INTERNATIONAL ENTERTAINMENT CORPORATION

國 際 娛 樂 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8118)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2007

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group's turnover for the year ended 31 March 2007 was approximately HK$137.3 million, representing a decrease of approximately 49.9%, as compared with approximately HK$274.3 million for the last year. The decrease in turnover was mainly due to the decrease in number of films produced during the year. The Group reported a gross loss of approximately HK$67.3 million for the year under review, as compared to the gross loss of approximately HK$83.0 million in the last year. The gross loss for the year was primarily due to write-downs on some of the films during the year.

Selling and distribution costs, and general and administrative expenses decreased by approximately 33.6% to approximately HK$54.3 million for the year ended 31 March 2007 from approximately HK$81.7 million in the last year. The decrease was mainly attributable to the decrease in marketing expenses for film production, decrease in distribution expenses for film distribution and decrease in allowance for bad and doubtful debts.

In last year, in view of the deteriorating results of certain subsidiaries, an impairment loss of approximately HK$14.8 million has been recognised for the goodwill arising on the acquisition of these subsidiaries.

The Group recorded a loss before taxation for the year ended 31 March 2007, amounted to approximately HK$109.6 million, representing a decrease of approximately 36.7%, as compared with approximately HK$173.0 million in last year. The decrease in loss before taxation was mainly due to the decrease in gross loss, decrease in marketing expenses for film production, decrease in distribution expenses for film distribution and decrease in allowance for bad and doubtful debts during the year.

Business review

The principal activities of the Group are provision of network solutions, project services, and the acquisition, financing, production and worldwide licensing of theatrical feature films in a variety of genres.

1. *Entertainment business*

   The revenue derived from the entertainment business for the year ended 31 March 2007 was approximately HK$118.6 million, representing a decrease of 53.9%, as compared with approximately HK$257.5 million in the last year. The revenue comprised primarily from sales of the theatrical feature films, *Running Scared, Man About Town,* and *Lovewrecked*. *Running Scared* is written and directed by Wayne Kramer and starring Paul Walker. *Man About Town* is a dramatic comedy written and directed by Mike Binder, and starring Ben Affleck and Rebecca Romijn and *Lovewrecked* stars Amanda Bynes and Chris Carmack. The decrease in revenue resulted from a decrease in sales attributable to the Group's films and decrease in number of films produced during the year.

   The class A multiple voting shares and the class B subordinate voting shares of M8 Entertainment Inc, a subsidiary of the Company incorporated in Canada, were delisted on the Toronto Stock Exchange ("TSX") at the close of market on 15 March 2007 (Toronto time) for failure to meet the continued listing requirements of TSX, particularly the maintenance of market value.

2. *Network solutions*

   Network solutions are the solutions provided by the Group to customers related to their data communication and telecommunication system. These solutions include Microwave Radio System, Wireless Local Area Network, Data Communication, Network Access Management, Frequency and Time Synchronization network solutions.

   During the year ended 31 March 2007, the revenue from network solutions was approximately HK$7.8 million, compared to approximately HK$8.1 million in the last year. The decrease in revenue was due to the keen competition in the market as well as some projects postponed and delayed by customers.

3. *Project services*

For the year ended 31 March 2007, revenue derived from the provision of project services was approximately HK$9.5 million, compared to approximately HK$6.8 million in the last year. The increase in revenue was due to the increase in demand of site optimization by network operators for the year.

Future outlook

In the year, the improvement of the economic climate has stimulated the enterprise customers to start investing in the network. With the change of technology, the existing old technology such as frequency synchronization system, may need to be replaced or upgraded by customers. In addition, the change of technology also means existing customers may save operating expenses by replacing their existing system with new technology equipments. Therefore, the Group is going to seek the sales opportunity by working closely with our existing vendor to offer the total solution that can help our customers to improve their network by saving their operating cost with adoption of new technology. The Group will also continue to increase the sales force to strengthen the sales penetration into different industry segments.

Although the revenue derived from the provision of project services increased compared to last year, project services are still in keen competition. The project service team will offer potential customers total service solution packages, including design, supply, project implementation, management service and after sales maintenance support service.

In additional to the production of films, the Group engages in the acquisition of films. The acquired films will be distributed by the Group. Same as previous years, the Group attends major film festivals, including the Cannes Film Festival and Berlin Film Festival, and distributes the films worldwide, to most territories around the world. The Group will also seek for investment opportunities in the production of music concerts in Hong Kong and the PRC.

The Group has taken a further step into the entertainment industry by entering into a conditional sale and purchase agreement for the acquisition of the hotel and entertainment operations in the Philippines and Macau on 23 November 2004. Details of the acquisition are set out in the announcements of the Company dated 23 November 2004, 17 March 2005, 29 September 2005, 6 January 2006, 22 June 2006, 3 August 2006, 11 August 2006, 22 December 2006 and 27 June 2007. As at the date of this announcement, the acquisition has not been completed because the relevant regulatory approval procedure is still ongoing. The Group will continue to explore the market and identify any business opportunities may provide its long term growth and development potential, enhance long term profitability, and strive for better return to the shareholders.

Liquidity, financial resources and capital structure

As at 31 March 2007, the Group's net current assets amounted to approximately HK$176.2 million (as at 31 March 2006: approximately HK$285.5 million). Current assets amounted to approximately HK$309.4 million (as at 31 March 2006: approximately HK$540.6 million), of which approximately HK$194.4 million (as at 31 March 2006: approximately HK$293.0 million) was cash, bank deposits and pledged deposits, approximately HK$5.8 million (as at 31 March 2006: approximately HK$25.0 million) was trade receivables, approximately HK$13.8 million (as at 31 March 2006: nil) was available-for-sale financial assets, approximately HK$34.8 million (as at 31 March 2006: approximately HK$23.3 million) was other receivable, deposits and prepayments and approximately HK$59.1 million (as at 31 March 2006: approximately HK$198.2 million) was film costs.

The Group had current liabilities amounted to approximately HK$133.2 million (as at 31 March 2006: approximately HK$255.1 million), of which approximately HK$92.9 million (as at 31 March 2006: approximately HK$59.4 million) was trade payables, approximately HK$24.2 million (as at 31 March 2006: approximately HK$46.4 million) was other payables and accrued charges, and approximately HK$12.9 million (as at 31 March 2006: approximately HK$130.5 million) was bank and other borrowings, and the Group did not have any loans from Directors and related companies as at 31 March 2007 (as at 31 March 2006: approximately HK$15.6 million).

As at 31 March 2007, the Group had bank borrowings of the Group amounted to approximately HK$12.9 million (as at 31 March 2006: approximately HK$127.1 million), which would be due within one year. The bank borrowings were secured and bore interest at the announced base rate of interest of Bank of America Corporation plus 0.75% to 1.5% per annum. All the bank borrowings were denominated in United States dollars.

The Group had repaid loans from certain Directors of approximately HK$3.0 million during the year. As at 31 March 2006, the Group had loans from certain Directors of approximately HK$3.0 million, of which approximately HK$1.8 million was unsecured, bore interest at the Hong Kong Interbank Offered Rate ("HIBOR") plus 2% per annum and was repayable on demand; and the remaining balance was unsecured, interest free and repayable on demand.

The Group had repaid the loans from related companies of approximately HK$12.6 million and other borrowings of approximately HK$3.4 million during the year. As at 31 March 2006, the Group had loans from related companies of approximately HK$12.6 million, of which approximately HK$11.1 million was unsecured, bore interest at HIBOR plus 2% per annum and was repayable on demand; approximately HK$1.2 million was unsecured, bore interest at the best lending rate quoted by The Hongkong and Shanghai Banking Corporation Limited and was repayable on demand; and the remaining balance was unsecured, interest-free and repayable on demand. The Company provided guarantees to a related company in respect of loans utilised by subsidiaries of the Group amounting to HK$11.0 million. In addition, the Group had other borrowings of approximately HK$3.4 million, of which approximately HK$2.0 million was unsecured, bore interest at HIBOR plus 2% per annum and was repayable on demand; and the remaining balance was unsecured, interest free and repayable on demand.

The gearing ratio, measured in terms of total borrowings divided by total assets, was approximately 4.1% as at 31 March 2007, compared to approximately 26.9% as at 31 March 2006.

The Group financed its operations generally with internally generated cash flows and the present available credit facilities.

Charges on group assets

As at 31 March 2007, the Group's bank deposit of approximately HK$13.9 million has been pledged to bank to secure banking facility granted to the Group. As at 31 March 2006, the Group's bank deposit of approximately HK$59.9 million, trade and other receivables, deposits and prepayments of approximately HK$32.2 million, and film assets of approximately HK$76.3 million have been pledged to banks to secure banking facility granted to the Group.

Material acquisitions and disposals and significant investments

On 23 November 2004, the Company, Cross-Growth Co. Ltd. ("Cross-Growth") and Chow Tai Fook Enterprises Limited ("CTF") entered into a conditional acquisition agreement pursuant to which the Company agreed conditionally to acquire the entired issued share capital of Fortune Gate Overseas Limited, a company incorporated in the British Virgin Islands and all the amounts due as at the date of completion of the acquisition agreement from members of Fortune Gate Overseas Limited and its subsidiaries to CTF and its subsidiaries (the "Acquisition") and, in addition to making cash payment of HK$450 million (subject to adjustments), to issue a HK$400 million convertible note due in 3 years, convertible into the shares of the Company upon conversion of conversion rights at HK$2 per share (subject to adjustments) (the "Convertible Note") as consideration to satisfy part of the purchase consideration of HK$850 million (subject to adjustments) (the "Purchase Price"). As announced on 17 March 2005, the Company exercised the option in favour of the Company to purchase 40% equity interest in the Arc of Triumph Development Company Limited, a company incorporated in Macau (the "Purchase Option") on 17 March 2005 and the Purchase Price will be increased by HK$363.2 million (subject to adjustments). The increased portion of the Purchase Price attributable to the Purchase Option will be paid in cash. Details of the proposed acquisition are set out in the announcements of the Company dated 23 November 2004, 17 March 2005, 29 September 2005, 6 January 2006, 22 June 2006, 3 August 2006, 11 August 2006, 22 December 2006 and 27 June 2007. As at the date of this announcement, the acquisition has not been completed because the relevant regulatory approval procedure is still ongoing.

On 28 November 2006, the Group accepted the cash offer made by a party in respect of the 5,000,000 shares of Hanny Holdings Limited (the "Hanny Shares"), the shares of which are listed on the main board of the Stock Exchange, on the basis of HK$3.80 for each Hanny Share. Details of the acceptance are set out in the announcement of the Company dated 5 December 2006 and the circular of the Company dated 21 December 2006.

Save as disclosed above, there were no other material acquisitions and disposals of subsidiaries and affiliated companies, which would have been required to be disclosed under the GEM Listing Rules, for the year ended 31 March 2007.

Future plans for material investments or capital assets
The Group will continue to explore the market and identify any business opportunities may provide its long term growth and development potential, enhance long term profitability, and strive for better return to the shareholders.

Exposure to fluctuations in exchange rates and any related hedges
The Group's assets and liabilities were denominated in Hong Kong dollars, Renminbi and United States dollars. The Group has no significant exposure to foreign exchange fluctuations.

Contingent liabilities
As at 31 March 2007, the Group has the following contingent liabilities:

(a) On 24 February 2006, Crystal Sky LLC (as claimant) initiated an arbitration proceedings against Media 8 Entertainment (as respondent) in respect of certain claims by Crystal Sky LLC for payments of sales commission purportedly owed by Media 8 Entertainment/ MDP Worldwide under an agreement between the parties dated 14 August 2000, damages and costs, amounting to approximately US$553,000 (equivalent to approximately HK$4.3 million). The Group has been advised by its US legal advisers that the claims made are unfounded. Accordingly, Media 8 Entertainment has applied for a dismissal of the claim made against it and also applied for summary judgement or adjudication on this matter. The parties requested for arbitration. As at the date of this announcement, the arbiter is considering the motion for summary judgment and the hearing date of the arbitration is pending.

(b) DEJ Productions, Inc. ("DEJ"), Blockbuster, Inc. and First Look Studios, Inc. (as plaintiffs) filed a claim against Media 8 Entertainment and MDP Distribution Inc. (as defendants) on 20 September 2006 before the courts in Texas, USA (this originally having been a complaint lodged by Media 8 Entertainment and MDP Distribution Inc. (as plaintiffs) against DEJ Productions, Inc., Blockbuster, Inc., First Look Studios, Inc. (as defendants) on 26 January 2006 before the courts in Los Angeles which was subsequently transferred to Texas in respect of a claim by Media 8 Entertainment and MDP Distribution Inc. for the share of revenue to which they have been underpaid but which are entitled in respect of the exploitation and distribution by DEJ of the film "Monster" pursuant to a licensing agreement granted by them, damages and costs, which amounted to not less than US$8,559,674 (equivalent to approximately HK$66,765,000). As at the date of this announcement, this case is in pre-trial discovery phase.

As at 31 March 2006, the Company has provided corporate guarantee of approximately HK$11.0 million to secure loans and other borrowings granted to its subsidiaries.

Employees and remuneration policies
The total number of employees of the Group was 39 as at 31 March 2007 (as at 31 March 2006: 45). The staff costs for the year ended 31 March 2007 was approximately HK$26.0 million (for the year ended 31 March 2006: approximately HK$26.4 million). The remuneration of employees of the Group is based on the performance and experience of individuals and is determined with reference to the Company's performance, the remuneration benchmark in the industry and the prevailing market conditions. In addition to salaries, employee benefits included medical scheme, insurance, retirement benefits schemes and share option scheme.

The board of directors (the "Board") of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2007, together with comparative figures for the year ended 31 March 2006.

CONSOLIDATED INCOME STATEMENT

For the Year Ended 31 March 2007

	Notes	**2007 HK$'000**	2006 HK$'000
Turnover	6	**137,310**	274,311
Cost of sales		**(204,609)**	(357,328)
Gross loss		**(67,299)**	(83,017)
Other income	8	**16,872**	9,281
Selling and distribution costs		**(12,786)**	(21,012)
Impairment loss recognised in respect of goodwill		**–**	(14,843)
General and administrative expenses		**(41,512)**	(60,717)
Finance costs	9	**(4,828)**	(2,704)
Loss before taxation	10	**(109,553)**	(173,012)
Taxation	11	**(1,260)**	(22,049)
Loss for the year		**(110,813)**	(195,061)
Attributable to:			
Equity holders of the Company		**(110,813)**	(117,063)
Minority interests		**–**	(77,998)
		(110,813)	(195,061)
Loss per share	12		
Basic		**HK$(0.47)**	HK$(0.50)
Diluted		**HK$(0.47)**	HK$(0.50)

CONSOLIDATED BALANCE SHEET
At 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment		**1,473**	1,952
Goodwill		**–**	–
Interest in an associate		**–**	–
		1,473	1,952
Current assets			
Inventories		**1,581**	655
Film costs		**59,089**	198,207
Available-for-sale financial assets		**13,786**	–
Trade receivables	13	**5,759**	25,001
Other receivables, deposits and prepayments		**34,761**	23,295
Amounts due from related companies		**41**	458
Tax recoverable		**–**	15
Pledged bank deposits		**13,853**	59,861
Bank balances and cash		**180,538**	233,123
		309,408	540,615
Current liabilities			
Trade payables	14	**92,859**	59,371
Other payables and accrued charges		**24,219**	46,444
Tax liabilities		**1,260**	–
Amounts due to related companies		**1,330**	2,454
Loans from directors		**–**	3,044
Loans from related companies		**–**	12,582
Preference dividend payable		**673**	673
Other borrowings		**–**	3,374
Bank borrowings		**12,853**	127,133
		133,194	255,075
Net current assets		**176,214**	285,540
Total assets less current liabilities		**177,687**	287,492
Capital and reserves			
Share capital		**235,831**	235,831
Share premium and reserves		**(58,144)**	51,661
Equity attributable to equity holders of the Company		**177,687**	287,492
Minority interests		**–**	–
Total equity		**177,687**	287,492

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 March 2007

	Attributable to equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000 *(Note)*	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2005	235,831	263,832	53,022	–	(2,793)	(145,968)	403,924	77,377	481,301
Exchange differences on translation to presentation currency	–	–	–	–	631	–	631	621	1,252
Loss for the year	–	–	–	–	–	(117,063)	(117,063)	(77,998)	(195,061)
Total recognised income and expense for the year	–	–	–	–	631	(117,063)	(116,432)	(77,377)	(193,809)
At 31 March 2006	235,831	263,832	53,022	–	(2,162)	(263,031)	287,492	–	287,492
Fair value change in available-for-sale financial assets	–	–	–	188	–	–	188	–	188
Exchange differences on translation to presentation currency	–	–	–	–	820	–	820	–	820
Net income recognised directly in equity	–	–	–	188	820	–	1,008	–	1,008
Loss for the year	–	–	–	–	–	(110,813)	(110,813)	–	(110,813)
Total recognised income and expense for the year	–	–	–	188	820	(110,813)	(109,805)	–	(109,805)
At 31 March 2007	235,831	263,832	53,022	188	(1,342)	(373,844)	177,687	–	177,687

Note: Merger reserve of the Group represents the difference between the share capital and share premium of HKCYBER whose shares were exchanged for the Company's shares and the nominal amount of share capital issued by the Company pursuant to the Group Reorganisation.

1. GENERAL

The Company is a public listed company incorporated in the Cayman Islands and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 31 July 2000. Its immediate holding company is Mediastar International Limited (incorporated in British Virgin Islands). Its intermediate holding company and ultimate holding company are Chow Tai Fook Enterprises Limited ("CTF") (incorporated in Hong Kong) and Cheng Yu Tung Family (Holdings) Limited (incorporated in British Virgin Islands) respectively. The address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The functional currency of the group entities is United States dollars ("USD"), the currency of the primary economic environment in which the Group operates. The consolidated financial statements are presented in Hong Kong dollars as the directors consider that it is more appropriate presentation for a company listed in Hong Kong and for the convenience of the shareholders.

The Company is an investment holding company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for accounting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006. The adoption of the new HKFRSs has no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment, revised or interpretations will have no any material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures [1]
HKAS 23 (Revised)	Borrowing costs [2]
HKFRS 7	Financial instruments: Disclosures [1]
HKFRS 8	Operating segments [2]
HK(IFRIC) – INT 8	Scope of HKFRS 2 [3]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives [4]
HK(IFRIC) – INT 10	Interim financial reporting and impairment [5]
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions [6]
HK(IFRIC) – INT 12	Service concession arrangements [7]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2009.
[3] Effective for annual periods beginning on or after 1 May 2006.
[4] Effective for annual periods beginning on or after 1 June 2006.
[5] Effective for annual periods beginning on or after 1 November 2006.
[6] Effective for annual periods beginning on or after 1 March 2007.
[7] Effective for annual periods beginning on or after 1 January 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are mainly loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that requires delivery of assets with the time frame established by regulation or convention in the market price. The accounting policies adopted in respect of each category of financial assets are set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, pledged bank deposits, bank balances and amounts due from related companies) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including trade payables, other payables, amounts due to related companies, loans from directors, loans from related companies, preference dividend payable and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition
Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity-settled share-based payment transactions
Share options granted to employees of the Group
The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium and share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

Revenue recognition
Sales of goods are recognised when goods are delivered and title has passed.

Engineering service income is recognised over the relevant contract period on straight line basis.

Other service income is recognised when the services are rendered.

Fee licensing income is recognised when the film production is completed, the ownership of the production has been passed to the distributors, the licensing contract is signed with a fixed or determinable fees and the collectibility of proceeds is reasonable assured.

Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Impairment losses (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Film costs

Film costs represents film rights and films and animation series produced by the Group or acquired by the Group.

Film rights are stated at cost less accumulated amortisation and any identified impairment loss. Amortisation is charged to the income statement based on the proportion of actual income earned during the year to the total estimated income from the distribution of film rights.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowings costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefits costs

Payments to retirement benefits schemes are charged as an expense when the employee have rendered service entitling them to the contribution.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 3, management has made the following estimates concerning future. The key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

Estimated impairment and amortisation of film costs

Once there is an indication of impairment of film costs, the management of the Group reviews the fair values of film costs on a film-by-film basis by referring to respective present value which was calculated based on the estimated future income. The income forecast calculation requires the Group to estimate the future income expected to arise. Where the actual income less than expected, impairment loss of film costs may arise. Besides, the Group amortises its film costs based on the proportion of actual income earned during the year to the total estimated income from the distribution of film rights. The Group assesses the total estimated income on a regular basis and if the expectation differs from the original estimate, such difference will impact the amortisation charge in the year in which such estimate has been changed.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade receivables, other receivables, available-for-sale financial assets, pledged bank deposits, bank balances, trade payables, other payables, amounts due to related companies, and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual trade receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank deposits is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Interest rate risk

Interest bearing financial assets comprise bank balances and pledged bank deposits which are all short-term in nature and are therefore not exposed to significant fair value interest rate risk.

The Group's cash flow interest rate risk mainly relates to variable-rate borrowings. The Group currently does not have any interest rate hedging policy. The directors monitor the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arise.

Fair value

The fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices. The fair value of these financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

6. TURNOVER

	2007 HK$'000	2006 HK$'000
The Group's turnover comprises:		
Sales of goods	**7,824**	8,112
Service income	**10,869**	8,727
Film licensing income	**118,617**	257,472
	137,310	274,311

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into three operating divisions, namely network solutions, project services and entertainment business. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Network solutions	–	Providing total system solution including data networking solution, synchronisation solution, timing solution, wireless local areas network solution and network access control solution
Project services	–	Providing infrastructure installation services for customers which include cellular base station and antenna system installation service, structural cabling installation service and microwave installation service
Entertainment business	–	Production and licensing of theatrical motion pictures in a variety of genres

Segment information about these businesses is presented below.

Income statement for the year ended 31 March 2007

	Network solutions HK$'000	Project services HK$'000	Entertainment business HK$'000	Others HK$'000	Consolidated HK$'000
TURNOVER					
External sales	**7,824**	**9,469**	**118,617**	**1,400**	**137,310**
RESULTS					
Segment results	**2,268**	**2,640**	**(111,634)**	**988**	**(105,738)**
Other income					**16,872**
Unallocated expenses					**(15,859)**
Finance costs					**(4,828)**
Loss before taxation					**(109,553)**
Taxation					**(1,260)**
Loss for the year					**(110,813)**

Balance sheet at 31 March 2007

	Network solutions HK$'000	Project services HK$'000	Entertainment business HK$'000	Others HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	**3,376**	**3,540**	**80,919**	**–**	**87,835**
Unallocated corporate assets					**223,046**
Consolidated total assets					**310,881**
LIABILITIES					
Segment liabilities	**3,380**	**3,195**	**106,567**	**674**	**113,816**
Unallocated corporate liabilities					**19,378**
Consolidated total liabilities					**133,194**

Other information for the year ended 31 March 2007

	Network solutions HK$'000	**Project services HK$'000**	**Entertainment business HK$'000**	**Others HK$'000**	**Consolidated HK$'000**
Additions to property, plant and equipment and film costs	**–**	**–**	**48,547**	**807**	**49,354**
Depreciation and amortisation	**116**	**–**	**89,115**	**1,048**	**90,279**
Loss on disposal of property, plant and equipment	**–**	**–**	**–**	**152**	**152**
Impairment loss recognised in respect of film costs	**–**	**–**	**102,815**	**–**	**102,815**
Allowance for obsolete inventories	**7**	**38**	**–**	**–**	**45**
Allowance for bad and doubtful debts	**32**	**–**	**1,053**	**–**	**1,085**

Income statement for the year ended 31 March 2006

	Network solutions HK$'000	Project services HK$'000	Entertainment business HK$'000	Others HK$'000	Elimination HK$'000	Consolidated HK$'000
TURNOVER						
External sales	8,112	6,796	257,472	1,931	–	274,311
Inter-segment sales	105	–	–	–	(105)	–
Total	8,217	6,796	257,472	1,931	(105)	274,311
Inter-segment sales are charged at prevailing market prices						
RESULTS						
Segment results	(2,500)	1,641	(162,672)	983	–	(162,548)
Other income						9,281
Unallocated expenses						(17,041)
Finance costs						(2,704)
Loss before taxation						(173,012)
Taxation						(22,049)
Loss for the year						(195,061)

Balance sheet at 31 March 2006

	Network solutions HK$'000	Project services HK$'000	Entertainment business HK$'000	Others HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	1,040	1,198	240,837	422	243,497
Unallocated corporate assets					299,070
Consolidated total assets					542,567
LIABILITIES					
Segment liabilities	1,515	2,407	95,132	1,005	100,059
Unallocated corporate liabilities					155,016
Consolidated total liabilities					255,075

Other information for the year ended 31 March 2006

	Network solutions HK$'000	Project services HK$'000	Entertainment business HK$'000	Others HK$'000	Consolidated HK$'000
Additions to property, plant and equipment and film costs	38	–	83,411	176	83,625
Depreciation and amortisation	168	–	235,838	2,218	238,224
Loss on write-off of property, plant and equipment	–	–	–	67	67
Impairment loss recognised in respect of film costs	–	–	100,748	–	100,748
Impairment loss recognised in respect of goodwill	4,807	–	10,036	–	14,843
Allowance for bad and doubtful debts	–	–	11,874	–	11,874

Geographical segments

The Group's operations are located in Hong Kong, elsewhere in the People's Republic of China (the "PRC") and the United States of America (the "USA").

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/services:

	Turnover by geographical market	
	2007	2006
	HK$'000	HK$'000
Hong Kong	**20,321**	14,669
Elsewhere in the PRC	**1,022**	2,170
USA	**46,301**	127,978
Europe	**65,358**	112,596
Asia other than Hong Kong and the PRC	**4,308**	16,898
	137,310	274,311

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and film costs, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and film costs	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**15,100**	27,798	**1,417**	25,692
Elsewhere in the PRC	**943**	676	**55**	9
USA	**71,792**	215,023	**47,882**	57,924
	87,835	243,497	**49,354**	83,625

8. OTHER INCOME

	2007	2006
	HK$'000	HK$'000
Gain on disposal of available-for-sale financial assets	**5,434**	–
Interest income on bank deposits	**10,036**	9,227
Sundry income	**1,102**	54
Dividend income from listed securities	**300**	–
	16,872	9,281

9. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest on bank overdrafts and bank borrowings	**7,838**	17,651
Interest on loans from related companies	**308**	510
Interest on loans from directors	**65**	111
Interest on other borrowings	**65**	111
Imputed interest expense on promissory notes	**–**	416
	8,276	18,799
Less: Amount capitalised in film costs	**(3,448)**	(16,095)
	4,828	2,704

10. LOSS BEFORE TAXATION

	2007 HK$'000	2006 HK$'000
Loss before taxation has been arrived at after charging:		
Allowance for bad and doubtful debts	**1,085**	11,874
Allowance for obsolete inventories (included in cost of sales)	**45**	–
Amortisation of film costs (included in cost of sales)	**88,862**	235,577
Auditors' remuneration	**2,469**	1,800
Underprovision in previous year	**210**	–
	2,679	1,800
Cost of inventories recognised as an expense	**12,097**	11,034
Depreciation of property, plant and equipment	**1,417**	2,647
Impairment loss recognised in respect of film costs (included in cost of sales)	**102,815**	100,748
Loss on disposal of property, plant and equipment	**152**	67
Net foreign exchange loss	**220**	376
Rental expenses under operating leases on		
– premises	**3,998**	3,699
– equipment	**283**	394
Staff costs, including directors' emoluments		
– Salaries and allowances	**25,478**	25,875
– Retirement benefits schemes contributions	**509**	495
	25,987	26,370

11. TAXATION

	2007	2006
	HK$'000	HK$'000
Current tax – Hong Kong	**1,260**	–
Deferred taxation	**–**	22,049
	1,260	22,049

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profit for the year. No taxation arising in other jurisdiction has been made in the financial statements as its overseas operations have no assessable profits for the year.

No provision for Hong Kong Profits Tax or taxation arising in other jurisdiction was made in the 2006 financial statements as the Company and its subsidiaries have no assessable profits for the year ended 31 March 2006.

The income tax rate of the Group's subsidiaries operating in Hong Kong is 17.5% (2006: 17.5%).

The income tax rate of the Group's subsidiaries operating in the USA is 36.8% (2006: 36.8%).

The tax charge for the year can be reconciled to the loss per the income statement as follows:

	USA		**Hong Kong**		**Total**	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Loss before taxation	**(91,286)**	(150,197)	**(18,267)**	(22,815)	**(109,553)**	(173,012)
Tax at the domestic rates applicable to profits in the country concerned	**(33,593)**	(55,272)	**(3,197)**	(3,993)	**(36,790)**	(59,265)
Tax effect of expenses not deductible for tax purpose	**13,535**	2,370	**2,924**	2,631	**16,459**	5,001
Tax effect of income not taxable for tax purpose	**–**	–	**(1,716)**	(1,545)	**(1,716)**	(1,545)
Tax effect of utilisation of tax losses not previously recognised	**–**	–	**(23)**	–	**(23)**	–
Tax effect of tax losses and deductible temporary not recognised	**20,058**	52,902	**3,280**	2,904	**23,338**	55,806
Effect of different tax rates of subsidiaries operating in other jurisdiction	**–**	–	**(158)**	(6)	**(158)**	(6)
Reversal of deferred tax assets due to change in estimate	**–**	22,049	**–**	–	**–**	22,049
Others	**–**	–	**150**	9	**150**	9
Tax charge for the year	**–**	22,049	**1,260**	–	**1,260**	22,049

12. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to the ordinary equity holders of the Company for the year ended 31 March 2007 together with the comparative figures for 2006 are based on the following data:

	2007 HK$'000	2006 HK$'000
Loss		
Loss for the purpose of basic and diluted loss per share	**(110,813)**	(117,063)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**235,831,447**	235,831,447

	2007 HK$	2006 HK$
Loss per share		
Basic and diluted loss per share	**(0.47)**	(0.50)

The computation of diluted loss per share does not assume the exercise of the subsidiary's outstanding share options since their exercise would result in a decrease in loss per share.

13. TRADE RECEIVABLES

The credit terms of the Group range from 0 to 90 days. A longer period is granted to few film distributors with whom the Group has a good business relationship and which are in sound financial condition. The aged analysis of trade receivables is as follows:

	2007 HK$'000	2006 HK$'000
Aged:		
0 – 30 days	**3,306**	1,112
31 – 60 days	**750**	172
61 – 90 days	**779**	6,624
Over 90 days	**924**	17,093
	5,759	25,001

14. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	2007	2006
	HK$'000	HK$'000
Aged:		
0 – 30 days	**3,821**	2,871
31 – 60 days	**390**	253
61 – 90 days	**270**	65
Over 90 days	**88,378**	56,182
	92,859	59,371

15. DIVIDEND

The Board of directors does not recommmend the payment of a final dividend for the year ended 31 March 2007 (2006: nil).

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

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

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices as set out in the Appendix 15 of the GEM Listing Rules during the year ended 31 March 2007, except for the following deviations:

Code Provision E.1.2 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 25 August 2006 as he was having his business commitment at the time of such meeting. One of the executive directors were elected as the chairman of the annual general meeting and responded to the questions of the shareholders. The management considers that the Board endeavor to maintain an on-going dialogue with shareholders.

AUDIT COMMITTEE

The Company has established an audit committee in July 2000 with written terms of reference in compliance with the requirements of the GEM Listing Rules. The audit committee has three members comprising two independent non-executive directors, namely Mr. Cheung Hon Kit and Mr. Wong Chi Keung and a non-executive director, Mr. Wu Wing Kin. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls of the Group. During the year, the audit committee met four times with the executive Directors and the management to review the financial reporting process, internal controls of the Group, the Company's reports and accounts including the annual results for the year ended 31 March 2007, and provided advice and recommendations to the board of directors. The Audit Committee also met with external auditors once to discuss the financial reporting process and internal controls of the Group during the year.

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

Hong Kong, 27 June 2007

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

Executive Directors:
Cheng Kar Shun *(Chairman)*
Lo Lin Shing, Simon
To Hin Tsun, Gerald
Choi Wing Kin
So Kam Wing

Non-Executive Director:
Wu Wing Kin

Independent Non-Executive Directors:
Cheung Hon Kit
Kwee Chong Kok, Michael
Wong Chi Keung

This announcement will remain at www.hkgem.com on the "Latest Company Announcements" page of the GEM website for at least 7 days from the date of its posting and on the website of the Company at www.cyberonair.com.