note 3)*	70.0	–	70.0
General working capital of the Group	38.5	38.5	–
Total	358.5	208.3	150.2

Notes:

1. It is expected that the renovation of the Hotel will be completed in the financial year ending 30 June 2020 and the balance of the net proceeds allocated for such use will be utilised in the financial year ending 30 June 2020.

2. The HK$51.6 million utilised comprised HK$50.9 million loan to an independent third party 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. The Potential Acquisition is expected to be completed in the financial year ending 30 June 2020. It is expected that in addition to the balance of the net proceeds of approximately HK$48.4 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 after completion of the Potential Acquisition 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 2020.

The gearing ratios, measured in terms of the carrying values of total borrowings divided by total assets, were approximately 18.5% and 15.0% as at 31 December 2019 and 30 June 2019 respectively.

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

CHARGES ON GROUP ASSETS

As at 31 December 2019 and 30 June 2019, the bank loans are secured by the Group's investment properties amounted to approximately HK$1,478 million and HK$1,510 million respectively.

MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

On 30 April 2019, BSL and two vendors, entered into a sale and purchase agreement pursuant to which BSL agreed to acquire, and each vendor agreed to sell 50% of equity interests at a consideration of HK$26,500,000 and HK$26,500,000 respectively of Oriental-Invest Properties Limited, a company incorporated in the British Virgin Islands with limited liability, which shall be settled by way of issue of the convertible bond by the Company to each vendor respectively. On 2 July 2019, BSL entered into a supplemental agreement with the vendors, pursuant to which BSL and the vendors agreed to make certain amendments to the sale and purchase agreement in respect of certain administrative arrangement of completion. The completion took place on 5 July 2019. Upon completion, Oriental-Invest Properties Limited has become an indirect wholly-owned subsidiary of the Company. The financial results of Oriental-Invest Properties Limited will be consolidated into the financial statements of the Group. Further details are set out in the announcements of the Company dated 30 April 2019, 2 July 2019 and 5 July 2019.

On 25 October 2019, IEC Investment Limited ("IEC Investment") (formerly known as "VMS Private Investment Partners VIII Limited"), a direct wholly-owned subsidiary of the Company, entered into a transfer agreement with a purchaser, pursuant to which IEC Investment agreed to transfer and assign, and the purchaser agreed to purchase the interest, being 49.9962% of total capital commitment in the fund and represents half of IEC Investment's interest in the fund, at the consideration of US$16.30 million. All conditions precedent under the transfer agreement had been fulfilled and the completion took place on 30 December 2019. Upon completion, the Group holds 49.9962% of the total capital commitment of the fund. Further details are set out in the announcements dated 25 October 2019 and 30 December 2019.

On 18 November 2019, the Company and Next Leader Limited ("NLL") entered into a memorandum of understanding (the "MOU") in relation to the possible disposal by the Company of the entire issued share capital of Newworth. Pursuant to the MOU, NLL intends to set up and manage a fund structure under the laws of the Cayman Islands and act as the general partner of the fund, and the fund will be the entity to enter into definitive agreements with the Company if NLL is satisfied with the results of the due diligence audit of Newworth. Newworth is principally engaged in the operation of Wigan Athletic Football Club which is a professional association football club based in Wigan, Greater Manchester, England and a sports stadium, namely the DW Stadium, with conference and other facilities. The Company and NLL entered into a supplemental memorandum of understanding in relation to the possible disposal on 13 December 2019. On 14 February 2020, the Company and Next Leader Fund, L.P. (as the purchaser) entered into a sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell and the purchaser has conditionally agreed to acquire the entire issued share capital of Newworth. The total consideration for the sale shares shall be GBP17,500,000 (equivalent to approximately HK$175,350,000). On the same day, the Club was indebted to the Company of approximately GBP25,770,000 (equivalent to approximately HK$258,215,400) as a result of the injection of daily working capital by the Company since the completion of the acquisition and pursuant to the sale and purchase agreement, pending completion, the Company shall continue to provide funding to the Club to enable the Club to maintain and continue its day-to-day business operations provided that (a) the amount provided or to be provided by the Company to the Club from the date of the sale and purchase agreement to the date of completion (both days inclusive) shall not, in any event, exceed GBP28,770,000, or its equivalent in Hong Kong dollars (i.e. approximately HK$288,275,400), and (b) for the avoidance of doubt, any such amount of such funding shall form part of the facility. Further details are set out in the announcements dated 18 November 2019, 13 December 2019 and 14 February 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 2019.

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$, USD, GBP, Peso and EURO. The Group primarily earns its revenue and income in HK$, USD, GBP and Peso while the Group primarily incurs costs and expenses mainly in HK$, GBP 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 620 as at 31 December 2019 (as at 30 September 2018: 322). The staff costs for the six months ended 31 December 2019 was approximately HK$71.6 million (for the six months ended 30 September 2018: HK$26.1 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), Ms. Lu Gloria Yi and Mr. Sun Jiong with terms of reference prepared in accordance with the requirements of the Listing Rules. 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 2019. The Company's auditor, BDO Limited, has reviewed the unaudited interim financial information of the Group for the six months ended 31 December 2019 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 2019, the Company has complied with the code provisions of the Corporate Governance Code (the "Corporate Governance Code") as set out in Appendix 14 to the Listing Rules, except for the following deviation:

Code Provision A.6.7 of the Corporate Governance Code stipulates that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. Generally they should also attend general meetings to gain and develop a balanced understanding of the views of shareholders.

Ms. Lu Gloria Yi, an independent non-executive Director, was unable to attend the annual general meeting of the Company held on 4 December 2019 as she had another business engagement at the time of such meeting.

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 2019.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 31 December 2019 (2018: nil).

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

During the six months ended 31 December 2019, 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, 25 February 2020

As at the date of this announcement, the Board comprises two executive Directors, namely Dr. Choi Chiu Fai Stanley and Mr. Chan Chun Yiu Thomas, and three independent non-executive Directors, namely Ms. Lu Gloria Yi, Mr. Sun Jiong and Mr. Ha Kee Choy Eugene.