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## INTERNATIONAL ENTERTAINMENT CORPORATION

### 國際娛樂有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01009)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

### Results

The board of directors (the "Board") of International Entertainment Corporation (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2011, together with the comparative unaudited figures for the corresponding period in 2010 as follows:

### Condensed Consolidated Income Statement

For the six months ended 30 September 2011

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2011</b>	2010
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
Revenue	3	<b>223,196</b>	199,453
Cost of sales		<b>(106,470)</b>	(103,095)
Gross profit		<b>116,726</b>	96,358
Other income	5	<b>28,378</b>	11,090
Other gain and loss		<b>(9,631)</b>	(15,681)
Change in fair value of financial assets at fair value through profit or loss		<b>(10,937)</b>	–
Change in fair value of conversion option derivative		–	42,000
Selling and distribution costs		<b>(2,881)</b>	(2,603)
General and administrative expenses		<b>(69,381)</b>	(57,846)
Share of profit of an associate		–	8,593
Finance costs		–	(23,695)
Profit before taxation	6	<b>52,274</b>	58,216
Income tax credit	7	<b>640</b>	2,807
Profit for the period		<b>52,914</b>	61,023

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2011</b>	2010
		<b>(Unaudited)</b>	(Unaudited)
	<i>Note</i>	<b>HK\$'000</b>	HK\$'000
Attributable to:			
Owners of the Company		<b>20,769</b>	32,366
Non-controlling interests		<b>32,145</b>	28,657
		<b>52,914</b>	61,023
<hr/>			
Earnings per share	9	<b>HK cent</b>	HK cent
Basic		<b>1.76</b>	2.74
		<b>N/A</b>	1.02
Diluted			

## Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2011

	Six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	<b>52,914</b>	61,023
<b>Other comprehensive income</b>		
Exchange differences arising on translation	<b>1,440</b>	75,055
Fair value change in available-for-sale financial assets	<b>–</b>	375
Other comprehensive income for the period	<b>1,440</b>	75,430
Total comprehensive income for the period	<b>54,354</b>	136,453
Total comprehensive income attributable to:		
Owners of the Company	<b>27,157</b>	83,217
Non-controlling interests	<b>27,197</b>	53,236
	<b>54,354</b>	136,453

## Condensed Consolidated Statement of Financial Position

As at 30 September 2011

		<b>30 September 2011 (Unaudited) HK\$'000</b>	31 March 2011 (Audited) HK\$'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	10	<b>526,936</b>	547,607
Investment properties	11	<b>998,969</b>	1,065,538
Financial assets at fair value through profit or loss		<b>78,296</b>	95,339
Other assets		<b>6,275</b>	6,631
		<hr/> <b>1,610,476</b>	<hr/> 1,715,115
<b>Current assets</b>			
Inventories		<b>2,758</b>	2,647
Held-to-maturity investments		<b>15,549</b>	15,485
Loan receivables	12	<b>334,000</b>	–
Financial assets at fair value through profit or loss		<b>106,600</b>	–
Trade receivables	13	<b>72,673</b>	39,942
Other receivables, deposits and prepayments		<b>52,295</b>	28,289
Bank balances and cash		<b>719,732</b>	2,182,155
		<hr/> <b>1,303,607</b>	<hr/> 2,268,518
<b>Current liabilities</b>			
Trade payables	14	<b>4,144</b>	6,967
Other payables and accrued charges		<b>53,021</b>	288,624
Tax liabilities		<b>1,000</b>	1,000
Promissory notes	15	<b>132,008</b>	132,008
		<hr/> <b>190,173</b>	<hr/> 428,599
<b>Net current assets</b>		<hr/> <b>1,113,434</b>	<hr/> 1,839,919
<b>Total assets less current liabilities</b>		<hr/> <b>2,723,910</b>	<hr/> 3,555,034

	<b>30 September 2011 (Unaudited)</b>	31 March 2011 (Audited)
<i>Note</i>	<b>HK\$'000</b>	HK\$'000
<b>Capital and reserves</b>		
Share capital	16 <b>1,179,157</b>	1,179,157
Share premium and reserves	<b>551,915</b>	1,409,126
	<hr/>	<hr/>
Equity attributable to owners of the Company	<b>1,731,072</b>	2,588,283
Non-controlling interests	<b>872,728</b>	845,531
	<hr/>	<hr/>
<b>Total equity</b>	<b>2,603,800</b>	3,433,814
	<hr/>	<hr/>
<b>Non-current liabilities</b>		
Deferred tax liabilities	<b>118,527</b>	119,793
Other liabilities	<b>1,583</b>	1,427
	<hr/>	<hr/>
	<b>120,110</b>	121,220
	<hr/>	<hr/>
	<b>2,723,910</b>	3,555,034
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Notes:

**1. General**

The Company is a company incorporated in the Cayman Islands with limited liability and its issued shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 27 September 2010.

The functional currency of the Company is Philippine Peso (“Peso”), the currency of the primary economic environment in which the Company’s major subsidiaries operate. The condensed consolidated financial statements 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 convenience of the shareholders of the Company (the “Shareholders”).

The Company is an investment holding company.

**2. Basis of Preparation and Significant Accounting Policies**

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” 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 Stock Exchange (the “Listing Rules”).

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

Except as described below, the accounting policies used in the preparation of the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2011.

In the current period, the Group has applied the following new and revised standards, amendments and interpretations (the "new and revised HKFRSs") issued by HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (as revised in 2009)	Related party disclosures
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a minimum funding requirement
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments

The application of the above new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these unaudited condensed consolidated financial statements and/or disclosures set out in these unaudited condensed consolidated financial statements.

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

HKFRS 1 (Amendments)	Severe hyperinflation and removal of fixed dates for first-time adopters <sup>1</sup>
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets <sup>1</sup>
HKFRS 9	Financial instruments <sup>2</sup>
HKFRS 10	Consolidated financial statements <sup>2</sup>
HKFRS 11	Joint arrangements <sup>2</sup>
HKFRS 12	Disclosure of interests in other entities <sup>2</sup>
HKFRS 13	Fair value measurement <sup>2</sup>
HKAS 1 (Amendments)	Presentation of items of other comprehensive income <sup>3</sup>
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets <sup>4</sup>
HKAS 19 (as revised in 2011)	Employee benefits <sup>2</sup>
HKAS 27 (as revised in 2011)	Separate financial statements <sup>2</sup>
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures <sup>2</sup>
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine <sup>2</sup>

<sup>1</sup> *Effective for annual periods beginning on or after 1 July 2011*

<sup>2</sup> *Effective for annual periods beginning on or after 1 January 2013*

<sup>3</sup> *Effective for annual periods beginning on or after 1 July 2012*

<sup>4</sup> *Effective for annual periods beginning on or after 1 January 2012*

HKFRS 9 “Financial instruments” (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 “Financial instruments” (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 9 that will be adopted in the Group’s consolidated financial statements for the financial year ending 31 March 2014. Based on the Group’s financial assets and liabilities as at 30 September 2011, the Directors anticipate that the application of the new standard may affect the classification and measurement of the Group’s financial assets at fair value through profit or loss.

The Directors anticipate that the application of the other new or revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.



### 3. Revenue

<b>Six months ended</b>	
<b>30 September</b>	
<b>2011</b>	2010
<b>(Unaudited)</b>	(Unaudited)
<b>HK\$'000</b>	HK\$'000

The Group's revenue comprises:

Hotel		
Room revenue	<b>43,852</b>	38,726
Food and beverages	<b>23,289</b>	20,671
Other hotel service income	<b>2,926</b>	3,095
	<hr/>	
	<b>70,067</b>	62,492
Leasing of investment properties equipped with entertainment equipment	<b>153,129</b>	136,961
	<hr/>	
	<b>223,196</b>	199,453
	<hr/> <hr/>	

### 4. Segment Information

The Board is the chief operating decision maker. The Group is principally engaging in two types of operating divisions. Information reported to the chief operating decision maker 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 "Operating Segments" are therefore as follows:

Hotel	–	Operation of hotel business
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 six months ended 30 September 2011

	Hotel (Unaudited) HK\$'000	Leasing (Unaudited) HK\$'000	Elimination (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
REVENUE				
External sales	70,067	153,129	-	223,196
Inter-segment sales	174	347	(521)	-
Total	<u>70,241</u>	<u>153,476</u>	<u>(521)</u>	<u>223,196</u>
RESULTS				
Segment (loss) profit	<u>(1,751)</u>	<u>65,276</u>		63,525
Unallocated other income				18,647
Change in fair value of financial assets at fair value through profit or loss				(10,937)
Other gain and loss				(9,631)
Unallocated expenses				<u>(8,690)</u>
Profit for the period				<u>52,914</u>

**For the six months ended 30 September 2010**

	Hotel (Unaudited) HK\$'000	Leasing (Unaudited) HK\$'000	Elimination (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>REVENUE</b>				
External sales	62,492	136,961	–	199,453
Inter-segment sales	64	328	(392)	–
	<hr/>			
Total	62,556	137,289	(392)	199,453
	<hr/> <hr/>			
<b>RESULTS</b>				
Segment (loss) profit	(6,002)	54,991		48,989
	<hr/> <hr/>			
Unallocated other income				7,296
Change in fair value of conversion option derivative				42,000
Other gain and loss				(15,681)
Unallocated expenses				(6,479)
Share of profit of an associate				8,593
Finance costs				(23,695)
				<hr/>
Profit for the period				61,023
				<hr/> <hr/>

Segment profit (loss) represents the profit earned by or loss from each segment without allocation of unallocated expenses (including corporate expenses), other gain and loss, share of profit of an associate, change in fair value of conversion option derivative, change in fair value of financial assets at fair value through profit or loss, unallocated other income (including investment income) and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

## 5. Other Income

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest income	<b>13,394</b>	6,672
Interest income from financial assets at fair value through profit or loss	<b>4,582</b>	3,395
Interest income from held-to-maturity investments	<b>688</b>	683
Interest income from loan receivables	<b>8,066</b>	–
Dividend income from financial assets at fair value through profit or loss	<b>1,247</b>	–
Sundry income	<b>401</b>	340
	<hr/>	
	<b>28,378</b>	11,090
	<hr/> <hr/>	

## 6. Profit Before Taxation

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Reversal of bad and doubtful debts for trade and other receivables	<b>(103)</b>	(205)
Cost of inventories recognised as an expense	<b>7,085</b>	6,195
Depreciation of property, plant and equipment	<b>26,364</b>	28,250
Depreciation of investment properties	<b>61,876</b>	58,397
Net foreign exchange loss (included in other gain and loss)	<b>9,631</b>	15,681
Rental expenses under operating leases on premises	<b>3,352</b>	3,454
Gross revenue from leasing of investment properties equipped with entertainment equipment	<b>(153,129)</b>	(136,961)
Less: Direct operating expenses that generated revenue from leasing of investment properties equipped with entertainment equipment ( <i>Note</i> )	<b>95,181</b>	87,594
	<b>(57,948)</b>	(49,367)
Staff costs		
– salaries and allowances	<b>25,088</b>	22,839
– retirement benefits schemes contributions	<b>213</b>	170
	<b>25,301</b>	23,009

*Note: The amount mainly represents depreciation of leased properties and entertainment equipment.*

## 7. Income Tax Credit

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Deferred tax credit – current period	<b>640</b>	2,807

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. No provision for Hong Kong Profits Tax has been made as the Group's operations in Hong Kong had no assessable profits for each of the six months ended 30 September 2011 and 30 September 2010.

No provision for taxation in other jurisdictions was made in the unaudited consolidated results for each of the six months ended 30 September 2011 and 30 September 2010 as the Group's operations outside Hong Kong either had no assessable profits or were exempted from profits tax in the respective jurisdictions.

A subsidiary of the Company operating in the Philippines as lessor had entered into a lease agreement with Philippine Amusement and Gaming Corporation ("PAGCOR"), a company solely owned by the Philippine government, as lessee, rendering the rental income received or receivable by such subsidiary from PAGCOR being exempted from the Philippine corporate profits tax. In addition, according to the said lease agreement, if such subsidiary is required to make any payment of the Philippine corporate profits tax in relation to any rental income received or receivable from PAGCOR, PAGCOR shall indemnify such subsidiary in respect of such payment.

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

## 8. Dividends

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Dividends recognised as distribution to owners of the Company during the period:		
Final dividend for 2010/11 – HK\$0.14 per share (2010: Final dividend for 2009/10 – nil)	<b>165,082</b>	–
Special dividend for 2010/11 – HK\$0.61 per share (2010: Special dividend for 2009/10 – nil)	<b>719,286</b>	–
	<hr/>	
	<b>884,368</b>	–
	<hr/> <hr/>	
Dividends declared after the reporting period:		
Interim dividend – nil (2010: HK\$0.50 per share)	–	589,579
	<hr/> <hr/>	

The Directors do not recommend the payment of any interim dividend for the six months ended 30 September 2011.

## 9. Earnings Per Share

The calculation of basic and diluted earnings per share attributable to the owners of the Company for the six months ended 30 September 2011 together with the comparative figures for 2010 is based on the following data:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	<b>20,769</b>	32,366
Effect of dilutive potential ordinary shares in respect of convertible note:		
– Change in fair value of conversion option derivative		(42,000)
– Effective interest expense		23,695
Earnings for the purpose of diluted earnings per share		14,061
	<b>In thousand</b>	In thousand
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,179,157</b>	1,179,157
Effect of dilutive potential ordinary shares from convertible note		200,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share		1,379,157

For the six months ended 30 September 2011, no diluted earnings per share has been presented as there were no dilutive potential ordinary shares.



## 10. Property, Plant and Equipment

	Buildings (Unaudited) HK\$'000	Leasehold improvements (Unaudited) HK\$'000	Machinery (Unaudited) HK\$'000	Furniture, fixtures and equipment (Unaudited) HK\$'000	Entertainment equipment (Unaudited) HK\$'000	Computer hardware (Unaudited) HK\$'000	Motor vehicles (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
COST								
At 1 April 2010	524,242	4,281	90,218	60,628	104,926	621	907	785,823
Exchange adjustments	25,265	185	4,382	3,023	5,782	2	44	38,683
Additions	2,636	698	1,619	4,551	29,628	140	-	39,272
Disposals	-	-	-	(481)	(4,935)	(26)	-	(5,442)
Write-off	-	-	-	-	-	(43)	-	(43)
At 31 March 2011	552,143	5,164	96,219	67,721	135,401	694	951	868,293
Exchange adjustments	(2,937)	(21)	(522)	(354)	(796)	1	(5)	(4,634)
Additions	259	-	767	275	8,096	40	-	9,437
Disposals	-	-	-	(666)	(2,646)	(71)	-	(3,383)
<b>At 30 September 2011</b>	<b>549,465</b>	<b>5,143</b>	<b>96,464</b>	<b>66,976</b>	<b>140,055</b>	<b>664</b>	<b>946</b>	<b>859,713</b>
DEPRECIATION								
At 1 April 2010	60,554	881	76,410	48,310	57,824	583	194	244,756
Exchange adjustments	3,653	29	3,886	2,457	3,229	2	15	13,271
Provided for the year	24,833	483	7,182	5,305	17,085	57	194	55,139
Eliminated on disposals	-	-	-	(399)	(2,012)	(26)	-	(2,437)
Eliminated on write-off	-	-	-	-	-	(43)	-	(43)
At 31 March 2011	89,040	1,393	87,478	55,673	76,126	573	403	310,686
Exchange adjustments	(656)	(5)	(487)	(318)	(512)	1	(2)	(1,979)
Provided for the period	12,944	293	1,540	2,063	9,388	35	101	26,364
Eliminated on disposals	-	-	-	(447)	(1,785)	(62)	-	(2,294)
<b>At 30 September 2011</b>	<b>101,328</b>	<b>1,681</b>	<b>88,531</b>	<b>56,971</b>	<b>83,217</b>	<b>547</b>	<b>502</b>	<b>332,777</b>
CARRYING VALUES								
<b>At 30 September 2011</b>	<b>448,137</b>	<b>3,462</b>	<b>7,933</b>	<b>10,005</b>	<b>56,838</b>	<b>117</b>	<b>444</b>	<b>526,936</b>
At 31 March 2011	463,103	3,771	8,741	12,048	59,275	121	548	547,607

## 11. Investment Properties

	<b>(Unaudited)</b> <b>HK\$'000</b>
COST	
At 1 April 2010	1,400,055
Exchange adjustments	67,276
Additions	<u>401</u>
At 31 March 2011	1,467,732
Exchange adjustments	(7,798)
Additions	<u>91</u>
<b>At 30 September 2011</b>	<b><u>1,460,025</u></b>
DEPRECIATION	
At 1 April 2010	266,747
Exchange adjustments	16,383
Provided for the year	<u>119,064</u>
At 31 March 2011	402,194
Exchange adjustments	(3,014)
Provided for the period	<u>61,876</u>
<b>At 30 September 2011</b>	<b><u>461,056</u></b>
CARRYING VALUES	
<b>At 30 September 2011</b>	<b><u><u>998,969</u></u></b>
At 31 March 2011	<u><u>1,065,538</u></u>

## 12. Loan Receivables

Included in the loan receivables of HK\$100.0 million (31 March 2011: nil), which is denominated in HK\$, carries interest at 8% per annum and is repayable within 12 months. The remaining balance represented the participation in a credit facility by the Group in the principal amount of US\$30.0 million (equivalent to approximately HK\$234.0 million) (31 March 2011: nil), which is denominated in US\$, interest bearing at 35% per annum and repayable within 12 months.

On 2 September 2011, the Company, through its subsidiary, participated in the provision of a credit facility made available to Neo Summit Limited (the "Borrower") pursuant to the credit agreement dated 5 August 2011 entered into between the Borrower and Deutsche Bank AG, London Branch in the principal amount of US\$30.0 million (equivalent to approximately HK\$234.0 million) (the "Participation"). Details of the Participation are set out in the announcement of the Company dated 2 September 2011.

Subsequent to 30 September 2011, approximately HK\$117.0 million was repaid by the Borrower.

## 13. Trade Receivables

The average credit terms for trade receivables granted by the Group range from 0 to 90 days. A longer period is granted to customers with whom the Group has a good business relationship and which are in sound financial condition. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

	<b>30 September 2011 (Unaudited) HK\$'000</b>	31 March 2011 (Audited) HK\$'000
Aged:		
0 – 30 days	<b>29,078</b>	34,261
31 – 60 days	<b>1,083</b>	3,957
61 – 90 days	<b>27,704</b>	1,068
Over 90 days	<b>14,808</b>	656
	<hr/> <b>72,673</b>	<hr/> 39,942

#### 14. Trade Payables

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

	<b>30 September 2011 (Unaudited) HK\$'000</b>	31 March 2011 (Audited) HK\$'000
Aged:		
0 – 30 days	<b>1,708</b>	4,580
Over 90 days	<b>2,436</b>	2,387
	<hr/> <b>4,144</b> <hr/>	<hr/> 6,967 <hr/>

#### 15. Promissory Notes

In October 2007, promissory notes (the “Promissory Notes”) in an aggregate amount of approximately HK\$642.0 million were issued by a subsidiary of the Company in favor of two related companies, which are beneficially owned by Chow Tai Fook Enterprises Limited, an intermediate parent of the Company, to replace the shareholders’ loans of approximately HK\$642.0 million assigned by the shareholders which arose from the acquisition of Fortune Gate Overseas Limited. Pursuant to the terms of the Promissory Notes, the amounts are unsecured, non-interest bearing and repayable on demand. During the six months ended 30 September 2010, the Group had settled an amount of approximately HK\$73.2 million owing under the Promissory Notes.

As at 30 September 2011 and 31 March 2011, the amount was denominated in HK\$, which is other than the functional currency of the respective group entity.

## 16. Share Capital

	Par value of shares	Number of shares	Value (Unaudited)
	HK\$		HK\$'000
<b>Authorised:</b>			
Ordinary shares			
At 1 April 2010, 31 March 2011 and 30 September 2011	1 each	2,000,000,000	2,000,000

### Issued and fully paid:

Ordinary shares			
At 1 April 2010, 31 March 2011 and 30 September 2011	1 each	1,179,157,235	1,179,157

## 17. Operating Lease Commitments

### The Group as lessor

Marina Square Properties, Inc., an indirect subsidiary of the Company, signed a contract with PAGCOR to lease the equipped gaming premises and office premises to PAGCOR for a period of twelve years commencing from 31 March 2004. The monthly rental would be based on a certain percentage of net gaming revenue of the casino operated by PAGCOR at the leased premises or a fixed amount of Peso100,000 (equivalent to approximately HK\$18,000 (30 September 2010: equivalent to approximately HK\$17,000)), whichever is higher.

PAGCOR is chartered under Presidential Decree No. 1869, as amended ("PAGCOR Charter") to operate casino in the Philippines. The PAGCOR Charter had expired on 10 July 2008 and renewal was granted in June 2007 for 25 years from 11 July 2008. Casino rental income earned by the Group during the six months ended 30 September 2011 was approximately HK\$153,129,000 (six months ended 30 September 2010: approximately HK\$136,961,000), including contingent rental charges amounting to approximately HK\$153,021,000 (six months ended 30 September 2010: approximately HK\$136,859,000).

### The Group as lessee

At 30 September 2011, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>30 September 2011 (Unaudited) HK\$'000</b>	31 March 2011 (Audited) HK\$'000
Within one year	<b>6,203</b>	6,632
In the second to fifth year inclusive	<b>19,105</b>	19,746
Over five years	<b>59,180</b>	61,883
	<hr/> <b>84,488</b> <hr/>	<hr/> 88,261 <hr/>

Operating lease payments represent rentals payable by the Group in respect of leasehold land, condominium-units, office premises and staff quarters. Leases are negotiated for terms ranging from two to twenty years and rentals are fixed for the lease period.

## 18. Related Party Transactions

- (a) Apart from the related party transactions as disclosed in note 15, the Group had entered into the following material transactions with related parties during the period:

Relationship with related parties	Nature of transactions	Six months ended	
		30 September 2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
A related company which is controlled by the parent of the Company	Accommodation and beverages income	198	138
A related company which is an associate of the parent of the Company	Rental expenses	1,022	817

- (b) Compensation of key management personnel for the period is as follows:

	Six months ended	
	30 September 2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Salaries and other benefits	1,726	1,696
Contributions to retirement benefits scheme	12	12
	<b>1,738</b>	1,708

# Management Discussion and Analysis

## Financial Review

The Group's revenue for the six months ended 30 September 2011 was approximately HK\$223.2 million, representing an increase of approximately 11.9%, as compared with approximately HK\$199.5 million for the corresponding period in 2010. Both the revenue from the leasing of properties and the hotel operations for the period increased as compared with the last corresponding period. The Group reported a gross profit of approximately HK\$116.7 million for the period under review, representing an increase of approximately 21.1%, as compared with approximately HK\$96.4 million in the last corresponding period. Both the leasing of properties and the hotel operations contributed to the increase in gross profit for the period.

Other income for the six months ended 30 September 2011 was approximately HK\$28.4 million, representing an increase of approximately 155.9%, as compared with approximately HK\$11.1 million in the last corresponding period. The increase was mainly due to the increase in interest income during the period.

The Group recorded a loss of approximately HK\$10.9 million on change in fair value of financial assets at fair value through profit or loss for the six months ended 30 September 2011.

Other gain and loss represented the net foreign exchange gain or loss recognised during the period under review. The Group recorded a net foreign exchange loss of approximately HK\$9.6 million for the six months ended 30 September 2011, representing a decrease of approximately 38.6%, as compared with approximately HK\$15.7 million in last corresponding period.

Selling and distribution costs, and general and administrative expenses increased by approximately 19.5% to approximately HK\$72.3 million for the six months ended 30 September 2011 from approximately HK\$60.4 million in the last corresponding period.

The Group did not record any gain or loss on change in fair value of conversion option derivative and finance costs for the six months ended 30 September 2011 as the convertible note was fully repaid during the year ended 31 March 2011. The gain on change in fair value of conversion option derivative and finance costs for the six months ended 30 September 2010 were approximately HK\$42.0 million and HK\$23.7 million respectively.



The Group did not record any share of profit from an associated company for the six months ended 30 September 2011 as the associated company was disposed of during the year ended 31 March 2011. Share of profit from an associated company for the six months ended 30 September 2010 was approximately HK\$8.6 million.

The Group recorded a profit for the six months ended 30 September 2011, amounted to approximately HK\$52.9 million, representing a decrease of approximately 13.3%, as compared with approximately HK\$61.0 million in the last corresponding period.

## **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 for the six months ended 30 September 2011 was approximately HK\$153.1 million, representing an increase of approximately 11.8%, as compared with approximately HK\$137.0 million in the last corresponding period. It contributed approximately 68.6% to the Group's total revenue during the period under review. In the last corresponding period, it contributed approximately 68.7% to the Group's total revenue.

### **2. Hotel operations**

The revenue derived from the hotel operations mainly includes room revenue, revenue from food and beverages and other hotel service income. The revenue derived from the hotel operations for the six months ended 30 September 2011 was approximately HK\$70.1 million, representing an increase of approximately 12.1%, as compared with approximately HK\$62.5 million in the last corresponding period. The increase was mainly due to the increase in average room rate and the occupancy rate during the period under review.

## **Future Outlook**

The Group will continue to focus on its existing hotel operations, and the leasing of properties for casino and ancillary leisure and entertainment operations in the Philippines, and will also strive to seek other business opportunities for better return to the Shareholders. In addition, the Directors will continue to review the Group's financial structure and the composition of its assets and liabilities periodically. The Directors consider that the existing hotel operations and the leasing of properties in the Philippines will continue to contribute significantly towards the Group's revenue and results.

## **Liquidity, Financial Resources and Capital Structure**

As at 30 September 2011, the Group's net current assets amounted to approximately HK\$1,113.4 million (as at 31 March 2011: approximately HK\$1,839.9 million). Current assets amounted to approximately HK\$1,303.6 million (as at 31 March 2011: approximately HK\$2,268.5 million), of which approximately HK\$719.7 million (as at 31 March 2011: approximately HK\$2,182.2 million) was cash and bank deposits, approximately HK\$72.7 million (as at 31 March 2011: approximately HK\$39.9 million) was trade receivables, approximately HK\$52.3 million (as at 31 March 2011: approximately HK\$28.3 million) was other receivables, deposits and prepayments, approximately HK\$106.6 million (as at 31 March 2011: nil) was financial assets at fair value through profit or loss, approximately HK\$334.0 million (as at 31 March 2011: nil) was loan receivables, approximately HK\$2.8 million (as at 31 March 2011: approximately HK\$2.6 million) was inventories, and approximately HK\$15.5 million (as at 31 March 2011: approximately HK\$15.5 million) was held-to-maturity investments.

The Group had current liabilities amounted to approximately HK\$190.2 million (as at 31 March 2011: approximately HK\$428.6 million), of which approximately HK\$4.1 million (as at 31 March 2011: approximately HK\$7.0 million) was trade payables, approximately HK\$53.0 million (as at 31 March 2011: approximately HK\$288.6 million) was other payables and accrued charges, and approximately HK\$132.0 million (as at 31 March 2011: approximately HK\$132.0 million) was the amounts owing under the promissory notes.

The promissory notes amounted to approximately HK\$132.0 million (as at 31 March 2011: approximately HK\$132.0 million) were denominated in HK\$. The amounts were unsecured, interest-free and repayable on demand.

The gearing ratio, measured in terms of total borrowings divided by total assets, was approximately 4.5% as at 30 September 2011, compared to approximately 3.3% as at 31 March 2011.

The Group financed its operations generally with internally generated cash flows.

## **Charges on Group Assets**

As at 30 September 2011 and 31 March 2011, the Group did not have any charges on the Group's assets.

## **Material Acquisitions and Disposals and Significant Investments**

On 2 September 2011, the Company, through its subsidiary, participated in the provision of a credit facility (the "Facility") made available to Neo Summit Limited (the "Borrower") pursuant to the credit agreement dated 5 August 2011 entered into between the Borrower and Deutsche Bank AG, London Branch (the "Lender") in the principal amount of US\$30.0 million (equivalent to approximately HK\$234.0 million) (the "Participation"), which carries interest at 35% per annum and is repayable within twelve months from the date of drawdown of the Facility.

The Facility is to be utilised by the Borrower to acquire land use rights in respect of certain properties in the People's Republic of China (the "Properties"). The Facility is guaranteed by certain parties and is also secured by, among other things, (i) a first mortgage over all shares or equity interests in the Borrower and its intermediate holding companies that together hold the land use rights in the Properties; (ii) custody in favor of the Lender of the original documents of title in respect of land use rights in the Properties; and (iii) a fixed and floating charge over all of the assets of the Borrower (excluding any shares in, or assets of, the intermediate holding companies that hold land use rights in respect of other specified properties held or to be held by the Borrower) and its intermediate holding companies (other than the People's Republic of China entities) that indirectly hold the land use rights in the Properties.

Details of the Participation are set out in the announcement of the Company dated 2 September 2011.

Save as disclosed above, there was no other acquisition or disposal of subsidiary and affiliated company or significant investments, which would have been required to be disclosed under the Listing Rules, for the six months ended 30 September 2011.

## **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.

## **Exposure to Fluctuations in Exchange Rates and Any Related Hedges**

As at 30 September 2011, the Group's assets and liabilities were mainly denominated in HK\$, United States dollar ("US\$") and Peso. The Group primarily earns its revenue and income in HK\$, US\$ and Peso while the Group primarily incurs costs and expenses in HK\$ and Peso. The Group has not implemented any formal hedging policy. However, the management will monitor foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

## **Contingent Liabilities**

As at 30 September 2011 and 31 March 2011, the Group did not have any significant contingent liabilities.

## **Employees and Remuneration Policies**

The total number of employees of the Group was 341 as at 30 September 2011 (as at 30 September 2010: 324). The staff costs for the six months ended 30 September 2011 was approximately HK\$25.3 million (for the six months ended 30 September 2010: approximately HK\$23.0 million). The remuneration of the Directors and employees of the Group was based on the performance and experience of the individuals and was 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 scheme, insurance and retirement benefits schemes.

## **Audit Committee**

The Company has established an audit committee (the "Audit Committee") in July 2000. The Audit Committee comprises three independent non-executive Directors, namely Mr. Cheung Hon Kit, Mr. Lau Wai Piu and Mr. Tsui Hing Chuen, William *JP* with terms of reference prepared in accordance with the requirements of the Listing Rules. The Audit Committee is chaired by Mr. Cheung Hon Kit. One of the members of the Audit Committee possesses appropriate professional accounting qualification as defined under the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls of the Group. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 September 2011.

## **Compliance with Code on Corporate Governance Practices**

During the six months ended 30 September 2011, the Company was in compliance with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 to the Listing Rules, except for the following deviation:

Code Provision E.1.2 of the Code stipulates that the chairman of the board should attend the annual general meeting and arrange for the chairman of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders’ approval.

The chairman of the Board had not attended the annual general meeting of the Company held on 22 August 2011 as he had another business engagement at the time of such meeting. One of the executive Directors was elected as the chairman of the annual general meeting of the Company and responded to the questions of the Shareholders. The management considers that the Board has endeavored to maintain an on-going dialogue with the Shareholders.

## **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 with all the Directors, was not aware of any non-compliance with the required standard provided in the Model Code and the Code on Securities Transactions throughout the six months ended 30 September 2011.

## **Interim Dividend**

The Board has resolved not to recommend the payment of any interim dividend (2010: HK\$0.50 per share).

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

During the six months ended 30 September 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By order of the Board

**International Entertainment Corporation**

**Dr. Cheng Kar Shun**

*Chairman*

Hong Kong, 25 November 2011

*As at the date of this announcement, the Board comprises seven executive Directors, namely Dr. Cheng Kar Shun, Mr. Lo Lin Shing, Simon, Mr. To Hin Tsun, Gerald, Mr. Cheng Kam Chiu, Stewart, Mr. Cheng Kam Biu, Wilson, Mr. Cheng Chi Kong and Mr. Cheng Chi Him, and four independent non-executive Directors, namely Mr. Cheung Hon Kit, Mr. Kwee Chong Kok, Michael, Mr. Lau Wai Piu and Mr. Tsui Hing Chuen, William JP.*