



International Entertainment Corporation

國際娛樂有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8118

Third Quarterly Report
2009/10





CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of International Entertainment Corporation (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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 three months and nine months ended 31 December 2009, together with the comparative unaudited figures for the corresponding periods in 2008 as follows:

Condensed Consolidated Income Statement

For the three months and nine months ended 31 December 2009

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000 (Restated)	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000 (Restated)
Continuing operations					
Revenue	2	113,687	105,562	347,383	368,856
Cost of sales		(60,734)	(62,520)	(185,697)	(198,438)
Gross profit		52,953	43,042	161,686	170,418
Other income	3	3,558	12,243	11,208	31,454
Change in fair value of conversion option derivative		25,000	52,000	59,000	113,200
Selling and distribution costs		(2,550)	(1,411)	(7,552)	(4,249)
General and administrative expenses		(43,695)	(36,696)	(112,556)	(106,330)
Share of profit (loss) of an associate		178,061	(2,071)	158,069	(4,211)
Finance costs		(11,786)	(10,650)	(33,172)	(32,812)
Profit before taxation		201,541	56,457	236,683	167,470
Taxation (charge) credit	4	(103)	22,106	(139)	47,736
Profit for the period from continuing operations		201,438	78,563	236,544	215,206
Discontinued operations					
Loss for the period from discontinued operations		-	-	-	(1,376)
Profit for the period		201,438	78,563	236,544	213,830
Attributable to:					
Owners of the Company		181,598	57,489	185,090	143,973
Minority interests		19,840	21,074	51,454	69,857
		201,438	78,563	236,544	213,830
Earnings per share	6	HK cent	HK cent	HK cent	HK cent
From continuing and discontinued operations					
Basic		15.40	4.88	15.70	12.21
Diluted		12.21	1.17	11.55	4.38
From continuing operations					
Basic		15.40	4.88	15.70	12.33
Diluted		12.21	1.17	11.55	4.48

Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 31 December 2009

	Three months ended		Nine months ended	
	31 December		31 December	
	2009	2008	2009	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)
Profit for the period	201,438	78,563	236,544	213,830
Other comprehensive income (expenses)				
Exchange differences on translation	62,341	(39,339)	104,081	(290,903)
Fair value change in available-for-sale financial assets	2,378	(675)	4,731	(9,231)
Other comprehensive income (expenses) for the period	64,719	(40,014)	108,812	(300,134)
Total comprehensive income (expenses) for the period	266,157	38,549	345,356	(86,304)
Total comprehensive income (expenses) attributable to:				
Owners of the Company	226,893	36,570	260,878	(13,636)
Minority interests	39,264	1,979	84,478	(72,668)
	266,157	38,549	345,356	(86,304)



Notes:

1. Basis of preparation and principal accounting policies

The unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

During the year ended 31 March 2009, the deferred tax liability in relation to the fair value adjustment arising from investment properties has been restated by taking into consideration of the rental income from Philippine Amusement and Gaming Corporation (“PAGCOR”) which is exempted from Philippines corporate income tax. A zero tax rate has been applied over the lease term with PAGCOR and a tax rate of 35%, which changed to 30% with effective on 1 January 2009, after the expiry of the lease with PAGCOR would be applied, the comparative information has been represented. As a result of the recalculation, the deferred tax credit in the unaudited consolidated profits for the three months and nine months ended 31 December 2008 were decreased by approximately HK\$42,366,000 and HK\$60,117,000 respectively, of which approximately HK\$20,759,000 and HK\$29,457,000 respectively were attributable to the minority interests, the other reserve as at 31 December 2008 was increased by approximately HK\$140,862,000, the exchange reserve as at 31 December 2008 was decreased by approximately HK\$9,725,000, and the minority interests as at 31 December 2008 was increased by approximately HK\$96,539,000. The accounting treatment for the restatement of the comparative figures is consistent with those used for the Group’s annual financial statements for the year ended 31 March 2009.

The unaudited consolidated results have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Except as described below, the same accounting policies, presentation and methods of computation have been followed in these unaudited consolidated results as were applied in the preparation of the Group’s annual financial statements for the year ended 31 March 2009.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group’s management has the positive intention and ability to hold to maturity. The Group designated certain debt securities as held-to-maturity investments. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

A number of new and revised standards, amendments and interpretations are effective for the Group's financial year beginning on 1 April 2009. The Group has applied the following new and revised standards, amendments and interpretations (the "new and revised HKFRSs") issued by HKICPA, which are effective for the Group's financial year beginning on 1 April 2009.

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendments to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to amendment to paragraph 80 of HKAS 39

The adoption of the new and revised HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments) HKAS 24 (Revised 2009)	Improvements to HKFRSs issued in 2009 ² Related party disclosures ⁶
HKAS 27 (Revised 2008)	Consolidated and separate financial statements ¹
HKAS 32 (Amendment)	Classification of rights issues ⁴
HKAS 39 (Amendment)	Eligible hedged items ¹
HKFRS 1 (Revised 2009)	First-time adoption of Hong Kong Financial Reporting Standards ¹
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters ³
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions ³
HKFRS 3 (Revised 2008)	Business combinations ¹
HKFRS 9	Financial instruments ⁷
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement ⁶
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners ¹
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments ⁵

¹ Effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 January 2010

⁴ Effective for annual periods beginning on or after 1 February 2010

⁵ Effective for annual periods beginning on or after 1 July 2010

⁶ Effective for annual periods beginning on or after 1 January 2011

⁷ Effective for annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combination for which the acquisition dates are on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company (the "Directors") anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. Revenue

	Three months ended		Nine months ended	
	31 December		31 December	
	2009	2008	2009	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000

The Group's revenue comprises:

Continuing operations

Entertainment business

Film and television programme
production and distribution
licensing

4,190	2,358	20,952	16,134
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Music concerts and sale of
music records

19	2,774	52	4,139
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4,209	5,132	21,004	20,273
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Hotel

Room revenue

18,389	21,625	53,191	72,599
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Food and beverages

11,929	14,580	33,570	42,268
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Other hotel service income

2,274	2,292	4,794	6,594
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32,592	38,497	91,555	121,461
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Leasing of properties

76,886	61,933	234,824	227,122
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113,687	105,562	347,383	368,856
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Discontinued operations

Sales of goods

-	-	-	448
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Service income

-	-	-	403
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-	-	-	851
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113,687	105,562	347,383	369,707
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3. Other income

	Three months ended		Nine months ended	
	31 December		31 December	
	2009	2008	2009	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000

The Group's other income comprises:

Continuing operations

Interest income	3,456	11,757	10,919	30,353
Dividend income from listed securities	–	72	–	72
Gain on disposal of subsidiaries	–	–	–	364
Sundry income	102	414	289	665

3,558 12,243 **11,208** 31,454

Discontinued operations

Interest income	–	–	–	1
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3,558 12,243 **11,208** 31,455

4. Taxation (charge) credit

	Three months ended 31 December		Nine months ended 31 December	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000 (Restated)	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000 (Restated)
Continuing operations				
Income tax	-	-	-	-
Deferred tax (charge) credit				
Current period	(103)	1,244	(139)	26,874
Attributable to a change in tax rate	-	20,862	-	20,862
	(103)	22,106	(139)	47,736
Discontinued operations				
Income tax	-	-	-	-
Deferred tax	-	-	-	-
	-	-	-	-
Taxation (charge) credit	(103)	22,106	(139)	47,736

No provision for Hong Kong profits tax or taxation arising in other jurisdictions was made in the unaudited consolidated results for the three months and nine months ended 31 December 2009 and three months and nine months ended 31 December 2008 as the Group's operations either had no assessable profits or were exempted from profits tax.

A subsidiary operating in the Philippines had entered into a lease agreement with PAGCOR, a company solely owned by the Philippines government, such that the subsidiary is entitled to the tax exemption in respect of the rental income received or receivable from PAGCOR being exempted from the Philippines corporate income tax. In addition, according to the lease agreement, if the subsidiary is required to make any payment of the Philippines corporate income tax in relation to any rental income received or receivable from PAGCOR, PAGCOR shall indemnify the subsidiary for such payment.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

5. Dividend

No dividends were paid, declared or proposed during the period under review. The Board does not recommend the payment of any dividend for the nine months ended 31 December 2009 (for the nine months ended 31 December 2008: nil).

6. Earnings per share

From continuing and discontinued operations

The calculation of basic and diluted earnings per share attributable to the owners of the Company for the three months and nine months ended 31 December 2009 together with the comparative figures for 2008 are based on the following data:

	Three months ended 31 December		Nine months ended 31 December	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000 (Restated)	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000 (Restated)
Earnings				
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	181,598	57,489	185,090	143,973
Effect of dilutive potential ordinary shares in respect of convertible note:				
– Change in fair value of conversion option derivative	(25,000)	(52,000)	(59,000)	(113,200)
– Effective interest expense	11,786	10,650	33,172	29,692
Earnings for the purpose of diluted earnings per share	168,384	16,139	159,262	60,465

	Three months ended		Nine months ended	
	31 December		31 December	
	2009	2008	2009	2008
	In thousand	In thousand	In thousand	In thousand
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,179,157	1,179,157	1,179,157	1,179,157
Effect of dilutive potential ordinary shares from convertible note	200,000	200,000	200,000	200,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,379,157	1,379,157	1,379,157	1,379,157

The calculation of diluted earnings per share for the three months and nine months ended 31 December 2009 and three months and nine months ended 31 December 2008 did not assume the exercise of the subsidiary's outstanding share options. The Directors consider that the value of the subsidiary is lower than the exercise price as a subsidiary was delisted in March 2007 and had unaudited consolidated net liabilities as at 31 December 2009 and 31 December 2008.

From continuing operations

The calculation of basic and diluted earnings per share from continuing operations attributable to the owners of the Company for the three months and nine months ended 31 December 2009 and together with the comparative figures for 2008 are based on the following data:

	Three months ended		Nine months ended	
	31 December		31 December	
	2009	2008	2009	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)
Earnings figures are calculated as follows:				
Profit for the period attributable to owners of the Company	181,598	57,489	185,090	143,973
Less: Loss for the period from discontinued operations attributable to owners of the Company	–	–	–	(1,376)
Earnings for the purpose of basic earnings per share from continuing operations	181,598	57,489	185,090	145,349
Effect of dilutive potential ordinary shares in respect of convertible note:				
– Change in fair value of conversion option derivative	(25,000)	(52,000)	(59,000)	(113,200)
– Effective interest expense	11,786	10,650	33,172	29,692
Earnings for the purpose of diluted earnings per share from continuing operations	168,384	16,139	159,262	61,841

The denominators used are the same as those detailed above for both basic and diluted earnings per share.



From discontinued operations

Since the subsidiaries operating the discontinued operations have been disposed in April 2008, no basic and diluted earnings (loss) per share from discontinued operations for the three months and nine months ended 31 December 2009 and three months ended 31 December 2008 were presented.

Basic loss per share from discontinued operations for the nine months ended 31 December 2008 is HK0.12 cent per share based on the unaudited consolidated loss for the nine months ended 31 December 2008 from discontinued operations attributable to the owners of the Company of approximately HK\$1,376,000 and weighted average number of ordinary shares of 1,179,157,235 in issue during the period.

No diluted loss per share for discontinued operations was presented for the nine months ended 31 December 2008 as the conversion of convertible note or the exercise of a subsidiary's outstanding share options would result in a decrease in loss per share from discontinued operations.

7. Reserves

	Share premium (Unaudited) HK\$'000	Merger reserve (Unaudited) HK\$'000	Investment revaluation reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000 (Restated)	Exchange reserve (Unaudited) HK\$'000 (Restated)	(Accumu- lated losses) Retained earnings (Unaudited) HK\$'000 (Restated)	Attributable to owners of the Company (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000 (Restated)	Total (Unaudited) HK\$'000
At 1 April 2008	720,408	53,022	(926)	362,982	66,782	(297,389)	904,879	715,897	1,620,776
Profit for the period	-	-	-	-	-	143,973	143,973	69,857	213,830
Fair value change in available-for-sale financial assets	-	-	(9,231)	-	-	-	(9,231)	-	(9,231)
Exchange differences on translation	-	-	-	-	(148,378)	-	(148,378)	(142,525)	(290,903)
Total comprehensive (expenses) income for the period	-	-	(9,231)	-	(148,378)	143,973	(13,636)	(72,668)	(86,304)
At 31 December 2008	720,408	53,022	(10,157)	362,982	(81,596)	(153,416)	891,243	643,229	1,534,472
At 1 April 2009	720,408	53,022	(529)	362,982	(144,455)	(182,135)	809,293	637,159	1,446,452
Profit for the period	-	-	-	-	-	185,090	185,090	51,454	236,544
Fair value change in available-for-sale financial assets	-	-	4,731	-	-	-	4,731	-	4,731
Exchange differences on translation	-	-	-	-	71,057	-	71,057	33,024	104,081
Total comprehensive income for the period	-	-	4,731	-	71,057	185,090	260,878	84,478	345,356
At 31 December 2009	720,408	53,022	4,202	362,982	(73,398)	2,955	1,070,171	721,637	1,791,808



Management Discussion and Analysis

Financial Review

The Group's revenue from continuing operations for the nine months ended 31 December 2009 was approximately HK\$347.4 million, representing a decrease of approximately 5.8%, as compared with approximately HK\$368.9 million for the previous corresponding period in 2008. The decrease in revenue from continuing operations was mainly due to the decrease in revenue from the hotel operations in the Philippines during the period. The Group reported a gross profit from continuing operations of approximately HK\$161.7 million for the period under review, representing a decrease of approximately 5.1%, as compared with approximately HK\$170.4 million in the last corresponding period. The decrease in gross profit from continuing operations was mainly due to the decrease in revenue from the operations of hotel during the period.

Other income from continuing operations for the nine months ended 31 December 2009 was approximately HK\$11.2 million, representing a decrease of approximately 64.4%, as compared with approximately HK\$31.5 million in the last corresponding period. The decrease was mainly due to the decrease in interest income during the period.

Selling and distribution costs, and general and administrative expenses from continuing operations increased by approximately 8.6% to approximately HK\$120.1 million for the nine months ended 31 December 2009 from approximately HK\$110.6 million in the last corresponding period. The majority of the selling and distribution costs, and general and administrative expenses arose from the business operating in the Philippines.

During the nine months ended 31 December 2009, the Group recorded a gain of approximately HK\$59.0 million on change in fair value of conversion option derivative as compared with approximately HK\$113.2 million for the previous period in 2008, representing a decrease of approximately 47.9%.

Share of profit from an associated company during the nine months ended 31 December 2009 was approximately HK\$158.1 million while it was a share of loss from an associated company of approximately HK\$4.2 million in the corresponding period in 2008. The share of profit from an associated company was mainly due to the commencement of the hotel and entertainment operations, and recognition of sales of residential properties during the period.

Finance costs from continuing operations for the nine months ended 31 December 2009 were approximately HK\$33.2 million, representing an increase of approximately 1.1%, as compared with approximately HK\$32.8 million in the last corresponding period.



The Group recorded a profit from continuing operations for the nine months ended 31 December 2009, amounted to approximately HK\$236.5 million, representing an increase of approximately 9.9%, as compared with approximately HK\$215.2 million in the last corresponding period. The increase in profit from continuing operations was mainly due to the net effect of the increase in share of profit from an associated company, the decrease in the gain on change in fair value of conversion option derivative, and the decrease in the deferred tax credit for the nine months ended 31 December 2009 as compared to the last corresponding period.

On 27 December 2007, the Company entered into a conditional sale and purchase agreement for the disposal of its entire interest in Cyber On-Air Group Limited (“COAG”). COAG and its subsidiaries are principally engaged in network solutions and project services. The disposal was completed in April 2008. Immediately after the completion of the disposal, the Group ceased to carry on the business of provision of network solutions and project services. Details of the disposal are set out in the announcements of the Company dated 2 January 2008 and 3 March 2008, and the circular of the Company dated 23 January 2008.

The loss for the nine months ended 31 December 2008 from the discontinued operations, including the provision of the network solutions and project services, was approximately HK\$1.4 million.

Business Review

The principal activities of the Group are hotel operations, leasing of properties for casino, ancillary leisure and entertainment operations, and to a lesser extent as compared to the preceding period the acquisition, financing, production and worldwide licensing of theatrical feature films in a variety of genres and investments in production of television series, music concerts and music records.

1. Leasing of properties and hotel operations

The revenue derived from the leasing of properties and operating the hotel for the nine months ended 31 December 2009 were approximately HK\$234.8 million and HK\$91.6 million respectively, representing an increase of approximately 3.4% and a decrease of approximately 24.6% respectively, as compared with approximately HK\$227.1 million and HK\$121.5 million respectively in the last corresponding period. The decrease in revenue from operating of hotel was mainly due to the decreases in the occupancy rate and average room rate during the period, and the depreciation of Philippine Peso against Hong Kong Dollar as compared with the corresponding period last year.

2. Entertainment business

The revenue derived from the entertainment business for the nine months ended 31 December 2009 was approximately HK\$21.0 million, representing an increase of approximately 3.6% as compared with approximately HK\$20.3 million for the previous corresponding period. The revenue comprised primarily from sales of the theatrical feature films under M8 Entertainment Inc. ("M8") and its subsidiaries (collectively the "M8 Group").

3. Interest in an associated company

A wholly owned subsidiary of the Company held 40% equity interest in Arc of Triumph Development Company Limited ("ATD"), a company incorporated in Macau. The principal activities of ATD are property development and investment, and hotel business. ATD owns a parcel of land with an area of approximately 7,128 square meters located at Novos Aterros do Porto Exterior (新口岸外港填海區), Macau which was developed into a complex comprising the high-end residential units, a super-deluxe hotel with casino facilities, commercial units and parking. The hotel and casino were open to guests in September 2009. The hotel, namely L'Arc New World Hotel Macau, is a 5-star hotel with 301 hotel rooms and the casino includes over 100 gaming tables and around 400 slot machines.

The Group's share of profit in the associated company for the nine months ended 31 December 2009 was approximately HK\$158.1 million while it was a share of loss of approximately HK\$4.2 million in the last corresponding period. The share of profit from an associated company was mainly due to the commencement of the hotel and entertainment operations, and recognition of sales of residential properties during the period.

Future Outlook

After the completion of the acquisition of the hotel and entertainment operations in the Philippines and Macau, the Group focuses on the hotel operations and the leasing of properties for casino, ancillary leisure and entertainment operations and they are the core activities of the Group. The Directors consider that hotel and entertainment operations will continue to contribute significantly towards the Group's revenue and results.



After taking into account matters related to the conduct of the M8 Group's business, which include, *inter alia*, the pessimistic operations of the M8 Group going forward, the status of the M8 Group's indebtedness to the Company, and the high cost of maintaining subsidiaries in North America, the Directors consider that it is the best interest of the Company not to devote any further resources to the M8 Group and to concentrate on the Company's business and investments in Asia. The Directors also consider that it is appropriate to liquidate the M8 Group in accordance with the relevant overseas regulations so as to enable the Group's current management to focus on its existing hotel and entertainment operations and to explore other leisure and entertainment businesses or opportunities in Asia. The objective is to strive for better return to the shareholders of the Company. On 10 September 2008 (Montreal time), the Company's Canadian legal advisers proceeded with the filing of a Petition for the Issuance of a Liquidation Order before the Superior Court of Quebec in Canada. Details of the development of the liquidation of the M8 Group are set out in the announcements of the Company dated 18 July 2008 and 11 September 2008. The Company will make further announcement in accordance with the GEM Listing Rules for any further development.

In addition, the Directors will continue to conduct the review of the Group's financial structure and the composition of its assets and liabilities periodically and may consider further re-alignment of its investments and business operations.

Financial Assistance to an Associated Company

On 8 April 2008, Fortune Gate Overseas Limited ("Fortune Gate"), a direct wholly owned subsidiary of the Company, entered into the conditional loan agreement (the "Loan Agreement") with ATD, an associated company of the Company incorporated in Macau, and is owned as to 40% by the Group.

Pursuant to the Loan Agreement, Fortune Gate has conditionally agreed to make available the loan facilities of up to HK\$760,000,000 to be advanced to ATD for financing the development of a property and the working capital of ATD. At 8 April 2008, before entering into the Loan Agreement, the amount due from ATD was approximately HK\$127,992,000. The Loan Agreement was approved by the shareholders of the Company at the extraordinary general meeting of the Company held on 19 May 2008. On 29 July 2009, Fortune Gate and ATD entered into the conditional supplemental loan agreement (the "Supplemental Loan Agreement") to extend the repayment date of the loan advanced to ATD to 31 August 2010. The Supplemental Loan Agreement was approved by the shareholders of the Company at the extraordinary general meeting of the Company held on 27 August 2009. Details of the transaction are set out in the announcements of the Company dated 9 April 2008 and 29 July 2009 and the circulars of the Company dated 28 April 2008 and 11 August 2009.

As at 31 December 2009, the amount due from ATD was approximately HK\$344,933,000, of which approximately HK\$87,907,000 was unsecured, interest-free and had no fixed date of repayment; HK\$40,000,000 was unsecured, bore interest at the rate of 6% per annum and had no fixed date of repayment; HK\$203,520,000 was unsecured, bore interest at the rate of 6% per annum and shall be repaid on 31 August 2010; and the remaining balance was the accrued interest of the advance which shall be repaid every three months. The advance to ATD was funded by internal financial resources of the Group.

The unaudited condensed statement of financial position extracted from the consolidated management accounts of ATD as at 31 December 2009 is as follows:

	HK\$'000
Current assets	654,841
Current liabilities	(1,715,700)
Net current liabilities	(1,060,859)
Non-current assets	2,987,751
Non-current liabilities	(181,619)
Net assets	1,745,273

Interests and Short Positions of Directors and Chief Executives in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

Save as disclosed below, as at 31 December 2009, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571 of the Laws of Hong Kong), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were taken or deemed to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the directors, to be notified to the Company and the Stock Exchange.

Long positions in the ordinary shares of the Company

Name of director	Number of ordinary shares of HK\$1.00 each in the share capital of the Company			Approximate percentage of the issued share capital of the Company
	Personal interest	Corporate interest	Total	
Mr. Lo Lin Shing, Simon	–	364,800 (Note)	364,800	0.03%

Note: These shares are held by Wellington Equities Inc., which is wholly owned by Mr. Lo Lin Shing, Simon, an executive Director.

Long positions in the ordinary shares of Maxprofit International Limited ("Maxprofit"), a subsidiary of the Company

Name of director	Number of ordinary shares of US\$1.00 each in the share capital of Maxprofit			Approximate percentage of shareholding
	Personal interest	Corporate interest	Total	
Mr. To Hin Tsun, Gerald	–	11 (Note)	11	11%

Note: Ten shares are held by Up-Market Franchise Ltd., and one share is held by Pure Plum Ltd.. Up-Market Franchise Ltd. and Pure Plum Ltd. are wholly owned by Mr. To Hin Tsun, Gerald, an executive Director.

Interests and Short Positions of Shareholders in Shares and Underlying Shares of the Company

Save as disclosed below, as at 31 December 2009, so far as is known to the Directors or chief executives of the Company, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO as having an interest in 5% or more of the issued share capital of the Company.

Long positions in the ordinary shares of the Company

Name of shareholder	Capacity	Number of ordinary shares of HK\$1.00 each in the share capital of the Company	Number of underlying shares	Aggregate interest	Approximate percentage of the issued share capital of the Company
Mediastar International Limited ("Mediastar")	Beneficial owner	881,773,550	–	881,773,550	74.78%
Cross-Growth Co., Ltd. ("Cross-Growth")	Beneficial owner	–	200,000,000 (Note 2)	200,000,000	16.96%
Chow Tai Fook Enterprises Limited ("CTF")	Interest of a controlled corporation	881,773,550 (Note 1)	200,000,000 (Note 2)	1,081,773,550	91.74%
Centennial Success Limited	Interest of a controlled corporation	881,773,550 (Notes 1, 3)	200,000,000 (Notes 2, 3)	1,081,773,550	91.74%
Cheng Yu Tung Family (Holdings) Limited	Interest of a controlled corporation	881,773,550 (Notes 1, 4)	200,000,000 (Notes 2, 4)	1,081,773,550	91.74%

Notes:

- (1) *Mediastar is wholly owned by CTF. Accordingly, CTF is deemed to be interested in 881,773,550 shares of the Company held by Mediastar under the SFO.*
- (2) *These underlying shares of the Company represent the new shares to be issued upon full conversion at the initial conversion price of HK\$2 per share of the convertible note issued by the Company on 11 October 2007 pursuant to the conditional acquisition agreement dated 23 November 2004 entered into among Cross-Growth, the Company and CTF in relation to the acquisition of hotel and entertainment operations in the Philippines and Macau.*

Cross-Growth is wholly owned by CTF. Accordingly, CTF is deemed to be interested in 200,000,000 underlying shares of the Company held by Cross-Growth under the SFO.

- (3) *CTF is wholly owned by Centennial Success Limited. Accordingly, Centennial Success Limited is deemed to be interested in 881,773,550 shares of the Company held by Mediastar, and 200,000,000 underlying shares of the Company held by Cross-Growth under the SFO.*
- (4) *Cheng Yu Tung Family (Holdings) Limited is interested in 51% of the issued share capital of Centennial Success Limited. Accordingly, Cheng Yu Tung Family (Holdings) Limited is deemed to be interested in 881,773,550 shares of the Company held by Mediastar, and 200,000,000 underlying shares of the Company held by Cross-Growth under the SFO.*

Share Option Schemes

Share option scheme adopted on 20 August 2004

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 20 August 2004, a share option scheme was adopted. The summary of the principal terms of the share option scheme is set out in Appendix II of the circular of the Company dated 27 July 2004.

No options have been granted, exercised or cancelled during the nine months ended 31 December 2009 and there were no share options outstanding under the share option scheme as at 31 December 2009.

Share option scheme of M8

During 1994, the board of directors of M8 formally established the Amended and Restated 1994 Stock Option Plan (the "Plan"), which provides for the granting of stock options to acquire Class B M8 Shares to employees, officers, directors and independent service providers to M8 or any of its subsidiaries.

Details of the share options outstanding as at 31 December 2009 which have been granted under the Plan to employees are as follows:

Name or category of participant	Date of grant	Exercisable period	Exercise price per share CAD	At 1 April 2009 and 31 December 2009
Employee	25 May 2000	26 May 2000 – 25 May 2010	0.120	100,000
Employee	29 August 2000	30 August 2003 – 29 August 2010	0.100	93,750
Employee	29 August 2000	30 August 2004 – 29 August 2010	0.100	306,250
Employee	24 May 2001	25 May 2001 – 24 May 2011	0.035	100,000
Employee	15 February 2002	16 February 2003 – 15 February 2012	0.075	410,000
Employee	13 May 2002	14 May 2004 – 13 May 2012	0.170	1,100,000
Employee	13 May 2002	14 May 2005 – 13 May 2012	0.170	1,100,000
Employee	13 May 2002	14 May 2006 – 13 May 2012	0.170	1,100,000
Employee	28 August 2002	29 August 2004 – 28 August 2012	0.160	1,000,000
Employee	1 May 2003	2 May 2003 – 1 May 2013	0.075	3,320,000
Total				8,630,000

No option was exercised, cancelled or granted during the nine months ended 31 December 2009.

Compliance Adviser's Interests

As updated and notified by the compliance adviser of the Company, Cinda International Capital Limited (the "Compliance Adviser"), as at 31 December 2009, except for the agreement entered into between the Company and the Compliance Adviser dated 11 October 2007, neither the Compliance Adviser nor any of its respective directors, employees or associates (as referred to in note 3 to the Rule 6A.31 of the GEM Listing Rules) had any interests in relation to the Group.

Competing Business

Directors' interests in competing business

The following Directors are considered to have interests in the business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to the GEM Listing Rules as set out below:

Name of director	Name of entity which business is considered to compete or likely to compete with the business of the Group	Description of business of the entity which is considered to compete or likely to compete with the business of the Group	Nature of interest of the director in the entity
Cheung Hon Kit	ITC Properties Group Limited	Investment in hotel and residential property in Macau	executive director, optionholder and shareholder <i>(Note 1)</i>
Cheng Kar Shun	Many Town Company Limited	A minority investor of Sociedade de Jogos de Macau, S.A. which is principally engaged in casino business in Macau	director and beneficial owner <i>(Note 2)</i>
Cheng Kar Shun	New World Development Company Limited and its subsidiaries	Investment in hotel property in Makati, Manila, Philippines	executive director, optionholder and shareholder <i>(Note 3)</i>
Cheng Chi Kong	New World Development Company Limited and its subsidiaries	Investment in hotel property in Makati, Manila, Philippines	executive director and optionholder <i>(Note 4)</i>

Notes:

- (1) As at 31 December 2009, Mr. Cheung Hon Kit is personally interested in 761,280 share options, 1,312,000 underlying shares under equity derivatives and 11,679,000 shares of ITC Properties Group Limited, together representing approximately 2.92% of the issued share capital of ITC Properties Group Limited.
- (2) Many Town Company Limited is owned as to 93.3% by United Worldwide Investment S.A., of which 50% is owned by Dr. Cheng Kar Shun.
- (3) As at 31 December 2009, Dr. Cheng Kar Shun is personally interested in 36,710,652 share options and his spouse is personally interested in 300,000 shares of New World Development Company Limited respectively, together representing approximately 0.96% of the issued share capital of New World Development Company Limited.
- (4) As at 31 December 2009, Mr. Cheng Chi Kong is personally interested in 502,885 share options of New World Development Company Limited, representing approximately 0.01% of the issued share capital of New World Development Company Limited.

Potential competition

Fortune Holiday Limited ("Fortune"), which is indirectly owned as to 73% by CTF, 11% by Mr. To Hin Tsun, Gerald and a non-member of the Group, entered into agreements with PAGCOR in June 2002 pursuant to which Fortune, subject to fulfillment of certain conditions precedent, is entitled to acquire a site of approximately 10.5 hectares ("Fortune Land") within a 60 hectares site at the Manila Bay Reclamation Area in the Philippines proposed to be called "Theme Park Manila". Under those agreements, Fortune is entitled to build a hotel, residential and entertainment complex including three PAGCOR casino facilities at the Fortune Land. The initial term of the lease of the Fortune Land under the said agreements is 50 years and Fortune has also been given, *inter alia*, the option to renew the lease for another 25 years.

Fortune has also been given the right, *inter alia*, under a separate agreement entered into in June 2002 to require PAGCOR to lease and operate a casino at no more than two sites at any one time acquired by Fortune in Metro Manila (but outside the Theme Park Manila). Dr. Cheng Kar Shun is also a director of Fortune.

Save as disclosed above, none of the Directors, the controlling shareholder, management shareholder and substantial shareholder (as respectively defined in the GEM Listing Rules) of the Company and their respective associates has an interest in a business which competes or may compete with the business of the Group or has any other conflict of interest which any such person has or may have with the Group pursuant to Rule 11.04 of the GEM Listing Rules.

Audit Committee

The Company has established an audit committee in July 2000 with written terms of reference in compliance with the GEM Listing Rules. The audit committee has three members, comprising three independent non-executive Directors, namely Mr. Cheung Hon Kit, Mr. Lau Wai Piu and Mr. Tsui Hing Chuen, William *JP*. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls of the Group. The audit committee has reviewed the unaudited third quarterly report for the nine months ended 31 December 2009.

Purchase, Sale or Redemption of the Company's Listed Securities

During the nine months ended 31 December 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

By order of the Board
International Entertainment Corporation
Dr. Cheng Kar Shun
Chairman

Hong Kong, 12 February 2010

As at the date of this report, the Board comprises the following members:

Executive Directors:

Cheng Kar Shun (*Chairman*)
Lo Lin Shing, Simon (*Deputy Chairman*)
To Hin Tsun, Gerald
Cheng Kam Chiu, Stewart
Cheng Kam Biu, Wilson
Cheng Chi Kong
Cheng Chi Him

Independent non-executive Directors:

Cheung Hon Kit
Kwee Chong Kok, Michael
Lau Wai Piu
Tsui Hing Chuen, William *JP*