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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 2012

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 2012, together with the comparative unaudited figures for the corresponding period in 2011 as follows:

Condensed Consolidated Income Statement

For the six months ended 30 September 2012

		Six months ended	
		30 September	
		2012	2011
		HK\$'000	HK\$'000
	<i>Notes</i>	(Unaudited)	(Unaudited)
Revenue	3	217,259	223,196
Cost of sales		(109,382)	(106,470)
Gross profit		107,877	116,726
Other income	5	34,651	28,378
Other gain and loss		(20,368)	(9,631)
Change in fair value of financial assets at fair value through profit or loss		11,432	(10,937)
Selling and distribution costs		(2,685)	(2,881)
General and administrative expenses		(67,467)	(69,381)
Profit before taxation	6	63,440	52,274
Income tax credit	7	779	640
Profit for the period		64,219	52,914

		Six months ended	
		30 September	
		2012	2011
		HK\$'000	HK\$'000
	<i>Note</i>	(Unaudited)	(Unaudited)
Attributable to:			
Owners of the Company		30,254	20,769
Non-controlling interests		33,965	32,145
		64,219	52,914
		64,219	52,914
Earnings per share	9	HK cent	HK cent
Basic		2.57	1.76

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2012

	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	64,219	52,914
Other comprehensive income		
Exchange differences arising on translation	78,679	1,440
Total comprehensive income for the period	142,898	54,354
Total comprehensive income attributable to:		
Owners of the Company	82,005	27,157
Non-controlling interests	60,893	27,197
	142,898	54,354

Condensed Consolidated Statement of Financial Position

As at 30 September 2012

		30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	10	515,235	516,365
Investment properties	11	913,155	948,956
Financial assets at fair value through profit or loss	12	61,027	67,337
Other assets		1,442	1,463
		1,490,859	1,534,121
Current assets			
Inventories		3,010	2,871
Loan receivable	13	48,000	73,916
Financial assets at fair value through profit or loss	12	205,842	–
Trade receivables	14	30,684	70,254
Other receivables, deposits and prepayments		29,003	33,643
Bank balances and cash		1,352,894	1,300,189
		1,669,433	1,480,873
Current liabilities			
Trade payables	15	4,839	6,045
Other payables and accrued charges		62,711	54,190
Promissory notes	16	132,008	132,008
		199,558	192,243
Net current assets		1,469,875	1,288,630
Total assets less current liabilities		2,960,734	2,822,751

		30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Capital and reserves			
Share capital	17	1,179,157	1,179,157
Share premium and reserves		693,260	611,255
		<hr/>	<hr/>
Equity attributable to owners of the Company		1,872,417	1,790,412
Non-controlling interests		964,040	911,127
		<hr/>	<hr/>
Total equity		2,836,457	2,701,539
		<hr/>	<hr/>
Non-current liabilities			
Deferred tax liabilities		121,233	118,561
Other liabilities		3,044	2,651
		<hr/>	<hr/>
		124,277	121,212
		<hr/>	<hr/>
		2,960,734	2,822,751
		<hr/> <hr/>	<hr/> <hr/>

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 Principal Accounting Policies

The 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 (the "HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2012. In addition, the Group adopted the following accounting policies from the accounting period beginning on 1 April 2012.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss of the Group include financial assets held for trading and financial assets designated as at fair value through profit or loss at initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking;
or
- it is a derivative that is not designated and effective as a hedging instrument.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets
HKAS 12 (Amendments)	Deferred tax – Recovery of underlying assets

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

HKFRSs (Amendments)	Annual improvements to HKFRSs 2009-2011 cycle ²
HKFRS 1 (Amendments)	Government loans ²
HKFRS 7 (Amendments)	Disclosures – Offsetting financial assets and financial liabilities ²
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory effective date of HKFRS 9 and transition disclosure ⁴
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transaction guidance ²
HKFRS 9	Financial instruments ⁴
HKFRS 10	Consolidated financial statements ²
HKFRS 11	Joint arrangements ²
HKFRS 12	Disclosure of interests in other entities ²
HKFRS 13	Fair value measurement ²
HKAS 1 (Amendments)	Presentation of items of other comprehensive income ¹
HKAS 19 (Revised 2011)	Employee benefits ²
HKAS 27 (Revised 2011)	Separate financial statements ²

HKAS 28 (Revised 2011)	Investments in associates and joint ventures ²
HKAS 32 (Amendments)	Offsetting financial assets and financial liabilities ³
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine ²

¹ *Effective for annual periods beginning on or after 1 July 2012*

² *Effective for annual periods beginning on or after 1 January 2013*

³ *Effective for annual periods beginning on or after 1 January 2014*

⁴ *Effective for annual periods beginning on or after 1 January 2015*

Amendments to HKAS 1 – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments to HKAS 1 are effective for the Group for the accounting period beginning 1 April 2013. The presentation of items of other comprehensive income will be modified accordingly when amendments are applied in the future accounting periods. Other than the presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The application of other new and revised standards, amendments or interpretations issued but not yet effective is not expected to have material impact on the condensed consolidated financial statements.

3. Revenue

	Six months ended	
	30 September	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The Group's revenue comprises:		
Hotel		
Room revenue	41,100	43,852
Food and beverages	23,414	23,289
Other hotel service income	2,846	2,926
	<hr/> 67,360	70,067
Leasing of investment properties equipped with entertainment equipment	149,899	153,129
	<hr/> 217,259	223,196
	<hr/> <hr/> 217,259	<hr/> <hr/> 223,196

4. Segment Information

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

- (i) Hotel – Operation of hotel business; and
- (ii) Leasing – Leasing of investment properties equipped with entertainment equipment.

Information regarding the above segments is presented below.

Segment revenue and results

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

For the six months ended 30 September 2012

	Hotel HK\$'000 (Unaudited)	Leasing HK\$'000 (Unaudited)	Reportable segment total HK\$'000 (Unaudited)	Elimination HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
REVENUE					
External sales	67,360	149,899	217,259	-	217,259
Inter-segment sales	76	351	427	(427)	-
	<hr/>				
Total	67,436	150,250	217,686	(427)	217,259
	<hr/> <hr/>				
RESULTS					
Segment (loss) profit	(3,465)	64,627	61,162		61,162
	<hr/>				
Unallocated other income					20,119
Other gain and loss					(20,368)
Change in fair value of financial assets at fair value through profit or loss					11,432
Unallocated expenses					(8,126)
					<hr/>
Profit for the period					64,219
					<hr/> <hr/>

For the six months ended 30 September 2011

	Hotel	Leasing	Reportable segment total	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUE					
External sales	70,067	153,129	223,196	-	223,196
Inter-segment sales	174	347	521	(521)	-
	<hr/>				
Total	70,241	153,476	223,717	(521)	223,196
	<hr/> <hr/>				
RESULTS					
Segment (loss) profit	(1,751)	65,276	63,525		63,525
	<hr/> <hr/>				
Unallocated other income					18,647
Other gain and loss					(9,631)
Change in fair value of financial assets at fair value through profit or loss					(10,937)
Unallocated expenses					(8,690)
					<hr/>
Profit for the period					52,914
					<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, change in fair value of financial assets at fair value through profit or loss and unallocated other income (i.e. investment income). This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

5. Other Income

	Six months ended	
	30 September	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income	15,602	13,394
Interest income from financial assets at fair value through profit or loss	4,582	4,582
Interest income from loans receivables	13,292	8,066
Interest income from held-to-maturity investments	–	688
Dividend income from financial assets at fair value through profit or loss	780	1,247
Sundry income	395	401
	<hr/>	
	34,651	28,378
	<hr/> <hr/>	

6. Profit Before Taxation

	Six months ended	
	30 September	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Reversal of allowance for bad and doubtful debts for trade and other receivables	(1)	(103)
Cost of inventories recognised as an expense	7,342	7,085
Depreciation of property, plant and equipment	28,035	26,364
Depreciation of investment properties	62,524	61,876
Net foreign exchange loss (included in other gain and loss)	20,368	9,631
Rental expenses under operating leases on premises and land	2,972	3,352
Gross revenue from leasing of investment properties equipped with entertainment equipment	(149,899)	(153,129)
Less: Direct operating expenses that generated revenue from leasing of investment properties equipped with entertainment equipment (<i>Note</i>)	95,827	95,181
	(54,072)	(57,948)
Staff costs		
– salaries and allowances	24,872	25,088
– retirement benefits schemes contributions	358	213
	25,230	25,301

Note: Amount mainly represents depreciation of leased properties and entertainment equipment.

7. Income Tax Credit

	Six months ended	
	30 September	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Deferred taxation credit – current period	779	640

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 both periods.

No provision for taxation in other jurisdictions was made in the condensed consolidated financial statements for both periods 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 (the "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 after expenses being exempted from the Philippine corporate income tax. In addition, according to the Lease Agreement, if such subsidiary is required to make any payment of the Philippine corporate income tax in relation to any rental income received or receivable from PAGCOR after expenses, PAGCOR shall indemnify such subsidiary in respect of such payment or liability, together with any interest, penalties and expenses payable or incurred in connection therewith. On 29 February 2012, Bureau of Internal Revenue in the Philippines ("BIR") issued a formal letter of demand to such subsidiary for the deficiency taxes covering the taxable year of 2008 amounting to approximately Peso807,000,000 (equivalent to approximately HK\$149,767,000). The deficiency taxes arose mainly from the imposition of income tax inclusive of penalties and interest on the rental income received by such subsidiary from the lease of gaming premises to PAGCOR in accordance with the Lease Agreement. On 29 March 2012, such subsidiary filed a protest with BIR on the ground that such subsidiary was exempt from corporate income tax pursuant to Section 13(2) of the Presidential Decree No. 1869, as amended. The independent legal adviser of such subsidiary has advised and the Directors believe that it is remote to the Group for paying the tax in respect of this tax dispute. Accordingly, no provision is made in the condensed consolidated financial statements.

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

8. Dividends

	Six months ended	
	30 September	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Dividends recognised as distribution to owners of the Company during the period:		
Final dividend for 2011/12 – nil (2011: Final dividend for 2010/11 – HK\$0.14 per share)	–	165,082
Special dividend for 2011/12 – nil (2011: Special dividend for 2010/11 – HK\$0.61 per share)	–	719,286
	<hr/>	<hr/>
	–	884,368
	<hr/>	<hr/>

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2012 (2011: nil).

9. Earnings Per Share

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

	Six months ended	
	30 September	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	30,254	20,769
	<hr/>	<hr/>
	In thousand	In thousand
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	1,179,157	1,179,157
	<hr/>	<hr/>

No diluted earnings per share had been presented as there were no dilutive potential ordinary shares in issue in both periods.

10. Property, Plant and Equipment

	Buildings HK\$'000	Leasehold improvements HK\$'000	Machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Entertainment equipment HK\$'000	Computer hardware HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST								
At 1 April 2011 (audited)	552,143	5,164	96,219	67,721	135,401	694	951	858,293
Exchange adjustments	3,445	25	603	420	850	1	6	5,350
Additions	300	-	1,305	432	17,625	47	160	19,869
Disposals	-	-	(22)	(669)	(2,639)	(110)	(82)	(3,522)
Write-off	-	-	-	(1)	(11,487)	(4)	-	(11,492)
At 31 March 2012 (audited)	555,888	5,189	98,105	67,903	139,750	628	1,035	868,498
Exchange adjustments	16,244	119	2,872	1,982	4,255	-	31	25,503
Additions	340	-	393	654	10,779	-	-	12,166
Disposals	-	(698)	-	(121)	-	(114)	-	(933)
At 30 September 2012 (unaudited)	572,472	4,610	101,370	70,418	154,784	514	1,066	905,234
DEPRECIATION								
At 1 April 2011 (audited)	89,040	1,393	87,478	55,673	76,126	573	403	310,686
Exchange adjustments	596	5	550	350	486	1	3	1,991
Provided for the year	25,780	585	2,640	3,557	20,528	65	157	53,312
Eliminated on disposals	-	-	(17)	(443)	(1,780)	(101)	(23)	(2,364)
Eliminated on write-off	-	-	-	(1)	(11,487)	(4)	-	(11,492)
At 31 March 2012 (audited)	115,416	1,983	90,651	59,136	83,873	534	540	352,133
Exchange adjustments	3,580	27	2,663	1,742	2,646	-	19	10,677
Provided for the period	13,081	135	992	1,441	12,250	18	118	28,035
Eliminated on disposals	-	(698)	-	(74)	-	(74)	-	(846)
At 30 September 2012 (unaudited)	132,077	1,447	94,306	62,245	98,769	478	677	389,999
CARRYING VALUES								
At 30 September 2012 (unaudited)	440,395	3,163	7,064	8,173	56,015	36	389	515,235
At 31 March 2012 (audited)	440,472	3,206	7,454	8,767	55,877	94	495	516,365

11. Investment Properties

	HK\$'000
COST	
At 1 April 2011 (audited)	1,467,732
Exchange adjustments	9,157
Additions	<u>208</u>
At 31 March 2012 (audited)	1,477,097
Exchange adjustments	<u>43,148</u>
At 30 September 2012 (unaudited)	<u>1,520,245</u>
DEPRECIATION	
At 1 April 2011 (audited)	402,194
Exchange adjustments	2,705
Provided for the year	<u>123,242</u>
At 31 March 2012 (audited)	528,141
Exchange adjustments	16,425
Provided for the period	<u>62,524</u>
At 30 September 2012 (unaudited)	<u>607,090</u>
CARRYING VALUES	
At 30 September 2012 (unaudited)	<u>913,155</u>
At 31 March 2012 (audited)	<u>948,956</u>

12. Financial Assets at Fair Value through Profit and Loss

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Non-current:		
Debt securities notes listed overseas with fixed interest of 11.75% per annum and maturity date on 18 May 2015 (<i>Note i</i>)	39,000	46,020
8% perpetual subordinated capital securities listed overseas (<i>Note ii</i>)	22,027	21,317
	61,027	67,337
Current:		
Index-linked investments (<i>Note iii</i>)	125,842	–
Equity securities listed in Hong Kong	80,000	–
	205,842	–

The equity securities listed in Hong Kong are financial assets held for trading and the others are financial assets designated as at fair value through profit or loss.

Notes:

- (i) *Issuer of the notes has an option to redeem the notes at a specified range of premium over the principal amount plus accrued interest at different time periods before maturity date, subject to certain conditions.*
- (ii) *Issuer of the investment may redeem the capital securities at any time on or after 15 December 2015 or at any time upon the occurrence of certain events at a redemption price equal to the principal plus accrued interest. Subject to certain conditions, on any coupon payment date, the issuer may exchange the capital securities in whole (but not in part) for perpetual non-cumulative dollar preference shares.*
- (iii) *The index-linked investments are matured within 12 months. The return of the investments is determined based on the highest of the performance of certain market indices or at a fixed rate of return of ranging from 1% to 2.3%.*

13. Loan Receivable

As at 30 September 2012, the amount represented the Group's participation in a credit facility in the principal amount of HK\$48.0 million made available to an independent third party. The loan receivable is interest bearing at 14% per annum, secured by a number of pledged assets and is repayable within 12 months from the end of the reporting period.

As at 31 March 2012, the amount of approximately HK\$73.9 million represented the then outstanding balance of the Group's participation in a United States Dollar ("USD") 75.0 million credit facility through the subscription of 9,500 class B shares of USD1 each in VMS Private Investment Partners VIII Limited in the principal amount of USD30.0 million (equivalent to approximately HK\$234.0 million) made available to an independent third party. Details of the transaction have been set out in the Company's announcement dated 2 September 2011. The loan receivable is interest bearing at 35% per annum, secured by a number of pledged assets and is repayable within 12 months from the end of the reporting period. During the six months ended 30 September 2012, the amount of approximately HK\$73.9 million was fully settled.

14. 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. 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.

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Aged:		
0 – 30 days	27,820	28,334
31 – 60 days	1,052	114
61 – 90 days	1,296	45
Over 90 days	516	41,761
	<hr/> 30,684 <hr/>	<hr/> 70,254 <hr/>

15. Trade Payables

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

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Aged:		
0 – 30 days	597	2,975
31 – 60 days	1,671	631
61 – 90 days	35	–
Over 90 days	2,536	2,439
	<hr/> 4,839 <hr/>	<hr/> 6,045 <hr/>

16. 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 favour of two related companies, which are beneficially owned by Chow Tai Fook Enterprises Limited (“CTF”), an intermediate parent of the Company, to replace the then shareholders’ loans of approximately HK\$642.0 million which arose from the acquisition of Fortune Gate Overseas Limited (which was disposed of during the year ended 31 March 2011). Pursuant to the terms of the Promissory Notes, the amounts are unsecured, non-interest bearing and repayable on demand. There was no repayment of the Promissory Notes during the current period.

As at 30 September 2012 and 31 March 2012, the entire amount owing under the Promissory Notes was denominated in HK\$, the foreign currency of the relevant group entity.

17. Share Capital

	Par value of shares HK\$	Number of shares	Value HK\$'000
Authorised:			
Ordinary shares			
At 1 April 2011 (audited), 31 March 2012 (audited) and 30 September 2012 (unaudited)	1 each	2,000,000,000	2,000,000
Issued and fully paid:			
Ordinary shares			
At 1 April 2011 (audited), 31 March 2012 (audited) and 30 September 2012 (unaudited)	1 each	1,179,157,235	1,179,157

18. Operating Lease Commitments

The Group as lessor

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 was 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 2011: equivalent to approximately HK\$18,000)), whichever was higher.

PAGCOR is chartered under Presidential Decree No. 1869, as amended ("PAGCOR Charter") to operate casino in the Philippines. The PAGCOR Charter was 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 2012 was approximately HK\$149,899,000 (six months ended 30 September 2011: approximately HK\$153,129,000), including contingent rental charges amounting to approximately HK\$149,791,000 (six months ended 30 September 2011: approximately HK\$153,021,000).

The Group as lessee

As at 30 September 2012, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fell due as follows:

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Within one year	5,059	5,458
In the second to fifth year inclusive	19,771	19,210
Over five years	56,674	57,293
	<hr/> 81,504 <hr/>	81,961

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.

19. Related Party Transactions

- (a) Apart from the related party transactions as disclosed in note 16, the Group entered into the following transactions with related parties during the period:

	Six months ended	
	30 September	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Accommodation and beverages income <i>(Note i)</i>	376	198
Purchase of goods <i>(Note ii)</i>	499	–
Rental expenses <i>(Note iii)</i>	606	1,022
	<hr/> 1,481	<hr/> 1,220

Notes:

- (i) Accommodation and beverages income was received from a subsidiary indirectly controlled by CTF.
- (ii) The amount represented the purchase of goods from a subsidiary indirectly controlled by Chow Tai Fook Capital Limited, the ultimate parent of the Company.
- (iii) A company, which was an associate of CTF, leased office premises to the Group.

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

	Six months ended	
	30 September	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries and other benefits	1,821	1,726
Contributions to retirement benefits scheme	14	12
	<hr/> 1,835	<hr/> 1,738

Management Discussion and Analysis

Financial Review

The Group's revenue for the six months ended 30 September 2012 was approximately HK\$217.3 million, representing a decrease of approximately 2.6%, as compared with approximately HK\$223.2 million for the corresponding period in 2011. Both the revenue from the leasing of properties and the hotel operations for the period decreased as compared with the last corresponding period. The Group reported a gross profit of approximately HK\$107.9 million for the period under review, representing a decrease of approximately 7.5%, as compared with approximately HK\$116.7 million in the last corresponding period.

Other income for the six months ended 30 September 2012 was approximately HK\$34.7 million, representing an increase of approximately 22.2%, as compared with approximately HK\$28.4 million in the last corresponding period. The increase was mainly due to the increase in interest income during the period.

The Group recorded a gain of approximately HK\$11.4 million on change in fair value of financial assets at fair value through profit or loss for the six months ended 30 September 2012, while it was a loss on change in fair value of financial assets at fair value through profit or loss of approximately HK\$10.9 million for the last corresponding period.

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\$20.4 million for the six months ended 30 September 2012, representing an increase of approximately 112.5%, as compared with a loss of approximately HK\$9.6 million in the last corresponding period.

Selling and distribution costs, and general and administrative expenses decreased by approximately 2.9% to approximately HK\$70.2 million for the six months ended 30 September 2012 from approximately HK\$72.3 million in the last corresponding period.

The Group recorded a profit for the six months ended 30 September 2012, amounted to approximately HK\$64.2 million, representing an increase of approximately 21.4%, as compared with approximately HK\$52.9 million in the last corresponding period. The increase in profit for the period was mainly due to a gain on change in fair value of financial assets at fair value through profit or loss recognised during the six months ended 30 September 2012.

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 2012 was approximately HK\$149.9 million, representing a decrease of approximately 2.1%, as compared with approximately HK\$153.1 million in the last corresponding period. It contributed approximately 69.0% to the Group's total revenue during the period under review. In the last corresponding period, it contributed approximately 68.6% 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 2012 was approximately HK\$67.4 million, representing a decrease of approximately 3.9%, as compared with approximately HK\$70.1 million in the last corresponding period. The decrease was mainly due to the decrease in both the 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 2012, the Group's net current assets amounted to approximately HK\$1,469.9 million (as at 31 March 2012: approximately HK\$1,288.6 million). Current assets amounted to approximately HK\$1,669.4 million (as at 31 March 2012: approximately HK\$1,480.9 million), of which approximately HK\$1,352.9 million (as at 31 March 2012: approximately HK\$1,300.2 million) was cash and bank deposits, approximately HK\$30.7 million (as at 31 March 2012: approximately HK\$70.3 million) was trade receivables, approximately HK\$29.0 million (as at 31 March 2012: approximately HK\$33.6 million) was other receivables, deposits and prepayments, approximately HK\$205.8 million (as at 31 March 2012: nil) was financial assets at fair value through profit or loss, approximately HK\$48.0 million (as at 31 March 2012: approximately HK\$73.9 million) was loan receivable, and approximately HK\$3.0 million (as at 31 March 2012: approximately HK\$2.9 million) was inventories.

The Group had current liabilities amounted to approximately HK\$199.6 million (as at 31 March 2012: approximately HK\$192.2 million), of which approximately HK\$4.8 million (as at 31 March 2012: approximately HK\$6.0 million) was trade payables, approximately HK\$62.7 million (as at 31 March 2012: approximately HK\$54.2 million) was other payables and accrued charges, and approximately HK\$132.0 million (as at 31 March 2012: approximately HK\$132.0 million) was the amount owing under the Promissory Notes.

The Promissory Notes amounted to approximately HK\$132.0 million (as at 31 March 2012: approximately HK\$132.0 million) were denominated in HK\$. The amount was unsecured, interest-free and repayable on demand.

The gearing ratio, measured in terms of total borrowings divided by total assets, was approximately 4.2% as at 30 September 2012, compared to approximately 4.4% as at 31 March 2012.

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

Charges on Group's Assets

As at 30 September 2012 and 31 March 2012, the Group did not have any charges on the Group's assets.

Material Acquisitions and Disposals and Significant Investments

There was no acquisition or disposal of subsidiary or affiliated company of the Company or significant investments by the Group, which would had been required to be disclosed under the Listing Rules, for the six months ended 30 September 2012.

Future Plans for Material Investments or Capital Assets

The Group will continue to explore the market and identify 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 2012, the Group's assets and liabilities were mainly denominated in HK\$, USD and Peso. The Group primarily earns its revenue and income in HK\$, USD and Peso while the Group primarily incurs costs and expenses 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 2012 and 31 March 2012, the Group did not have any significant contingent liabilities.

Employees and Remuneration Policies

The total number of employees of the Group was 315 as at 30 September 2012 (as at 30 September 2011: 341). The staff costs for the six months ended 30 September 2012 was approximately HK\$25.2 million (for the six months ended 30 September 2011: approximately HK\$25.3 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 audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely Mr. Cheung Hon Kit (Chairman of the Audit Committee), 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. 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 2012. The Company's auditor, Messrs. Deloitte Touche Tohmatsu, has reviewed the condensed consolidated financial statements for the six months ended 30 September 2012 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

Compliance with Corporate Governance Code

The Company is committed to maintaining a high standard of corporate governance practices and procedures and to complying with the statutory and regulatory requirements. During the six months ended 30 September 2012, the Company has complied with the code provisions of the Corporate Governance Code (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 invite the chairmen of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of any such committee, another member of the committee or failing this his duly appointed delegate, to attend and 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 did not attend the annual general meeting of the Company held on 24 August 2012 as he had another business engagement at the time of such meeting. One of the executive Directors was elected as the chairman of the aforesaid annual general meeting of the Company and responded to the questions raised by the Shareholders. The management of the Group 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 2012.

Interim Dividend

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 September 2012 (2011: nil).

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

During the six months ended 30 September 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Extract from the Report on Review of Condensed Consolidated Financial Statements

The following is the extract from the Company's auditor's report on review of condensed consolidated financial statements for the six months ended 30 September 2012.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 September 2011 and the relevant explanatory notes disclosed in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

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

Hong Kong, 23 November 2012

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.