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INTERNATIONAL ENTERTAINMENT CORPORATION
國際娛樂有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01009)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2017

FINANCIAL HIGHLIGHTS

	Year ended 31 March 2017	Year ended 31 March 2016
Revenue *(HK$'000)*	**290,714**	330,939
Profit before taxation *(HK$'000)*	**93,130**	57,745
Profit for the year *(HK$'000)*	**66,110**	45,212
Profit for the year attributable to owners of the Company *(HK$'000)*	**51,866**	31,703
Earnings per share – Basic *(HK cent)*	**4.40**	2.69

The Board does not recommend the payment of a final dividend for the year ended 31 March 2017.

RESULTS

The board of directors (the "Board") of International Entertainment Corporation (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2017, together with the comparative figures for the year ended 31 March 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
Revenue	*3*	**290,714**	330,939
Cost of sales		**(92,315)**	(176,562)
Gross profit		**198,399**	154,377
Other income	*5*	**12,206**	12,583
Other gains and losses		**29,853**	50,761
Change in fair value of financial assets at fair value through profit or loss		**231**	(21,154)
Selling and marketing expenses		**(6,232)**	(5,966)
General and administrative expenses		**(133,091)**	(132,856)
Finance costs		**(8,236)**	–
Profit before taxation	*6*	**93,130**	57,745
Income tax charge	*7*	**(27,020)**	(12,533)
Profit for the year		**66,110**	45,212
Profit for the year attributable to:			
Owners of the Company		**51,866**	31,703
Non-controlling interests		**14,244**	13,509
		66,110	45,212
		HK cent	*HK cent*
Earnings per share	*9*		
Basic		**4.40**	2.69

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	2017	2016
	HK$'000	*HK$'000*
Profit for the year	**66,110**	45,212
Other comprehensive (expense) income for the year		
Items that will not be reclassified to profit or loss:		
— remeasurement of defined benefit obligations	**(51)**	(306)
— exchange differences arising on translation to presentation currency	**(107,190)**	(69,524)
	(107,241)	(69,830)
Item that may be subsequently reclassified to profit or loss:		
— exchange differences arising on translation of foreign operations	**1,130**	4,267
Other comprehensive expense for the year, net of income tax	**(106,111)**	(65,563)
Total comprehensive expense for the year	**(40,001)**	(20,351)
Total comprehensive expense for the year attributable to:		
Owners of the Company	**(28,320)**	(18,750)
Non-controlling interests	**(11,681)**	(1,601)
	(40,001)	(20,351)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**317,127**	356,432
Investment properties		**390,872**	444,384
Financial assets at fair value through profit or loss	*10*	**20,521**	20,290
Other receivables, deposits and prepayments		**6,200**	5,926
		734,720	827,032
Current assets			
Inventories		**2,206**	2,546
Trade receivables	*11*	**21,943**	20,211
Other receivables, deposits and prepayments		**15,726**	16,071
Bank balances and cash		**303,711**	1,179,500
		343,586	1,218,328
Current liabilities			
Trade payables	*12*	**4,062**	6,094
Other payables and accrued charges	*12*	**38,247**	28,015
Tax liabilities		**–**	1,730
		42,309	35,839
Net current assets		**301,277**	1,182,489
Total assets less current liabilities		**1,035,997**	2,009,521

	Note	**2017**	2016
		HK$'000	*HK$'000*
Capital and reserves			
Share capital		**1,179,157**	1,179,157
Share premium and reserves		**(582,456)**	134,815
Equity attributable to owners of the Company		**596,701**	1,313,972
Non-controlling interests		**81**	565,945
Total equity		**596,782**	1,879,917
Non-current liabilities			
Deferred tax liabilities		**97,293**	124,434
Other liabilities		**5,506**	5,170
Promissory note	*13*	**336,416**	–
		439,215	129,604
		1,035,997	2,009,521

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements of the Group include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements of the Group have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The functional currency of the Company is Philippine Peso ("Peso"), the currency of the primary economic environment in which the Company's major subsidiaries operate. The consolidated financial statements of the Group are presented in Hong Kong Dollars ("HK$") as the directors of the Company (the "Directors") consider that it is an appropriate presentation for a company listed in Hong Kong and for the convenience of the shareholders of the Company (the "Shareholders").

2. SIGNIFICANT ACCOUNTING POLICIES AND APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

Except as described below, the accounting policies used in the preparation of the consolidated financial statements of the Group are consistently applied.

The Group has applied for the first time in the current year the following amendments to HKFRSs issued by the HKICPA:

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle

Except as described below, the application of these amendments to HKFRSs in the current year has had no material impact on the Group's financial performance or position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 "Disclosure initiative"

The Group has applied the amendments to HKAS 1 "Disclosure initiative" for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRSs is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

The Group has applied these amendments retrospectively. The presentation of disclosure note relating to retirement benefit costs has been revised due to immaterial amount reported. Other than the above-mentioned presentation and disclosure changes, the application of the amendments to HKAS 1 has not resulted in any material impact on the financial performance or financial position of the Group in the consolidated financial statements of the Group.

3. REVENUE

	2017	2016
	HK$'000	*HK$'000*
The Group's revenue comprises:		
Hotel		
Room revenue	**66,562**	68,150
Food and beverages	**37,596**	37,699
Other hotel service income	**2,769**	2,931
	106,927	108,780
Leasing of investment properties equipped with entertainment equipment	**183,787**	222,159
	290,714	330,939

4. SEGMENT INFORMATION

The executive Directors are the chief operating decision maker ("CODM"). The Group is principally operating in two types of operating divisions. Information reported to the CODM for the purposes of resources allocation and assessment of segment performance focuses on each principal operating division. The Group's operating segments under HKFRS 8 are therefore as follows:

(i) Hotel — Operation of hotel business; and

(ii) Leasing — Leasing of investment properties equipped with entertainment equipment.

Information regarding the above segments is presented below.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segment.

For the year ended 31 March 2017

	Hotel *HK$'000*	**Leasing** *HK$'000*	**Reportable segment total** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
REVENUE					
External sales	**106,927**	**183,787**	**290,714**	**–**	**290,714**
Inter-segment sales	**3,103**	**618**	**3,721**	**(3,721)**	**–**
Total	**110,030**	**184,405**	**294,435**	**(3,721)**	**290,714**
RESULTS					
Segment (loss) profit	**(11,805)**	**72,113**	**60,308**		**60,308**
Unallocated other income					**8,735**
Other gains and losses					**29,853**
Change in fair value of financial assets at fair value through profit or loss ("FVTPL")					**231**
Unallocated expenses					**(24,781)**
Finance costs					**(8,236)**
Profit for the year					**66,110**

For the year ended 31 March 2016

	Hotel *HK$'000*	Leasing *HK$'000*	Reportable segment total *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
REVENUE					
External sales	108,780	222,159	330,939	–	330,939
Inter-segment sales	400	643	1,043	(1,043)	–
Total	109,180	222,802	331,982	(1,043)	330,939
RESULTS					
Segment (loss) profit	(23,735)	47,864	24,129		24,129
Unallocated other income					8,308
Other gains and losses					50,761
Change in fair value of financial assets at FVTPL					(21,154)
Unallocated expenses					(20,626)
Unallocated income tax credit					3,794
Profit for the year					45,212

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit after tax earned by or loss after tax from each segment without allocation of unallocated expenses (including corporate expenses), other gains and losses, change in fair value of financial assets at FVTPL, finance costs, unallocated other income (i.e. investment income) and unallocated income tax credit. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

Segment assets and liabilities

At 31 March 2017

	Hotel	**Leasing**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***
ASSETS			
Segment assets	**400,466**	**617,043**	**1,017,509**
Unallocated assets			
Bank balances and cash			**39,239**
Financial assets at FVTPL			**20,521**
Others			**1,037**
Consolidated total assets			**1,078,306**
LIABILITIES			
Segment liabilities	**51,275**	**80,971**	**132,246**
Unallocated liabilities			
Promissory note			**336,416**
Others			**12,862**
Consolidated total liabilities			**481,524**

At 31 March 2016

	Hotel	Leasing	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Segment assets	448,279	857,114	1,305,393
Unallocated assets			
Bank balances and cash			717,950
Financial assets at FVTPL			20,290
Others			1,727
Consolidated total assets			2,045,360
LIABILITIES			
Segment liabilities	61,074	98,058	159,132
Unallocated liabilities			
Tax liabilities			1,730
Others			4,581
Consolidated total liabilities			165,443

For the purposes of assessing segment performance and allocating resources between segments:

- all assets are allocated to operating segments, other than unallocated assets (including plant and equipment for corporate use, financial assets at FVTPL, other receivables, deposits and prepayments for the corporate, and bank balances and cash for the corporate).
- all liabilities are allocated to operating segments, other than unallocated liabilities (including corporate tax liabilities, promissory note, and other payables and accrued charges for the corporate).

Other segment information

For the year ended 31 March 2017

	Hotel *HK$'000*	**Leasing** *HK$'000*	**Segment total** *HK$'000*	**Unallocated** *HK$'000*	**Consolidated total** *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to property, plant and equipment	**4,160**	**15,789**	**19,949**	**8**	**19,957**
Reversal of allowance for bad and doubtful debts for trade receivables, net	**(2)**	**–**	**(2)**	**–**	**(2)**
Depreciation	**15,178**	**32,426**	**47,604**	**10**	**47,614**
Interest income	**1,037**	**2,434**	**3,471**	**2,390**	**5,861**
Income tax credit (charge)	**2,920**	**(29,940)**	**(27,020)**	**–**	**(27,020)**

For the year ended 31 March 2016

	Hotel *HK$'000*	Leasing *HK$'000*	Segment total *HK$'000*	Unallocated *HK$'000*	Consolidated total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to property, plant and equipment	2,573	9,374	11,947	–	11,947
Gain on change in fair value of contingent consideration provision (included in other gains and losses)	–	–	–	(16,600)	(16,600)
(Reversal of allowance) allowance for bad and doubtful debts for trade receivables, net	(5)	1,590	1,585	–	1,585
Depreciation	26,592	112,490	139,082	9	139,091
Interest income	1,054	3,221	4,275	6,169	10,444
Income tax credit (charge)	2,710	(19,037)	(16,327)	3,794	(12,533)

Geographical segments

The Group's operations are mainly located in the Republic of the Philippines (the "Philippines").

All of the Group's revenue is generated from external customers in the Philippines. As at 31 March 2017 and 2016, the non-current assets excluded financial assets at FVTPL were mainly located in the Philippines.

Revenue from major services

The analysis of the Group's revenue from its major services is disclosed in note 3.

Information about major customer

Included in the revenue generated from hotel segment and leasing segment of approximately HK$2,420,000 (2016: HK$2,782,000) and HK$183,787,000 (2016: HK$222,159,000) respectively were contributed by the Group's largest customer and the aggregate revenue from this customer represented approximately 64% (2016: 68%) of the total revenue of the Group. There are no other single customers contributing over 10% of the Group's total revenue.

5. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Interest income from bank balances	**5,861**	10,444
Dividend income from financial assets at FVTPL	**1,552**	1,560
Sundry income	**4,793**	579
	12,206	12,583

Included above is income from listed investments of approximately HK$1,552,000 (2016: HK$1,560,000).

6. PROFIT BEFORE TAXATION

	2017	2016
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
(Reversal of allowance) allowance for bad and doubtful debts for trade receivables, net	**(2)**	1,585
Auditor's remuneration	**1,995**	1,995
Cost of inventories recognised as an expense	**13,411**	13,818
Change in fair value of contingent consideration provision (included in other gains and losses) *(Note b)*	**–**	(16,600)
Change in fair value of financial assets at FVTPL	**(231)**	21,154
Depreciation of property, plant and equipment	**29,934**	43,286
Depreciation of investment properties	**17,680**	95,805
Net foreign exchange gain (included in other gains and losses)	**(29,853)**	(34,161)
Minimum lease payment in respect of the operating leases on premises and land	**5,708**	5,943
Interest expenses on promissory note (included in finance costs)	**8,236**	–
Gross revenue from leasing of investment properties equipped with entertainment equipment	**(183,787)**	(222,159)
Less: Direct operating expenses that generated revenue from leasing of investment properties equipped with entertainment equipment *(Note a)*	**83,769**	157,908
	(100,018)	(64,251)
Staff costs, including Directors' emoluments		
— salaries and allowances	**58,959**	57,745
— retirement benefit costs	**1,199**	995
	60,158	58,740

Notes:

a. Amount mainly represents depreciation of leased properties and entertainment equipment, staff costs and marketing expenses.

b. Amount recognised for the year ended 31 March 2016 represented a gain from the reversal of the fair value of the contingent consideration provision in relation to the tax indemnity provided to the purchaser of a subsidiary of the Company disposed of by the Group during the year ended 31 March 2011. The tax indemnity was for a period of 5 years commencing from 5 November 2010.

7. INCOME TAX CHARGE

	2017	2016
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**–**	(2,229)
The Philippines	**(44,619)**	(15)
	(44,619)	(2,244)
Deferred taxation		
Current year	**17,599**	(10,289)
	(27,020)	(12,533)

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

The corporate income tax rate in the Philippines is 30% for both years. The withholding tax rate in respect of a dividend distributed by a subsidiary of the Company operating in the Philippines to its overseas immediate holding company is 15% for both years.

No provision for taxation in other jurisdictions was made in the consolidated financial statements for both years as the Group's operations outside Hong Kong and the Philippines either had no assessable profits or were exempted from profits tax in the respective jurisdictions.

During the year ended 31 March 2017, the Group utilised deferred tax liability in an amount of approximately HK$44,619,000 (2016: nil) as a result of dividend distributed by a subsidiary of the Company in the Philippines to its overseas immediate holding company.

8. DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
Dividends recognised as distribution to owners of the Company during the year:		
Final dividend for 2015/16 — nil (2016: Final dividend for 2014/15 — HK$0.01 per share)	**–**	11,792
Special dividend for 2015/16 — nil (2016: Special dividend for 2014/15 — HK$0.45 per share)	**–**	530,620
	–	542,412

The Board does not recommend the payment of a final dividend for the year ended 31 March 2017 (2016: nil).

9. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data:

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**51,866**	31,703
	In thousand	*In thousand*
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	1,179,157	1,179,157

For the years ended 31 March 2017 and 2016, no diluted earnings per share has been presented as there were no potential ordinary shares in issue during both years.

10. FINANCIAL ASSETS AT FVTPL

	2017	2016
	HK$'000	*HK$'000*
Financial assets at FVTPL comprise:		
Non-current:		
8% perpetual subordinated capital securities listed overseas *(Note)*	**20,521**	20,290

The 8% perpetual subordinated capital securities are financial assets designated as at FVTPL at initial recognition.

Note: The issuer of the 8% perpetual subordinated capital securities may redeem the 8% perpetual subordinated capital securities at any time upon the occurrence of certain events at a redemption price equal to the principal plus accrued interest. Subject to certain conditions, on any coupon payment date, the issuer may exchange the 8% perpetual subordinated capital securities in whole (but not in part) for perpetual non-cumulative dollar preference shares.

11. TRADE RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**26,177**	24,828
Less: Allowance for doubtful debts for trade receivables	**(4,234)**	(4,617)
	21,943	20,211

The average credit terms for trade receivables granted by the Group range from 0 to 90 days.

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 period.

	2017	2016
	HK$'000	*HK$'000*
Aged:		
0–30 days	**21,044**	18,850
31–60 days	**760**	1,123
61–90 days	**139**	238
	21,943	20,211

12. 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.

	2017	2016
	HK$'000	*HK$'000*
Aged:		
0–30 days	**2,132**	3,248
31–60 days	**555**	1,098
61–90 days	**53**	278
Over 90 days	**1,322**	1,470
	4,062	6,094

13. PROMISSORY NOTE

The promissory note is issued on 3 October 2016 by Fortune Growth Overseas Limited, a wholly-owned subsidiary of the Company, for the acquisition of additional interest in a subsidiary of the Company. The promissory note 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.

14. CONTINGENT LIABILITIES

At 31 March 2017, the Group had (a) contingent liabilities of approximately HK$408,466,000 (31 March 2016: HK$460,182,000) relating to the tax disputes between a subsidiary of the Company principally engaging in the business of leasing of properties in the Philippines and Bureau of Internal Revenue in the Philippines ("BIR") for the calendar years of 2008 and 2012, as well as the potential income tax (but not taking into account any possible additional penalties, surcharge or interest liability, of which existence 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) that may be assessed by BIR for the taxable years which are not yet barred by prescription under the relevant laws, rules and regulations of the Philippines; and (b) contingent liabilities of approximately HK$2,748,000 (31 March 2016: HK$8,773,000) relating to the tax dispute between another subsidiary of the Company principally engaging in the hotel operations in the Philippines and BIR for the calendar year of 2011 (but not taking into account any possible additional penalties or interest liability, of which existence 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).

(a) Tax disputes between Marina Square Properties, Inc. ("MSPI") and BIR for the calendar years of 2008 and 2012, and potential income tax

At 31 March 2017, the Group had contingent liabilities of approximately HK$408,466,000 (31 March 2016: HK$460,182,000) relating to the tax disputes between MSPI, a subsidiary of the Company principally engaging in the business of leasing of properties in the Philippines, and BIR for the calendar years of 2008 and 2012, as well as the potential income tax (but not taking into account any possible additional penalties, surcharge or interest liability, of which existence 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) that may be assessed by BIR for the taxable years which are not yet barred by prescription under the relevant laws, rules and regulations of the Philippines.

MSPI as lessor had entered into a lease agreement with Philippine Amusement and Gaming Corporation ("PAGCOR"), a company controlled and owned by the Philippine government, as lessee, for the lease of certain premises in the Philippines in March 2003.

On 29 February 2012, BIR issued a formal letter of demand to MSPI for alleged deficiency taxes for the calendar year of 2008 arising mainly from the imposition of income tax inclusive of penalties and interest on the rental income of MSPI from the lease of certain premises to PAGCOR in accordance with such lease agreement. On 29 March 2012, MSPI filed a protest with BIR on the ground that MSPI is exempt from Philippine corporate income tax pursuant to Section 13(2) of the Presidential Decree No. 1869, as amended.

On 2 November 2015, MSPI received the final decision on disputed assessment from BIR (the "MSPI-Final Decision on Disputed Assessment for 2008") for the alleged deficiency taxes for the calendar year of 2008 amounting to approximately Peso1,156,803,000 (equivalent to approximately HK$178,794,000) (inclusive of surcharge and interest).

On 1 December 2015, MSPI filed with BIR its request for reconsideration of the MSPI-Final Decision on Disputed Assessment for 2008 by the Commissioner of Internal Revenue in the Philippines. On 16 September 2016, MSPI filed with BIR a supplement to the request for reconsideration of the MSPI-Final Decision on Disputed Assessment for 2008. It is anticipated that final outcome of the tax dispute for the calendar year of 2008 will not be known for quite some time.

On 23 February 2016, MSPI received another formal letter of demand from BIR (the "MSPI-Formal Letter of Demand for 2012") for the alleged deficiency taxes for the calendar year of 2012 amounting to approximately Peso671,266,000 (equivalent to approximately HK$103,750,000) (inclusive of penalties, surcharge and interest) arising mainly from the imposition of income tax on the rental income of MSPI from the lease of certain premises to PAGCOR.

On 21 March 2016, MSPI filed with BIR a request for reconsideration of the MSPI-Formal Letter of Demand for 2012 on the ground that MSPI is exempt from Philippine corporate income tax pursuant to Section 13(2) of the Presidential Decree No. 1869, as amended. On 16 September 2016, MSPI filed with BIR a supplement to the request for reconsideration of the MSPI-Formal Letter of Demand for 2012. It is anticipated that the final outcome of the tax dispute for the calendar year of 2012 will not be known for quite some time.

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. Accordingly, no provision has been made for the tax disputes in the consolidated financial statements of the Group for the years ended 31 March 2017 and 2016. However, as there is at present a possible obligation (existence of which can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of such subsidiary) which may or may not require an initial outflow of resources, the Directors consider it prudent to estimate that as at 31 March 2017, the contingent liabilities in respect of the alleged deficiency taxes covering the calendar year of 2008 as stated in the MSPI-Final Decision on Disputed Assessment for 2008 and the contingent liabilities in respect of the alleged deficiency taxes covering the calendar year of 2012 as stated in the MSPI-Formal Letter of Demand for 2012 and the contingent liabilities in respect of the potential income tax arising from the rental income of MSPI from the lease of certain premises to PAGCOR (but not taking into account any possible additional penalties, surcharge or interest liability, of which existence 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) that may be assessed by BIR for the taxable years which are not yet barred by prescription under the relevant laws, rules and regulations of the Philippines as being a total of approximately HK$408,466,000 as a possible outflow of resources.

(b) Tax dispute between New Coast Hotel Inc. ("NCHI") and BIR for the calendar year of 2011

At 31 March 2017, the Group had contingent liabilities of approximately HK$2,748,000 (31 March 2016: HK$8,773,000) relating to the tax dispute between NCHI and BIR for the calendar year of 2011 (but not taking into account any possible additional penalties or interest liability, of which existence 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).

On 16 December 2015, NCHI received a formal letter of demand from BIR (the "NCHI-Formal Letter of Demand for 2011") for alleged deficiency taxes covering the calendar year of 2011 amounting to approximately Peso52,096,000 (equivalent to approximately HK$8,773,000) inclusive of penalties and interest.

On 15 January 2016, NCHI filed a protest with BIR against the NCHI-Formal Letter of Demand for 2011 in accordance with the relevant laws, rules and regulations of the Philippines.

On 20 September 2016, NCHI received the final decision on disputed assessment from BIR (the "NCHI-Final Decision on Disputed Assessment for 2011") for the alleged deficiency taxes for the calendar year of 2011. BIR reduced the alleged deficiency taxes to approximately Peso17,781,000 (equivalent to approximately HK$2,848,000) inclusive of penalties and interest.

On 20 October 2016, NCHI filed with BIR its request for reconsideration of the NCHI-Final Decision on Disputed Assessment for 2011 by the Commissioner of Internal Revenue in the Philippines. It is anticipated that the final outcome of the tax dispute for the calendar year of 2011 will not be known for quite some time.

Based on the advice of the independent legal adviser of NCHI, the Directors believe that NCHI has valid arguments to defend the tax dispute. Accordingly, no provision has been made for the tax dispute in the consolidated financial statements of the Group for years ended 31 March 2017 and 2016. However, as there is at present a possible obligation (existence of which can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of such subsidiary) which may or may not require an initial outflow of resources, the Directors consider it prudent to estimate that as at 31 March 2017, the contingent liabilities in respect of the alleged deficiency taxes of NCHI covering the calendar year of 2011 as stated in the NCHI-Final Decision on Disputed Assessment for 2011 (but not taking into account of any possible additional penalties or interest liability, of which existence 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) as being a total of approximately HK$2,748,000 as a possible outflow of resources.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group's revenue for the year ended 31 March 2017 was approximately HK$290.7 million, representing a decrease of approximately 12.1%, as compared with approximately HK$330.9 million in the last year. Both the revenue from the leasing of properties and the hotel operations for the year decreased as compared with the last year. All of the Group's revenue for the year under review was generated from the business operations in the Philippines. The Group reported a gross profit of approximately HK$198.4 million for the year under review, representing an increase of approximately 28.5%, as compared with approximately HK$154.4 million in the last year. Gross profit margin for the year ended 31 March 2017 was approximately 68.2%, representing an increase of approximately 21.5%, as compared to gross profit margin of approximately 46.7% for the year ended 31 March 2016. The increase in gross profit for the year was mainly due to the decrease in depreciation included in cost of sales after partial set off in a decrease in revenue.

Other income of the Group for the year ended 31 March 2017 was approximately HK$12.2 million, representing a decrease of approximately 3.2%, as compared with approximately HK$12.6 million in the last year.

The Group recorded a slight gain of approximately HK$0.2 million on change in fair value of financial assets at fair value through profit or loss for the year ended 31 March 2017, while a loss on change in fair value of financial assets at fair value through profit or loss of approximately HK$21.2 million was recognised for the last year.

Other gains and losses of the Group represented the net foreign exchange gain or loss and a gain on change in fair value of contingent consideration provision in relation to a tax indemnity provided to the purchaser of a subsidiary of the Company disposed of by the Group during the year ended 31 March 2011. The Group recorded a net foreign exchange gain of approximately HK$29.9 million for the year ended 31 March 2017, representing a decrease of approximately 12.6%, as compared with approximately HK$34.2 million in the last year. During the year ended 31 March 2016, the Group recognised a one-off gain of approximately HK$16.6 million on change in fair value of contingent consideration provision in relation to a tax indemnity provided to the purchaser of a subsidiary of the Company disposed of by the Group during the year ended 31 March 2011.

Selling and marketing expenses and general and administrative expenses of the Group increased by approximately 0.4% to approximately HK$139.3 million for the year ended 31 March 2017 from approximately HK$138.8 million in the last year. Included in these expenses for the year ended 31 March 2017, approximately 43.2% and 12.7% were the staff costs and the utilities expenses respectively. The staff costs for the year ended 31 March 2017 was approximately HK$60.2 million, representing an increase of approximately 2.6%, as compared with approximately HK$58.7 million in the last year. The utilities expenses for the year ended 31 March 2017 was approximately HK$17.7 million, representing a decrease of approximately 5.3%, as compared with approximately HK$18.7 million in the last year.

Finance costs of the Group for the year ended 31 March 2017 was approximately HK$8.2 million, which represented the interest expenses on promissory note issued by a subsidiary of the Company in relation to the acquisition of 49% equity interest in another subsidiary of the Company on 3 October 2016.

Income tax charge of the Group increased by approximately 116.0% to approximately HK$27.0 million for the year ended 31 March 2017 from approximately HK$12.5 million in the last year. The increase in income tax charge for the year was mainly due to the increase in deferred tax charge in relation to the withholding tax on undistributed earnings arising from the subsidiaries of the Company in the Philippines.

The profit of the Group increased by approximately 46.2% to approximately HK$66.1 million for the year ended 31 March 2017 from approximately HK$45.2 million for the year ended 31 March 2016.

Earnings per share for the year ended 31 March 2017 amounted to approximately 4.40 HK cents, as compared with earnings per share of approximately 2.69 HK cents for the year ended 31 March 2016.

Business Review

The principal activities of the Group are hotel operations, and leasing of properties for casino and ancillary leisure and entertainment operations.

1. *Leasing of properties*

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

   The revenue derived from the leasing of properties for the year ended 31 March 2017 was approximately HK$183.8 million, representing a decrease of approximately 17.3%, as compared with approximately HK$222.2 million in the last year. The decrease was mainly due to the decrease in the net gaming revenue from the local gaming area of the casino operated by PAGCOR as lessee of the Group's premises during the year, which was due to the new independent casinos coming into operation in the vicinity. It contributed approximately 63.2% of the Group's total revenue during the year under review while it contributed approximately 67.2% of the Group's total revenue in the last year.

2. *Hotel operations*

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

The revenue derived from the hotel operations for the year ended 31 March 2017 was approximately HK$106.9 million, representing a decrease of approximately 1.7%, as compared with approximately HK$108.8 million in the last year. The decrease was mainly due to the decrease in the room revenue during the year.

During the year under review, included in the revenue derived from the hotel operations, approximately 62.3% of the revenue was contributed by room revenue while it was approximately 62.7% in the last year. The room revenue for the year ended 31 March 2017 was approximately HK$66.6 million, representing a decrease of approximately 2.3%, as compared with approximately HK$68.2 million in the last year. The decrease was mainly due to the decrease in the average room rate during the year.

FUTURE OUTLOOK

The Group will continue to focus on its existing business operations and investments in the Philippines, and will prudently explore new opportunities. The management of the Group will 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. The Group will also strive to make good use of available cash on hand for investment for better return to the Shareholders.

The Directors will conduct a review on the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the Directors may look into business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2017, the Group's net current assets amounted to approximately HK$301.3 million (as at 31 March 2016: HK$1,182.5 million). Current assets amounted to approximately HK$343.6 million (as at 31 March 2016: HK$1,218.3 million), of which approximately HK$303.7 million (as at 31 March 2016: HK$1,179.5 million) was bank balances and cash, approximately HK$22.0 million (as at 31 March 2016: HK$20.2 million) was trade receivables, approximately HK$15.7 million (as at 31 March 2016: HK$16.1 million) was other receivables, deposits and prepayments, and approximately HK$2.2 million (as at 31 March 2016: HK$2.5 million) was inventories.

As at 31 March 2017, the Group had current liabilities amounted to approximately HK$42.3 million (as at 31 March 2016: HK$35.8 million), of which approximately HK$4.1 million (as at 31 March 2016: HK$6.1 million) was trade payables, approximately HK$38.2 million (as at 31 March 2016: HK$28.0 million) was other payables and accrued charges, and tax liabilities became nil (as at 31 March 2016: HK$1.7 million).

The bank balances and cash of the Group as at 31 March 2017 was mainly denominated in Peso, HK$ and United States Dollars ("USD").

During the year ended 31 March 2017, the Group had paid a dividend to non-controlling interests amounted to approximately HK$120.1 million. Besides, the Group paid the withholding tax amounted to approximately HK$44.6 million in respect of the dividend distributed by a subsidiary of the Company in the Philippines to its overseas immediate holding company.

During the year ended 31 March 2017, Fortune Growth Overseas Limited, a wholly-owned subsidiary of the Company, completed the acquisition of the remaining 49% equity interest in Maxprofit International Limited ("Maxprofit") at a consideration of HK$1,138 million, of which HK$788 million was settled by cash and HK$350 million was settled by way of the issuance of a promissory note (the "Promissory Note") in the principal amount of HK$350 million by Fortune Growth Overseas Limited to Cross-Growth Co., Ltd.. Details of the acquisition are set out in the announcement of the Company dated 25 July 2016 and the circular of the Company dated 25 August 2016. The Promissory Note, which was issued on 3 October 2016, carries interest at the fixed rate of 4% per annum and 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. As at 31 March 2017, the carrying value of the Promissory Note was approximately HK$336.4 million (as at 31 March 2016: nil).

Net cash generated by the operating activities of the Group for the year under review was approximately HK$63.7 million, representing a decrease of approximately 53.9%, as compared with approximately HK$138.1 million for the year ended 31 March 2016. Net assets attributable to the Shareholders as at 31 March 2017 amounted to approximately HK$596.7 million, representing a decrease of approximately 54.6%, as compared with approximately HK$1,314.0 million as at 31 March 2016.

The gearing ratio, measured in terms of the carrying values of total borrowings divided by total assets, was approximately 31.2% (as at 31 March 2016: nil).

The Group financed its operations generally with internally generated cash flows and the issuance of the Promissory Note.

CHARGES ON GROUP ASSETS

As at 31 March 2017 and 31 March 2016 respectively, there were no charges over any of the Group's assets.

MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

On 25 July 2016, Fortune Growth Overseas Limited entered into the conditional sale and purchase agreement with Cross-Growth Co., Ltd. to acquire the remaining 49% equity interest in Maxprofit at a consideration of HK$1,138 million. Completion of the acquisition took place on 3 October 2016 and Maxprofit became an indirect wholly-owned subsidiary of the Company. Details of the acquisition are set out in the announcement of the Company dated 25 July 2016 and the circular of the Company dated 25 August 2016.

Save as disclosed above, there was no acquisition or disposal of subsidiary and associated company or significant investments of the Group, which would have been required to be disclosed under the Listing Rules, for the year ended 31 March 2017.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The functional currency of the Company is Peso, the currency of the primary economic environment in which the Company's major subsidiaries operate. The consolidated financial statements of the Group are 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$, USD and Peso. The Group primarily earns its revenue and income in HK$, USD and Peso while the Group primarily incurs costs and expenses mainly in HK$ and Peso. Therefore, the Group may be exposed to currency risk.

The Group has not implemented any foreign currency hedging policy. However, the management of the Group will monitor foreign currency exposure for each business segment and review the needs of individual geographical area, and consider appropriate hedging policy in future when necessary.

CONTINGENT LIABILITIES

As at 31 March 2017, the Group had (a) contingent liabilities of approximately HK$408.5 million (as at 31 March 2016: HK$460.2 million) relating to the tax disputes between a subsidiary of the Company principally engaging in the business of leasing of properties in the Philippines and BIR for the calendar years of 2008 and 2012, as well as the potential income tax (but not taking into account any possible additional penalties, surcharge or interest liability, of which existence 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) that may be assessed by BIR for the taxable years which are not yet barred by prescription under the relevant laws, rules and regulations of the Philippines; and (b) contingent liabilities of approximately HK$2.7 million (as at 31 March 2016: HK$8.8 million) relating to the tax dispute between another subsidiary of the Company principally engaging in the hotel operations in the Philippines and BIR for the calendar year of 2011 (but not taking into account any possible additional penalties or interest liability, of which existence 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).

Details of the aforesaid contingent liabilities are set out in note 14 to this announcement.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group was 298 as at 31 March 2017 (as at 31 March 2016: 299). The staff costs for the year ended 31 March 2017 was approximately HK$60.2 million (for the year ended 31 March 2016: HK$58.7 million). The remuneration policy of the Company is recommended by the remuneration committee of the Company. The remuneration of the Directors and the employees of the Group is based on the performance and experience of the individuals and is determined with reference to the Group's performance, the remuneration benchmark in the industry and the prevailing market conditions. In addition to the salaries, the employees of the Group are entitled to benefits including medical, insurance and retirement benefits. Besides, the Group regularly provides internal and external training courses for the employees of the Group to meet their needs.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed the annual results of the Group for the year ended 31 March 2017.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position as at 31 March 2017, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and related notes thereto for the year ended 31 March 2017 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the year ended 31 March 2017, the Company has complied with the code provisions of the Corporate Governance Code (the "Corporate Governance Code") as set out in Appendix 14 to the Listing Rules, except for the following deviation:

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

Mr. Kwee Chong Kok, Michael, an independent non-executive Director, was unable to attend the annual general meeting of the Company held on 17 August 2016 and the extraordinary general meeting of the Company (the "EGM") held on 28 September 2016 as he had another business engagements at the time of those meetings.

Mr. Cheung Hon Kit, an independent non-executive Director, was unable to attend the EGM held on 28 September 2016 as he had another business engagement at the time of such meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (the "Code on Securities Transactions"), the standard of which is no less than the required standard provided in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code").

The Company, having made specific enquiries of all Directors, was not aware of any non-compliance with the required standard provided in the Model Code and the Code on Securities Transactions throughout the year ended 31 March 2017.

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

During the year ended 31 March 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 March 2017 (for the year ended 31 March 2016: nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the eligibility to attend and vote at the forthcoming annual general meeting (the "AGM") of the Company to be held on Tuesday, 22 August 2017, the register of members of the Company will be closed from Wednesday, 16 August 2017 to Tuesday, 22 August 2017 (both dates inclusive) during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30p.m. on Tuesday, 15 August 2017.

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

Hong Kong, 23 June 2017

As at the date of this announcement, the executive Directors are Dr. Choi Chiu Fai Stanley, Mr. Lam Yat Ming and Mr. Zhang Yan Min; and the independent non-executive Directors are Mr. Ren Yunan, Ms. Lu Gloria Yi, Mr. Sun Jiong and Mr. Ha Kee Choy Eugene.