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 2023

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 2023, together with the comparative unaudited figures for the six months ended 31 December 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2023

	Notes	**Six months ended 31 December 2023** *HK$'000* **(Unaudited)**	Six months ended 31 December 2022 *HK$'000* (Unaudited)
Revenue	*5(b)*	**105,134**	94,050
Cost of sales		**(38,133)**	(35,757)
Gross profit		**67,001**	58,293
Other income	*6*	**6,697**	5,311
Other losses	*7*	**(12,020)**	(101)
Change in fair value of financial assets at fair value through profit or loss	*18*	**(225)**	(825)
Change in fair value of financial liabilities at fair value through profit or loss	*25*	**3,130**	325
Change in fair value of investment properties	*14*	**7,138**	(16,017)
Share of loss of associates	*16*	**(825)**	(48)
General and administrative expenses		**(80,449)**	(41,944)
Finance costs	*8*	**(27,252)**	(11,656)

	Notes	**Six months ended 31 December 2023** *HK$'000* **(Unaudited)**	Six months ended 31 December 2022 *HK$'000* (Unaudited)
Loss before taxation	*9*	**(36,805)**	(6,662)
Income tax credit	*10*	**674**	255
Loss for the period attributable to owners of the Company		**(36,131)**	(6,407)
Other comprehensive loss that will not be reclassified to profit or loss:			
— Remeasurement of defined benefit obligations		**433**	224
— Exchange differences arising on translation of presentation currency		**(6,539)**	(18,635)
Total comprehensive loss for the period		**(42,237)**	(24,818)
		HK Cents	*HK Cents*
Loss per share attributable to owners of the Company			
— Basic	*11*	**(2.64)**	(0.47)
— Diluted	*11*	**(2.64)**	(0.47)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	**31 December 2023** *HK$'000* **(Unaudited)**	30 June 2023 *HK$'000* (Audited)
Non-current assets			
Property, plant and equipment	*13*	**167,794**	141,409
Investment properties	*14*	**991,000**	989,000
Loan receivables	*15*	**63,180**	63,516
Interest in associates	*16*	**41,132**	42,479
Right-of-use assets	*17*	**25,018**	26,842
Other receivables, deposits and prepayments		**45,824**	32,464
		1,333,948	1,295,710
Current assets			
Inventories		**1,138**	1,152
Tax recoverable	*20*	**60,080**	60,399
Trade receivables	*19*	**15,406**	14,340
Contract assets		**866**	545
Other receivables, deposits and prepayments		**17,242**	27,420
Financial assets at fair value through profit or loss	*18*	**5,129**	5,302
Amounts due from associates		**1,459**	908
Bank balances and cash		**1,051,678**	492,451
		1,152,998	602,517
Total assets		**2,486,946**	1,898,227
Current liabilities			
Trade payables	*21*	**1,820**	1,920
Other payables and accrued charges	*21*	**74,390**	47,625
Promissory notes	*23*	**416,312**	416,312
Contract liabilities		**1,294**	1,493
Lease liabilities		**2,883**	2,742
Convertible bond	*25*	**50,948**	–
		547,647	470,092
Net current assets		**605,351**	132,425

	Notes	**31 December 2023** *HK$'000* **(Unaudited)**	30 June 2023 *HK$'000* (Audited)
Non-current liabilities			
Deferred tax liabilities		**134,405**	135,719
Other liabilities		**370**	1,249
Lease liabilities		**30,906**	32,560
Bank borrowing	*24*	**608,896**	–
Convertible bond	*25*	**–**	51,648
		774,577	221,176
NET ASSETS		**1,164,722**	1,206,959
EQUITY			
Equity attributable to owners of the Company			
Share capital	*22*	**13,692**	1,369,157
Share premium and reserves		**1,151,030**	(162,198)
TOTAL EQUITY		**1,164,722**	1,206,959

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2023

1. GENERAL

International Entertainment Corporation was incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and the head office and principal place of business in Hong Kong of the Company is located at Units 2109-10, 21st Floor, Wing On House, No. 71 Des Voeux Road Central, Hong Kong.

The Company is an investment holding company. The 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 Republic of the Philippines (the "**Philippines**") to the Philippine Amusement and Gaming Corporation ("**PAGCOR**") and participating in the gaming operation (the "**Hotel Operation Business**" and "**Gaming Operation Business**") and live poker events (the "**Live Events Business**") in Macau.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**"), issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). These condensed consolidated interim financial statements were authorised for issue on 28 February 2024.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2023 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 2023. Details of newly effective accounting policies are set out in Note 3. The adoption of the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") have no material effect on these condensed consolidated interim financial statements. The Group has not early adopted any new and revised HKFRSs that has been issued but not yet effective in the current accounting period.

The preparation of the condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in Note 4.

The functional currency of the Company is Philippine Peso ("**Php**"), the currency of the primary economic environment in which the Company's major subsidiaries operate. The condensed consolidated interim financial statements are presented in Hong Kong Dollars ("**HK$**"), unless otherwise stated, as the directors of the Company (the "**Directors**") consider that it is an appropriate presentation of a company listed in Hong Kong and for convenience of the shareholders of the Company (the "**Shareholders**"). The condensed consolidated interim financial statements contain condensed consolidated statement of financial position, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual consolidated financial statements. The condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with HKFRSs and should be read in conjunction with the 2023 annual consolidated financial statements.

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

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of preparation of the Group's annual consolidated financial statements for the year ended 30 June 2023, 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 2023:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts and the related Amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

The application of the new and amendments to HKFRSs in the current period had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial statements.

4. USE OF JUDGEMENTS AND ESTIMATES

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2023 annual financial statements.

5. SEGMENT INFORMATION

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

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

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

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

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

— the "Live Events" segment represents the operation of live poker events business.

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 2023 (Unaudited)

	Hotel Operation	**Gaming Operation**	**Live Events**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Revenue — external	**34,111**	**71,023**	**–**	**105,134**
Segment results	**(5,195)**	**(7,442)**	**(304)**	**(12,941)**
Change in fair value of financial assets at fair value through profit or loss ("**FVTPL**")				**(225)**
Change in fair value of financial liabilities at FVTPL				**3,130**
Unallocated other income				**5,043**
Net exchange losses				**(3,317)**
Share of loss of associates				**(825)**
Auditor's remuneration				**(1,042)**
Legal and professional fees				**(3,597)**
Salaries and allowances				**(6,385)**
Finance costs				**(14,920)**
Unallocated expenses				**(1,726)**
Loss before taxation for the period				**(36,805)**

Segment information about these reportable segments are presented below:

For the six months ended 31 December 2022 (Unaudited)

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

(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 2023 (Unaudited)

	Hotel Operation ***HK$'000***	**Gaming Operation** ***HK$'000***	**Consolidated** ***HK$'000***
Primary geographical markets			
The Philippines	**34,111**	**71,023**	**105,134**
Timing of revenue recognition			
Transferred over time			
Room revenue	**23,592**	**–**	**23,592**
Food and beverages	**9,731**	**–**	**9,731**
Other hotel service income	**788**	**–**	**788**
	34,111	**–**	**34,111**
Other source of income			
Leasing of investment properties equipped with entertainment equipment for gaming operation	**–**	**71,023**	**71,023**
	34,111	**71,023**	**105,134**

For the six months ended 31 December 2022 (Unaudited)

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

6. OTHER INCOME

	For the six months ended 31 December 2023 ***HK$'000*** **(Unaudited)**	For the six months ended 31 December 2022 *HK$'000* (Unaudited)
Interest income	**6,051**	4,690
Sundry income	**646**	621
	6,697	5,311

7. OTHER LOSSES

	For the six months ended 31 December 2023	For the six months ended 31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net foreign exchange loss	**(12,020)**	(101)

8. FINANCE COSTS

	For the six months ended 31 December 2023	For the six months ended 31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on promissory notes	**12,488**	8,028
Interest on bank borrowings	**10,695**	243
Interest on lease liabilities	**1,639**	1,775
Interest on convertible bond	**2,430**	1,610
	27,252	11,656

9. LOSS BEFORE TAXATION

	For the six months ended 31 December 2023	For the six months ended 31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss before taxation has been arrived at after charging/(crediting):		
Directors' emoluments	**1,464**	2,593
Staff costs (excluding directors' emoluments):		
Salaries and allowances	**31,123**	12,909
Retirement benefits scheme contributions	**371**	544
Total staff costs	**32,958**	16,046
Depreciation of property, plant and equipment		
— included in cost of sales	**29,137**	18,422
— included in general and administrative expenses	**7**	4
Depreciation of right-of-use assets (included in general and administrative expenses)	**1,669**	2,149
Total depreciation	**30,813**	20,575
Change in fair value of financial assets at FVTPL	**225**	825
Change in fair value of financial liabilities at FVTPL	**(3,130)**	(325)
Change in fair value of investment properties	**(7,138)**	16,017
Auditor's remuneration		
— Audit services	**865**	1,161
— Non-audit service	**250**	220
Cost of inventories recognised as an expense	**3,731**	3,998
Reversal of expected credit losses of		
— Trade receivables	**–**	(27)
Legal and professional fees	**10,991**	1,409

10. INCOME TAX CREDIT

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

	For the six months ended 31 December 2023	For the six months ended 31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax expenses	**–**	–
Deferred tax credit	**(674)**	(255)
Income tax credit	**(674)**	(255)

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

The Group's subsidiaries in the Philippines are subject to the Philippines profits tax rate of 25%. 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%. No provision for taxation in the Philippines was made in the financial statements for the current period as the Group's operations in the Philippines had no assessable profits.

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

There had been tax dispute cases between Marina Square Properties, Inc. ("**MSPI**"), an indirect wholly-owned subsidiary of the Company, and Bureau of Internal Revenue ("**BIR**") in the Philippines for the calendar years of 2008, 2012, 2014, and 2015 of around Php3,676,000,000 (equivalent to approximately HK$518,181,000 (30 June 2023: HK$520,936,000)) inclusive of interest, surcharge and penalties as stated in the latest assessments from BIR. Based on the advice of the independent tax and legal advisor of the subsidiary, the Directors believe that MSPI has valid legal arguments to defend the tax disputes and concluded that the possibility of additional tax liabilities is remote.

On 4 May 2022, MSPI received a formal letter of demand from BIR for alleged deficiency taxes covering the calendar year of 2018 amounting to approximately Php767,633,000 (equivalent to approximately HK$108,196,000 (30 June 2023: HK$108,771,000)) inclusive of penalties and interest.

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

MSPI submitted its supporting documents to BIR and LTS on 2 August 2022, but the BIR failed to act on MSPI's request for reinvestigation despite the lapse of 180 days period from 2 August 2022. During 2023, MSPI filed a petition for review with CTA and BIR requested the CTA to affirm its assessment on MSPI on calendar year 2018. The CTA has held a pre-trail conference on 9 November 2023 and the hearing has commenced subsequently in 2024.

On 13 June 2023, MSPI received a preliminary assessment notice and on 14 August 2023 received a final assessment notice from BIR for alleged deficiency taxes covering the calendar year of 2019 of amounting to approximately Php537,118,000 (equivalent to approximately HK$75,706,000 (30 June 2023: HK$76,085,000) inclusive of penalties and interest.

On 13 September 2023, MSPI filed an administrative protest with BIR and LTS against the formal letter of demand for 2019 and requested for reinvestigation of the formal letter of demand for calendar year of 2019 in accordance with the relevant laws, rules and regulations of the Philippines. MSPI submitted its supporting documents to the BIR for request for reinvestigation on 10 November 2023 and the BIR have a period of 180 days to resolve MSPI's request for reinvestigation and issue its Final Decision on Disputed Assessment.

Based on the advices of the independent tax and legal advisers of MSPI, the Directors believe that MSPI has valid legal arguments to defend the above tax disputes. Accordingly, no provision has been made for the tax disputes. However, as there is at present a possible obligation (existence of which can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of such subsidiary) which may or may not require an initial outflow of resources, the directors of the Company consider it prudent to estimate that as at 31 December 2023, the contingent liabilities in respect of the alleged deficiency taxes covering the calendar year of 2018 and 2019 that may be assessed by BIR for the taxable year 2018 and 2019 which are not yet barred by prescription under the relevant laws, rules and regulations of the Philippines as being a total of approximately Php1,304,800,000 (30 June 2023: Php1,304,800,000) (equivalent to approximately HK$183,902,000 (30 June 2023: HK$184,900,000)) as a possible outflow of resources.

11. LOSS PER SHARE

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

	For the six months ended 31 December 2023	For the six months ended 31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss attributable to the owners of the Company for the purpose of calculation of basic and diluted loss per share	**(36,131)**	(6,407)

	For the six months ended 31 December 2023	For the six months ended 31 December 2022
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,369,157**	1,369,157

	For the six months ended 31 December 2023 *HK Cents* (Unaudited)	For the six months ended 31 December 2022 *HK Cents* (Unaudited)
Loss per share		
— Basic	**(2.64)**	(0.47)
— Diluted	**(2.64)**	(0.47)

The computation of diluted loss per share for the six months ended 31 December 2023 and 31 December 2022 do not assume the exercise of the Company's outstanding share options and convertible bond as the exercise price of those options and convertible bond is higher than the average market price for shares for the period.

12. DIVIDENDS

The board does not propose an interim dividend for the six months ended 31 December 2023 (six months ended 31 December 2022: nil).

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2023, the Group acquired property, plant and equipment of approximately HK$56,059,000 (six months ended 31 December 2022: HK$2,591,000).

Impairment tests for Hotel Operation CGU

The group of non-financial assets included in hotel operation segment (the "**Hotel Operation CGU**") is tested for impairment as the hotel operation segment recorded a segment loss during the six months period ended 31 December 2023. For the purpose of impairment testing, gross carrying amount of property, plant and equipment of approximately HK$113,077,000 and right-of-use assets of HK$17,039,000 of the hotel operation segment were allocated to the Hotel Operation CGU. The recoverable amount of the Hotel Operation CGU has been determined by fair value less costs of disposal ("**FVLCOD**") with reference to the valuation prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**"), an independent professional valuer not connected to the Group. The fair value of the Hotel Operation CGU were measured using income capitalisation approach with use of significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy. There were no transfer into or out of Level 3 during the period. Key assumptions used in calculating the recoverable amount are as follows:

	31 December 2023	30 June 2023
Growth rate of revenue	**3.5%**	3.5%
Discount rate	**11.5%**	12.0%
Capitalisation rate	**8.5%**	9.0%

Base on management's assessment in impairment test of Hotel Operation CGU, no impairment loss is recognised or reversed in profit or loss for the six months ended 31 December 2023 (six months ended 31 December 2022: nil).

Properties amounted to approximately HK$106,000,000 are pledged to a bank to secure the loan and general banking facilities granted to the Group (note 24).

Impairment tests for Gaming Operation CGU

For the six months ended 31 December 2023, base on management's assessment in impairment test of Gaming Operation CGU, no impairment loss is recognised or reversed in profit or loss for the six months ended 31 December 2023 (six month ended 31 December 2022: nil).

14. INVESTMENT PROPERTIES

	31 December 2023	30 June 2023
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
FAIR VALUE		
At beginning of the period/year	**989,000**	993,000
Fair value gain	**7,138**	2,962
Exchange adjustment	**(5,138)**	(6,962)
At end of the period/year	**991,000**	989,000

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 investment properties amounted to approximately HK$991,000,000 are pledged to a bank to secure the loan and general facilities granted to the Group (note 24).

Fair value measurement of Investment properties

The fair values of the Group's investment properties as at 31 December 2023 was approximately HK$991,000,000 (30 June 2023: HK$989,000,000). The fair values have been arrived at based on a valuation carried out by JLL, independent valuer not connected with the Group. JLL is a member of the Hong Kong Institution of Surveyors.

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

	31 December 2023	30 June 2023
Growth rate of revenue	**3.5%**	3.5%
Discount rate	**13.5%**	13.5%
Capitalisation rate	**7.5%**	7.5%

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

The fair value of the investment property as at 31 December 2023 and 30 June 2023 were measured using valuation techniques with significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy. There were no transfer into or out of Level 3 during the period.

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

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

15. LOAN RECEIVABLES

As at 31 December 2023, the Group's loan receivables represents three loans to associates as below:

(a) A loan advance with principal of Php338,000,000 (equivalent to HK$47,676,000, (30 June 2023: HK$47,929,000)) was granted to Harbor View Properties and Holdings, Inc. ("**HVPHI**"), which is an associate of the Company. The loan is interest bearing at 3.5% per annum, and the whole principal amount is repayable on 3 August 2032.

The Group additionally granted Php92,000,000 (equivalent to HK$12,967,000, (30 June 2023: HK$13,036,000)) to HVPHI. The loan is interest bearing at 3.5% per annum, repayable on demand and unsecured. The Group does not intend to request for repayment within twelve months after the end of the reporting period.

(b) A loan advance with principal of Php55,000,000 was granted in prior years to Pacific Bayview Properties, Inc. ("**PBPI**"), which is the wholly-owned subsidiary of Blue Marine Properties, Inc., and is an associate of the Company. The loan is interest bearing at 3.5% per annum and repayable on demand. During the year ended 30 June 2022, PBPI had repaid Php37,000,000 to the Group with principal amount of Php18,000,000 (equivalent of HK$2,537,000) outstanding at 31 December 2023 (30 June 2023: Php18,000,000 equivalent to HK$2,551,000). The Group does not intend to request for repayment within twelve months after the end of the reporting period.

16. INTEREST IN ASSOCIATES

	31 December 2023 *HK$'000* **(Unaudited)**	30 June 2023 *HK$'000* (Audited)
Share of net assets	**41,132**	42,479

Particulars of the Group's associates are as follows:

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

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

	31 December 2023 HK$'000 (Unaudited)	30 June 2023 HK$'000 (Audited)
Current assets	**45,543**	53,691
Non-current assets	**184,570**	177,068
Current liabilities	**(100,157)**	(99,175)
Non-current liabilities	**(65,342)**	(64,123)
Net assets	**64,614**	67,461
Net assets attributable to owners of the equity	**64,614**	67,461
Group's share of the net assets of the associate	**25,846**	26,984

	For the six months ended 31 December 2023 HK$'000 (Unaudited)	For the six months ended 31 December 2022 HK$'000 (Unaudited)
Revenue	**638**	629
Loss for the period	**(2,469)**	(3,430)
Total comprehensive loss	**(2,469)**	(3,430)
Dividends received from the associate	**–**	–

(b) **Blue Marine Properties, Inc.**

	31 December 2023 HK$'000 (Unaudited)	30 June 2023 HK$'000 (Audited)
Current assets	**9,213**	8,748
Non-current assets	**87,404**	88,161
Current liabilities	**(37,612)**	(37,752)
Non-current liabilities	**(20,791)**	(20,420)
Net assets	**38,214**	38,737
Net assets attributable to owners of the equity	**38,214**	38,737
Group's share of the net assets of the associate	**15,286**	15,495

	For the six months ended 31 December 2023 HK$'000 (Unaudited)	For the six months ended 31 December 2022 HK$'000 (Unaudited)
Revenue	**2,352**	4,027
(Loss)/profit for the period	**(316)**	3,311
Total comprehensive (loss)/profit	**(316)**	3,311
Dividends received from the associate	**–**	–

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

	31 December 2023 HK$'000 (Unaudited)	30 June 2023 HK$'000 (Audited)
At beginning of the period/year	**42,479**	43,917
Share of current period/year's loss of associates	**(825)**	(1,058)
Exchange adjustments	**(522)**	(380)
At end of the period/year	**41,132**	42,479

17. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000 (Unaudited)	Properties HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
At 1 July 2023	**11,293**	**15,549**	**26,842**
Depreciation for the period	**(178)**	**(1,491)**	**(1,669)**
Exchange adjustments	**(60)**	**(95)**	**(155)**
At 31 December 2023	**11,055**	**13,963**	**25,018**

	Leasehold land HK$'000 (Audited)	Properties HK$'000 (Audited)	Total HK$'000 (Audited)
At 1 July 2022	11,735	19,707	31,442
Depreciation for the year	(355)	(3,989)	(4,344)
Exchange adjustments	(87)	(169)	(256)
At 30 June 2023	11,293	15,549	26,842

No provision of impairment loss provide for right-of-use assets for six months ended 31 December 2023 and year ended 30 June 2023.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	31 December 2023 ***HK$'000*** **(Unaudited)**	30 June 2023 *HK$'000* (Audited)
Current assets		
Unlisted investment fund *(note)*	**5,129**	5,302

Note:

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

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

The Directors have determined the fair value of the interest in the Hontai Fund as at 31 December 2023 with reference to the valuation report issued by JLL, an independent professional valuer who has professional qualifications and relevant experience. The fair value of the Hontai Fund is determined by NAV summation method with fair value of underlying investment determined by market approach, with references to comparable companies benchmark multiples. During the period ended 31 December 2023, the Group recognised a fair value loss of HK$225,000 (year ended 30 June 2023: fair value loss of HK$3,127,000) in the Condensed Consolidated Statement of Comprehensive Income.

19. TRADE RECEIVABLES

	31 December 2023 *HK$'000* **(Unaudited)**	30 June 2023 *HK$'000* (Audited)
Trade receivables	**18,369**	17,293
Less: Provision for expected credit losses	**(2,963)**	(2,953)
	15,406	14,340

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

	31 December 2023 *HK$'000* **(Unaudited)**	30 June 2023 *HK$'000* (Audited)
0–30 days	**12,664**	13,682
31–60 days	**707**	161
61–90 days	**854**	497
Over 90 days	**1,181**	–
	15,406	14,340

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

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

20. TAX RECOVERABLE

On 15 June 2022, the Group received a warrant of distraint and/or levy ("**WDL**") from BIR which directed its collection and enforcement team to distrain and/or levy on MSPI's properties in relation to alleged deficiency tax for calendar year of 2015 (note 10). MSPI filed an Urgent Motion to Quash WDL ("**Motion to Quash**") to Court of Tax Appeals ("**CTA**") on 23 June 2022. Between July and September 2022, bank balances of approximately Php426,000,000 have been garnished by the BIR upon receipt of warrants of garnishment by certain of MSPI's banks. MSPI filed a Motion for Reconsideration ("**MR**") on 19 January 2023 in response to rejection from CTA on MSPI's Motion to Quash dated 19 December 2022.

On 5 April 2023, MSPI received the CTA's resolution which granted the MSPI's MR and resolved that the WDL is being cancelled and the warrants of garnishment are lifted. Further collection by BIR or refund of garnished amount is suspended pending on judicial resolution of the case.

Based on the advice of the independent legal adviser of MSPI, the Directors believe that MSPI has valid legal arguments to defend the tax disputes (including the alleged deficiency tax for calendar year of 2015) with right to request for refund of the garnished amounts when the judicial review complete. Alternatively, the garnished amounts would be utilized to settle tax payable if MSPI lose in the tax dispute. The amount is classified as tax recoverable with no impairment loss recognised as management consider the effect of expected credit loss is immaterial.

21. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

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

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

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

	31 December 2023 *HK$'000* **(Unaudited)**	30 June 2023 *HK$'000* (Audited)
0–30 days	**1,008**	1,754
31–60 days	**–**	146
61–90 days	**624**	18
Over 90 days	**188**	2
	1,820	1,920

22. SHARE CAPITAL

	No. of shares of HK$1.00 each	**No. of shares of HK$0.01 each**	**HK$'000**
Authorised:			
Balance as at 30 June 2023 and 1 July 2023	**2,000,000,000**	**–**	**2,000,000**
Share sub-division *(note)*	**(2,000,000,000)**	**200,000,000,000**	**–**
Balance as at 31 December 2023	**–**	**200,000,000,000**	**2,000,000**
Issued and fully paid:			
Balance as at 30 June 2023 and 1 July 2023	**1,369,157,235**	**–**	**1,369,157**
Capital reduction *(note)*	**(1,369,157,235)**	**1,369,157,235**	**(1,355,465)**
Balance as at 31 December 2023	**–**	**1,369,157,235**	**13,692**

Note: Pursuant to announcements on 2 May 2023 and 11 August 2023, with effective from 11 August 2023, (i) the capital reduction involving the reduction of the par value of each issued share of the Company (the "**Share(s)**") from HK$1.00 to HK$0.01 by cancelling the paid up share capital to the extent of HK$0.99 per issued Share so that following such reduction, each issued share with a par value of HK$1.00 in the share capital of the Company shall become one new share with a par value of HK$0.01 (the "**Capital Reduction**"); and (ii) the sub-division, immediately following the Capital Reduction becoming effective, each authorised but unissued Share will be sub-divided into a hundred (100) unissued new Shares with a par value of HK$0.01 each (the "**Share Sub-division**").

Upon the Capital Reduction becoming effective, the credit arising from the Capital Reduction will be applied towards offsetting the accumulated losses as at the effective date of the Capital Reduction and the balance of any such credit (if any) remaining after offsetting the accumulated losses. This resulted in a transfer of HK$1,355,465,000 from share capital to accumulated losses of the same amount on 11 August 2023.

23. PROMISSORY NOTES

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

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

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

On 30 March 2023, Fortune Growth issued for 6 new promissory notes (the "**2023 PNs**") to the Holder in exchange for the matured debt under the 2022 PNs. No default for repayment of 2022 PNs before the exchange of 2023 PNs for 2022 PNs. The 2023 PNs in principal amount of HK$69,385,381 each and totalling HK$416,312,285 represented the principal amount and accrued interest of the 2022 PNs. The 2023 PNs carry interest which accrues on the outstanding principal amount of HK$416,312,285 from its issue date until repayment in full of the principal amount at the fixed rate of 6% per annum. The 2023 PNs shall become due and payable in full on the business day immediately preceding the first anniversary of its issue date and is unsecured and guaranteed by the Company.

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

24. BANK BORROWINGS

	31 December 2023 HK$'000 (Unaudited)	30 June 2023 HK$'000 (Audited)
Non-Current — Secured		
Bank loans	**608,896**	–

As at 25 September 2023, a banking facility had been granted to a subsidiary of the Company of Php4,320,000,000 (equivalent to HK$608,896,000), of which Php4,320,000,000 (equivalent to approximately HK$608,896,000) has been utilised as at 31 December 2023. Interest is charged at a PHP BVAL Reference Rate +2% per annum in respect to this banking facility.

As at 31 December 2023, the bank loan and the banking facility was secured by the Group's properties as classified under Properties, plant and equipment of approximately HK$106,000,000 (note 13), investment properties of approximately HK$991,000,000 (note 14), and certain bank balances of approximately HK$39,000,000 of the Group, certain land use rights and condominiums of associates of the Group, together with financial guarantees provided by associates of the Group. The loan is carried at amortised cost.

At 31 December 2023, total non-current bank loans was scheduled to repay as follows:

	31 December 2023 HK$'000 (Unaudited)	30 June 2023 HK$'000 (Audited)
More than two years, but not exceeding five years	**365,337**	–
After five years	**243,559**	–
	608,896	–

25. CONVERTIBLE BOND

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

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

The fair value of the conversion derivatives of the Bond upon issuance and as at 31 December 2023 is determined using the binomial option pricing model. The key inputs used in the binomial option pricing model were as follows:

	31 December 2023	30 June 2023
Stock price (HK$)	**0.910**	0.890
Exercise price (HK$)	**1.01**	1.01
Expected life	**0.51 year**	1 year
Expected volatility	**69.47%**	109.20%
Expected dividend yield	**0%**	0%
Risk free rate	**4.46%**	4.12%

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

	Financial liability at amortised cost	**Financial liability at FVTPL**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
At 1 July 2023	**47,055**	**4,593**	**51,648**
Amortised interest for the period	**2,430**	**–**	**2,430**
Fair value adjustments	**–**	**(3,130)**	**(3,130)**
At 31 December 2023	**49,485**	**1,463**	**50,948**

	Financial liability at amortised cost	Financial liability at FVTPL	Total
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)
At 1 July 2022	42,663	335	42,998
Amortised interest for the year	4,392	–	4,392
Fair value adjustments	–	4,258	4,258
At 30 June 2023	47,055	4,593	51,648

26. CAPITAL COMMITMENTS

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

	31 December 2023	30 June 2023
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Property, plant and equipment	**138,806**	41,984

27. RELATED PARTY TRANSACTIONS

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

	Notes	**For the six months ended 31 December 2023** ***HK$'000*** **(Unaudited)**	For the six months ended 31 December 2022 *HK$'000* (Unaudited)
Interest income from associates	*(i)*	**1,109**	1,073
Lease payment to associates	*(ii)*	**(2,329)**	(2,846)

Notes:

(i) The interest income from associates represented the interest income from loan receivables with principle amount of Php430,000,000 (30 June 2023: Php430,000,000) to HVPHI and Php18,000,000 (30 June 2023: Php18,000,000) to PBPI, respectively.

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

(b) Compensation of key management personnel

	For the six months ended 31 December 2023 ***HK$'000*** **(Unaudited)**	For the six months ended 31 December 2022 *HK$'000* (Unaudited)
Short term employee benefits	**1,938**	2,227
Post-employment benefits	**8**	6
	1,946	2,233

28. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the financial assets and financial liabilities recognised at the end of reporting period were categorised as follows:

	31 December 2023	30 June 2023
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Financial assets		
Financial assets at FVTPL	**5,129**	5,302
Financial assets at amortised costs	**1,135,224**	584,121
	1,140,353	589,423
Financial liabilities		
Financial liabilities at FVTPL	**1,463**	4,593
Financial liabilities at amortised cost	**1,155,989**	539,314
	1,157,452	543,907

The fair values of financial assets and financial liabilities are determined as follows:

— the fair value of investments held for trading with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market price; and

— the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis, binomial option pricing model or market comparable multiples as appropriate.

HKFRS 13 requires disclosures for financial instruments that are measured at fair value by level of the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs for the asset or liability that are not based on observable market data.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2023 (Unaudited)				
Financial assets at fair value through profit or loss				
Unlisted investment fund *(note)*	**–**	**–**	**5,129**	**5,129**
Financial liabilities at fair value through profit or loss				
Conversion derivative	**–**	**–**	**1,463**	**1,463**
At 30 June 2023 (Audited)				
Financial assets at fair value through profit or loss				
Unlisted investment fund *(note)*	–	–	5,302	5,302
Financial liabilities at fair value through profit or loss				
Conversion derivative	–	–	4,593	4,593

Note:

For the unlisted investment fund, the fair value is arrived at based on a valuation carried out by JLL, an independent professional valuer not connected to the Group. The fair value was determined based on NAV summation method, where fair value of underlying investment determined by market approach with references to comparable companies' benchmark multiples.

Significant unobservable inputs

	At 31 December 2023	At 30 June 2023
Market multiples of comparable companies adopted — EV/EBITDA ratio	**4.85**	5.37
Discount for lack of marketability	**13.27%**	14.78%

The following table shows the reconciliation of Level 3 fair value measurement of the unlisted investment fund:.

	At 31 December 2023 *HK$'000* **(Unaudited)**	At 30 June 2023 *HK$'000* (Audited)
At beginning of period/year	**5,302**	8,212
Change in fair value	**(225)**	(3,127)
Exchange adjustments	**52**	217
At end of period/year	**5,129**	5,302

29. EVENTS AFTER THE END OF REPORTING PERIOD

The Board is not aware of any material event affecting the Group since the six months ended 31 December 2023 and up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The robust growth momentum in the gaming industry has been carried on to this new financial year as the Philippines economy continues to reopen. According to the information released by PAGCOR, the country's gross gaming revenues (GGR) in 2023 reached a record Php285.3 billion, breaching pre-pandemic level of Php256.5 billion, by 11.2%. The industry has fully recovered. Benefited from its full recovery from the impact of the pandemic, the Group's revenue from the gaming operation for the six months ended 31 December 2023 (the "**Period**") increased significantly from approximately HK$59.4 million to approximately HK$71.0 million for the six months ended 31 December 2022 (the "**Previous Period**").

Tourism industry remained resilient during the Period. More than 5.4 million international visitors entered the country from 1 January to 31 December 2023. The new record is around 650,000 higher than its target of 4.8 million and has also reached approximately 66 percent of the pre-pandemic level, i.e. its all-time high international visitor arrivals achieved in 2019. The Group recorded revenue from the hotel operation for the Period of approximately HK$34.1 million, compared to approximately HK$34.7 million for the Previous Period. Competition in the hospitality industry in the Philippines was strong during the Period under review.

As a result, the Group's total revenue increased from approximately HK$94.1 million for the Previous Period to approximately HK$105.1 million for the Period.

Other income of the Group for the Period was approximately HK$6.7 million, representing an increase of approximately 26.4%, as compared with approximately HK$5.3 million for the Previous Period. This was mainly due to increase in interest income during the Period.

Other losses of the Group mainly represented net foreign exchange loss. The Group recorded a net loss of approximately HK$12.0 million for the Period as compared to approximately HK$0.1 million in the Previous Period. One of the reasons was due to the deposit of US$50 million into the Escrow Account in accordance with the requirement of the Provisional License granted on 27 September 2023.

The Group recorded a loss of approximately HK$0.2 million on change in fair value of financial assets at fair value through profit or loss in the Period, as compared to approximately HK$0.8 million in the Previous Period, representing an approximately 75.0% decrease.

The Group also recorded a gain of approximately HK$3.1 million on change in fair value of financial liabilities at fair value through profit or loss for the Period, as compared to approximately HK$0.3 million in the Previous Period.

The fair value of the Group's investment properties has been arrived at based on a valuation carried out by JLL, an independent professional valuer not connected to the Group. The fair value gain for the Period amounted to approximately HK$7.1 million, as compared to a loss of approximately HK$16.0 million for the Previous Period. Positive economic outlook and improved expected future cash flow support higher valuation of the investment properties.

General and administrative expenses of the Group increased by approximately 91.9% to approximately HK$80.4 million for the Period from approximately HK$41.9 million in the Previous Period. This was mainly due to the preparation work done during the Period for taking over of the casino operation under the Provisional License. Included in these expenses for the Period, approximately 40.0% and 4.1% were staff costs and utilities expenses respectively. The staff costs for the Period was approximately HK$32.1 million, representing an increase of approximately 111.2%, as compared with approximately HK$15.2 million in the Previous Period. This was because more staff have been recruited to prepare for operating and managing the casino by the Group under the Provisional License. The utilities expenses for the Period was approximately HK$3.3 million, representing a decrease of approximately 65.3%, as compared with approximately HK$9.5 million in the Previous Period due to the lowered power rate charged by the electricity supplier. This Period the Group also incurred legal and professional fees of approximately HK$11.0 million (the Previous Period: HK$1.4 million), representing approximately 13.7% of the total expenses, to prepare for operating and managing the casino by the Group under the Provisional License.

Finance costs of the Group for the Period was approximately HK$27.3 million, representing an increase of approximately 133.3% as compared to approximately HK$11.7 million in the Previous Period. This was mainly due to the increase in interest on bank borrowings of approximately HK$10.5 million as a bank loan of approximately HK$608.9 million (Php4.32 billion) was obtained to finance the funding need for developing, operating and managing the casino by the Group under the Provisional License.

The Group recorded income tax credit of approximately HK$0.6 million for the Period, as compared to approximately HK$0.3 million in the Previous Period.

The Group recorded a loss of approximately HK$36.1 million for the Period as compared with a loss of approximately HK$6.4 million for the Previous Period.

The loss per share for the Period amounted to approximately 2.64 HK cents, as compared with the loss per share of approximately 0.47 HK cents for the Previous Period.

BUSINESS REVIEW

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

1. Gaming operation

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

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

The revenue derived from the gaming operation for the Period was approximately HK$71.0 million, representing an increase of approximately 19.5%, as compared with approximately HK$59.4 million in the Previous Period. Following the reopening of its international borders and dropping of all capacity restrictions and lockdowns in the first half of 2022, the gaming industry in the Philippines has fully recovered during the Period. The country's GGR in 2023 has surpassed the pre-pandemic level. It contributed approximately 67.6% of the Group's revenue during the Period under review (the Previous Period: 63.1%).

A bank loan of approximately HK$608.9 million (Php4.32 billion) was obtained during the Period to finance the funding need for developing, operating and managing of the casino by the Group under the Provisional License.

At 31 December 2023 and 31 December 2022, there were tax disputes between MSPI, an indirect wholly-owned subsidiary of the Company and BIR in the Philippines. Please refer to Note 10 to the consolidated financial statements in this announcement for more details and estimated contingent liabilities.

2. Hotel operation

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

The revenue derived from the hotel operation for the Period was approximately HK$34.1 million, compared to approximately HK$34.7 million in the Previous Period. Competition in the hospitality industry in the Philippines was strong during the Period. Included in the total hotel revenue for the Period was approximately HK$23.6 million or 69.2% contributed by room revenue (Previous Period: HK$23.1 million or 66.6%). The average hotel room occupancy was 85% (the Previous Period: 82%) in the Period.

3. Live events

The revenue represented income from sponsorship and entrance fee of live poker events. However, there was no live poker event during the Period.

FUTURE OUTLOOK

According to the information released by PAGCOR, they recorded approximately Php79.4 billion revenues for the calendar year 2023, representing an increase of 34.6% when compared to approximately Php59.0 billion in the previous year. This increase was mainly contributed by the robust growth in earnings from its licensed casinos. The reported gross gaming revenues (GGR) for the calendar year 2023 of Php285 billion was also 33% more than the previous year. It also surpassed the target of Php273 billion and outperformed the previous high of Php256 billion recorded in 2019. The gaming industry has fully recovered from the impact of the pandemic. The biggest contributors to the country's gaming industry's revenue are the integrated resorts.

On 27 September 2023, the group's as licensee (the "**Licensee**") and PAGCOR as licensor entered into the Provisional License Agreement pursuant to which PAGCOR has granted the Provisional License to the Licensee to establish and operate a casino and the development of an integrated resort in the City of Manila, the Philippines. The grant of the Provisional License will be a milestone development of the Group which denotes that the Group is able to operate and manage casino business and gambling activities independently.

The casino in the existing hotel is currently operated by PAGCOR. Pursuant to the cooperation agreement dated 9 August 2021, MSPI has taken part in management of the existing casino through its participation in the management committee. The Group has gained its expertise in the operation and management of casino. Upon the commencement of the operation of the Provisional Licence, the operation and management of the existing casino will be transferred to the Licensee to run the casino.

Regarding for the future development of an integrated resort, the Board will consider different financing methods such as bank borrowing and/or equity financing (as the case may be) in order to expand our business and maintain the liquidity of the Group. A bank loan of approximately HK$608.9 million (Php4.32 billion) was obtained during the Period to finance the funding need for developing, operating and managing of the casino.

According to Department of Tourism (DOT), the Philippines recorded more than Php483 billion in international tourism receipts in 2023 which was higher by 125% when compared to Php215 billion visitor receipts in the previous year. In 2019 or pre-pandemic period, the DOT recorded Php482 billion in international tourism receipts. DOT plans for 2024 indicate a strong commitment to making the country an appealing and responsible destination for travelers.

Challenges such as inflation, measures undertaken by other countries to promote tourism recovery, and geopolitical tensions may have an impact on the pace of recovery of economy in the Philippines. The Group remains cautiously optimistic about the outlook for tourism and gaming industry in the Philippines. The Group will continue to focus on its existing business operations and investments in the Philippines riding on business environment to strive for exploring potential business opportunities.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2023, the Group's net current assets amounted to approximately HK$605.4 million (as at 30 June 2023: HK$132.4 million). Current assets amounted to approximately HK$1,153.0 million (as at 30 June 2023: HK$602.5 million), of which approximately HK$1,051.7 million (as at 30 June 2023: HK$492.5 million) was bank balances and cash, approximately HK$15.4 million (as at 30 June 2023: HK$14.3 million) was trade receivables, approximately HK$17.2 million (as at 30 June 2023: HK$27.4 million) was other receivables, deposits and prepayments, approximately HK$1.1 million (as at 30 June 2023: HK$1.2 million) was inventories, approximately HK$5.1 million (as at 30 June 2023: HK$5.3 million) was financial assets at fair value through profit or loss, approximately HK$0.9 million (as at 30 June 2023: HK$0.5 million) was contract assets, approximately HK$1.5 million (as at 30 June 2023: HK$0.9 million) was amounts due from associates, and approximately HK$60.1 million (as at 30 June 2023: HK$60.4 million) was income tax recoverable.

As at 31 December 2023, the Group had current liabilities amounted to approximately HK$547.6 million (as at 30 June 2023: HK$470.1 million), of which approximately HK$1.8 million (as at 30 June 2023: HK$1.9 million) was trade payables, approximately HK$74.4 million (as at 30 June 2023: HK$47.6 million) was other payables and accrued charges, approximately HK$1.3 million (as at 30 June 2023: HK$1.5 million) was contract liabilities, approximately HK$2.9 million (as at 30 June 2023: HK$2.7 million) was lease liabilities, and approximately HK$416.3 million (as at 30 June 2023: HK$416.3 million) was promissory note. Approximately HK$50.9 million (as at 30 June 2023: HK$51.6 million) convertible bond was reclassified from non-current liabilities to current liabilities.

The bank balances and cash of the Group as at 31 December 2023 was mainly denominated in Php, HK$ and United States Dollars ("**USD**").

Net cash generated from operating activities of the Group was approximately HK$18.3 million for the Period (the Previous Period: used in approximately HK$23.5 million). Net assets attributable to the owners of the Company as at 31 December 2023 amounted to approximately HK$1,164.7 million (as at 30 June 2023: approximately HK$1,207.0 million).

On 27 July 2017, the Company entered into a placing agreement with a placing agent (the "**Placing Agreement**"). The completion of the placing took place on 10 August 2017. Pursuant to the terms and conditions of the Placing Agreement, an aggregate of 190,000,000 ordinary shares of the Company of HK$1.00 each as placing shares were successfully placed by the placing agent at the placing price of HK$1.90 per placing share. Further details are set out in the announcements of the Company dated 27 July 2017 and 10 August 2017. The net proceeds from the placing, after deducting the placing commission and other related expenses payable by the Company, were approximately

HK$358.5 million. The net proceeds from the placing were intended to be used as to (i) approximately HK$150.0 million for the renovation of a hotel of the Group in Manila City (the "**Hotel**"); (ii) approximately HK$100.0 million for the development of the parcels of land adjacent to the Hotel (the "**New Hotel Land**"), including but not limited to the construction of a carpark and amenities of the Hotel, and the provision of a facility to an independent third party for the acquisition of the New Hotel Land; (iii) approximately HK$70.0 million for the potential acquisition of, including but not limited to, lands in the Philippines for the construction of hotel(s) and/or casino(s); and (iv) the remaining proceeds for the general working capital of the Group.

Set forth below is a summary of the utilization of the net proceeds as at 31 December 2023:

	Intended use of the net proceeds *(HK$ million)*	**Amount of the net proceeds utilised as at 31 December 2023** *(HK$ million)*	**Balance of the net proceeds unutilised as at 31 December 2023** *(HK$ million)*	**Expected timeline for the application of the balance of the net proceeds** *(Note 2)*
Renovation of the Hotel	150.0	150.0	–	
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 1)*	100.0	52.6	47.4	On or before 30 June 2024
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)	70.0	–	70.0	On or before 30 June 2024
General working capital of the Group	38.5	38.5	–	
Total	358.5	241.1	117.4	

Notes:

1. 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.

2. Referring to the Company's announcement dated 27 September 2023 in relation to the grant of the Provisional License by PAGCOR to the Group's companies to establish and operate a casino and the development of an integrated resort in the City of Manila, the Philippines, the Group is aligning its plan for the Potential Acquisition and the development of New Hotel Land with the master development plan proposal for development of the integrated resort under the Provisional License. The expected timeline for application of all the balance of the net proceeds will be postponed to on or before 30 June 2024. Should there be any material change in the intended use of the balance of the net proceeds, the Company will make appropriate announcement in due course.

During the Period, the Capital Reduction and the Share Sub-division were completed. Details of the Capital Reduction and the Share Sub-division are set out in the Company's announcements dated 2 May 2023, 22 May 2023, 6 July 2023 and 11 August 2023 and the Company's circular dated 5 May 2023.

The gearing ratios, measured in terms of the carrying values of total borrowings divided by total assets, were approximately 43.3% and 24.7% as at 31 December 2023 and 30 June 2023 respectively.

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

A bank loan of approximately HK$608.9 million (Php4.32 billion) was obtained during the Period to finance the funding need for developing, operating and managing of the casino by the Group under the Provisional License.

CHARGES ON GROUP ASSETS

As at 31 December 2023, the bank loan was secured by the Group's properties classified under properties, plant and equipment of approximately HK$106 million, investment properties of approximately HK$991 million and certain bank balances of approximately HK$39 million.

There were no charge created over the Group's asset as at 30 June 2023.

MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

On 27 September 2023, the Group entered into a Provisional License Agreement pursuant to which PAGCOR has granted the Provisional License to the Group's companies to establish and operate a casino and the development of an integrated resort in the City of Manila, the Philippines. The effectivity or term of the Provisional License and the Regular Casino Gaming License shall be co-terminus with the franchise of PAGCOR which shall be effective from the date of the Provisional License Agreement until 11 July 2033. Pursuant to the Provisional License Agreement, the Group will make the total investment commitment of no less than US$1.0 billion (equivalent to approximately HK$7.82 billion) and up to US$1.2 billion (equivalent to approximately HK$9.38 billion) for the project under the Provisional License. The total investment commitment comprises land acquisition costs, costs related to securing development rights, construction, equipment, development costs, financing costs and all other expenses directly related to the completion of the project. Details of the terms of Provisional License Agreement are set out in the announcement of the Company dated 27 September 2023.

Based on preliminary assessment by management, upon taking over the operation of the casino by the Group, the Group would change the use of its properties interest held for rental income to held for own use under the Provisional License Agreement, the "investment properties" will be reclassified as "property, plant and equipment" with corresponding deferred tax liabilities related to the investment properties will also be derecognized at the date of change in use. After reclassification, the properties will depreciate according to the accounting policy of the Group.

Save as disclosed above, there was no other acquisition or disposal of subsidiary and associated company or significant investments of the Group, which would have been required to be disclosed under the Listing Rules for the six months ended 31 December 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

RISKS AND UNCERTAINTIES

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

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

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

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

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

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

The Group’s assets and liabilities are mainly denominated in HK$, USD, Php and EURO. The Group primarily earns its revenue and income in HK$, USD and Php while the Group primarily incurs costs and expenses mainly in HK$ and Php. 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 346 as at 31 December 2023 (as at 31 December 2022: 237). The staff costs for the six months ended 31 December 2023 was approximately HK$33.0 million (for the six months ended 31 December 2022: HK$16.0 million) among which, HK$32.1 million (the Previous Period: HK$15.2 million) was included in the general and administrative expenses, and HK$0.9 million (the Previous Period: 0.8 million) was included in cost of sales. The remuneration policy of the Company is recommended by the remuneration committee of the Company. The remuneration of the Directors and the employees of the Group is based on the performance and experience of the individuals and is determined with reference to the Group's performance, the remuneration benchmark in the industry and the prevailing market conditions. In addition to the salaries, the employees of the Group are entitled to benefits including medical, insurance and retirement benefits. Besides, the Group regularly provides internal and external training courses for the employees of the Group to meet their needs.

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

During the six months ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 31 December 2023 (2022: nil).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance practices and procedures and to complying with the statutory and regulatory requirements with an aim to maximising the shareholders' values and interests as well as to enhancing the stakeholders' transparency and accountability.

Throughout the six months ended 31 December 2023, the Company has complied with all the applicable code provisions under the Corporate Governance Code (the "**CG Code**") as contained in Appendix C1 of the Listing Rules, with the exception of code provision C.2.1.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix C3 (the "**Model Code**") of the Listing Rules as its own code of conduct regarding the securities transactions of the Directors. All Directors have confirmed, following specific enquiries by the Company, that they have complied with the required standards set out in the Model Code throughout the six months ended 31 December 2023.

REVIEW BY AUDIT COMMITTEE

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

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

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 31 December 2023 and was of the opinion that such statements had been prepared in compliance with the applicable accounting standards and the Listing Rules.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

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

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

Hong Kong, 28 February 2024

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