



International Entertainment Corporation
國際娛樂有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8118

07/08

Third Quarterly Report

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

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

Results

The board of directors (the "Board") of International Entertainment Corporation (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months and nine months ended 31 December 2007, together with the comparative unaudited figures for the corresponding periods in 2006 as follows:

| | Notes | Three months ended 31 December | | Nine months ended 31 December | |
|--|-------|-----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | | 2007 (Unaudited) HK\$'000 | 2006 (Unaudited) HK\$'000 | 2007 (Unaudited) HK\$'000 | 2006 (Unaudited) HK\$'000 |
| Continuing operations | | | | | |
| Turnover | 3 | 156,572 | 9,284 | 175,868 | 112,716 |
| Cost of sales | | (71,597) | (17,454) | (90,862) | (128,616) |
| Gross profit (loss) | | 84,975 | (8,170) | 85,006 | (15,900) |
| Other income | 4 | 19,239 | 8,012 | 29,487 | 14,543 |
| Selling and distribution costs | | (7,783) | (3,322) | (16,355) | (10,160) |
| General and administrative expenses | | (33,277) | (8,631) | (51,938) | (26,818) |
| Finance costs | | (55,888) | (1,061) | (56,119) | (2,530) |
| Share of results of an associate | | (678) | - | (678) | - |
| Profit (loss) before taxation | | 6,588 | (13,172) | (10,597) | (40,865) |
| Taxation credit | 5 | 4,399 | - | 4,399 | - |
| Profit (loss) for the period from continuing operations | | 10,987 | (13,172) | (6,198) | (40,865) |
| Discontinuing operations | | | | | |
| Profit (loss) for the period from discontinuing operations | | 485 | 414 | 1,319 | (19) |
| Profit (loss) for the period | | 11,472 | (12,758) | (4,879) | (40,884) |
| Attributable to: | | | | | |
| Equity holders of the Company | | 13,329 | (12,758) | (3,022) | (40,884) |
| Minority interests | | (1,857) | - | (1,857) | - |
| | | 11,472 | (12,758) | (4,879) | (40,884) |
| Earnings (loss) per share | | | | | |
| From continuing and discontinuing operations | | | | | |
| Basic | 7 | HK1.13 cents | HK(5.41) cents | HK(0.45) cent | HK(17.34) cents |
| Diluted | | HK1.13 cents | HK(5.41) cents | HK(0.45) cent | HK(17.34) cents |
| From continuing operations | | | | | |
| Basic | | HK1.09 cents | HK(5.59) cents | HK(0.65) cent | HK(17.33) cents |
| Diluted | | HK1.09 cents | HK(5.59) cents | HK(0.65) cent | HK(17.33) cents |

Notes:

1. Basis of preparation

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

2. Principal Accounting Policies

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

The accounting policies used in the preparation of the unaudited consolidated results are consistent with those used in the annual financial statements for the year ended 31 March 2007.

In current period, the Group has applied, for the first time, a new standard, amendment and interpretations (“new HKFRSs”) issued by HKICPA which are effective for accounting periods beginning on or after 1 January 2007. The adoption of new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

| | |
|-------------------|---|
| HKAS 1 (Revised) | Presentation of financial statements ¹ |
| HKAS 23 (Revised) | Borrowing costs ¹ |
| HKFRS 8 | Operating segments ¹ |
| HK(IFRIC)-INT 12 | Service concession arrangements ² |
| HK(IFRIC)-INT 13 | Customer loyalty programmes ³ |
| HK(IFRIC)-INT 14 | HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction ² |

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

² Effective for annual periods beginning on or after 1 January 2008

³ Effective for annual periods beginning on or after 1 July 2008

3. Turnover

| | Three months ended 31 December | | Nine months ended 31 December | |
|---------------------------------|-----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | 2007 (Unaudited) HK\$'000 | 2006 (Unaudited) HK\$'000 | 2007 (Unaudited) HK\$'000 | 2006 (Unaudited) HK\$'000 |
| The Group's turnover comprises: | | | | |
| Continuing operations | | | | |
| Entertainment business | 40,993 | 9,284 | 60,289 | 112,716 |
| Hotel | 41,441 | – | 41,441 | – |
| Leasing | 74,138 | – | 74,138 | – |
| | 156,572 | 9,284 | 175,868 | 112,716 |
| Discontinuing operations | | | | |
| Sales of goods | 6,548 | 2,549 | 10,412 | 5,919 |
| Services income | 2,288 | 3,243 | 11,511 | 8,010 |
| | 8,836 | 5,792 | 21,923 | 13,929 |
| | 165,408 | 15,076 | 197,791 | 126,645 |

4. Other income

| | Three months ended | | Nine months ended | |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 31 December | | 31 December | |
| | 2007 (Unaudited) HK\$'000 | 2006 (Unaudited) HK\$'000 | 2007 (Unaudited) HK\$'000 | 2006 (Unaudited) HK\$'000 |
| The Group's other income comprises: | | | | |
| Continuing operations | | | | |
| Interest income on bank deposits | 16,664 | 2,358 | 26,488 | 7,891 |
| Other interest income | 275 | 16 | 276 | 59 |
| Gain on disposal of available-for-sale financial assets | – | 5,434 | – | 5,434 |
| Imputed interest income | 1,618 | – | 1,618 | – |
| Dividend income from listed securities | 400 | – | 400 | 300 |
| Sundry income | 282 | 204 | 705 | 859 |
| | 19,239 | 8,012 | 29,487 | 14,543 |
| Discontinuing operations | | | | |
| Interest income on bank deposits | 23 | 15 | 71 | 48 |
| Sundry income | 1 | – | 35 | 1 |
| | 24 | 15 | 106 | 49 |
| | 19,263 | 8,027 | 29,593 | 14,592 |

5. Taxation credit

| | Three months ended 31 December | | Nine months ended 31 December | |
|---------------------------------|-----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | 2007 (Unaudited) HK\$'000 | 2006 (Unaudited) HK\$'000 | 2007 (Unaudited) HK\$'000 | 2006 (Unaudited) HK\$'000 |
| | Continuing operations | | | |
| Income tax | - | - | - | - |
| Deferred tax credit | 4,399 | - | 4,399 | - |
| | 4,399 | - | 4,399 | - |
| Discontinuing operations | | | | |
| Income tax | - | - | - | - |
| Deferred tax | - | - | - | - |
| | 4,399 | - | 4,399 | - |

No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the three months and nine months ended 31 December 2007 (for the three months and nine months ended 31 December 2006: nil).

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

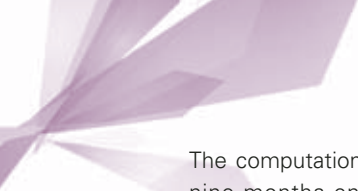
6. Dividend

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2007 (for the nine months ended 31 December 2006: nil).

7. Earnings (loss) per share

The calculations of basic and diluted earnings (loss) per share from continuing operations and discontinuing operations attributable to the equity holders of the Company are based on the following data:

| | Three months ended 31 December | | Nine months ended 31 December | |
|--|-----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | 2007 (Unaudited) HK\$'000 | 2006 (Unaudited) HK\$'000 | 2007 (Unaudited) HK\$'000 | 2006 (Unaudited) HK\$'000 |
| From continuing operations | | | | |
| Profit (loss) for the period attributable to equity holders of the Company | 13,329 | (12,758) | (3,022) | (40,884) |
| Less: Profit (loss) for the period from discontinuing operations attributable to equity holders of the Company | 485 | 414 | 1,319 | (19) |
| Profit (loss) for the purpose of basic and diluted earnings (loss) per share from continuing operations attributable to equity holders of the Company | 12,844 | (13,172) | (4,341) | (40,865) |
| Number of shares | | | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share | 1,179,157,235 | 235,831,447 | 668,046,172 | 235,831,447 |
| From discontinuing operations | | | | |
| Profit (loss) for the purpose of basic and diluted earnings (loss) per share from discontinuing operations attributable to equity holders of the Company | 485 | 414 | 1,319 | (19) |



The computation of diluted earnings (loss) per share for the three months and nine months ended 31 December 2007 and for the three months and nine months ended 31 December 2006 did not assume the exercise of the subsidiary's outstanding share options existed during the nine months ended 31 December 2007 and nine months ended 31 December 2006 since their exercise would increase earnings per share for the three months ended 31 December 2007 and reduce loss per share for the nine months ended 31 December 2007 and the three months and nine months ended 31 December 2006.

The denominators used are the same as those detailed above for both basic and diluted earnings (loss) per share for continuing and discontinuing operations.

8. Reserves

| | Attributable to equity holders of the Company | | | | | | | | | | |
|--|---|---|--|--|--|--|------------|---|----------------------------------|---|----------------------------------|
| | Share premium (Unaudited) HK\$'000 | Merger reserve (Unaudited) HK\$'000 | Contribution reserve from shareholders | | | | | Accumulated losses (Unaudited) HK\$'000 | Total (Unaudited) HK\$'000 | Minority interests (Unaudited) HK\$'000 | Total (Unaudited) HK\$'000 |
| | | | Other reserve (Note) (Unaudited) HK\$'000 | Investment revaluation reserve (Unaudited) HK\$'000 | of an associate (Unaudited) HK\$'000 | Exchange reserve (Unaudited) HK\$'000 | | | | | |
| | | | | | | | | | | | |
| At 1 April 2006 | 263,832 | 53,022 | - | - | - | (2,162) | (263,031) | 51,661 | - | 51,661 | |
| Fair value change in available-for-sale financial assets | - | - | - | 5,434 | - | - | - | 5,434 | - | 5,434 | |
| Exchange differences on translation to presentation currency | - | - | - | - | - | (218) | - | (218) | - | (218) | |
| Net income recognised directly in equity | - | - | - | 5,434 | - | (218) | - | 5,216 | - | 5,216 | |
| Loss for the period | - | - | - | - | - | - | (40,884) | (40,884) | - | (40,884) | |
| Transferred to profit on sale of available-for-sale financial assets | - | - | - | (5,434) | - | - | - | (5,434) | - | (5,434) | |
| Total recognised income and expense for the period | - | - | - | - | - | (218) | (40,884) | (41,102) | - | (41,102) | |
| At 31 December 2006 | 263,832 | 53,022 | - | - | - | (2,380) | (303,915) | 10,559 | - | 10,559 | |
| At 1 April 2007 | 263,832 | 53,022 | - | 188 | - | (1,342) | (373,844) | (58,144) | - | (58,144) | |
| Fair value change in available-for-sale financial assets | - | - | - | 2,945 | - | - | - | 2,945 | - | 2,945 | |
| Exchange differences on translation to presentation currency | - | - | - | - | - | 54,442 | - | 54,442 | 49,933 | 104,375 | |
| Deferred tax arising from unrealised foreign exchange gain | - | - | - | - | - | (11,609) | - | (11,609) | (11,154) | (22,763) | |
| Share of income of an associate recognised directly in equity | - | - | - | - | 3,164 | - | - | 3,164 | - | 3,164 | |
| Net income recognised directly in equity | - | - | - | 2,945 | 3,164 | 42,833 | - | 48,942 | 38,779 | 87,721 | |
| Loss for the period | - | - | - | - | - | - | (3,022) | (3,022) | (1,857) | (4,879) | |
| Total recognised income and expense for the period | - | - | - | 2,945 | 3,164 | 42,833 | (3,022) | 45,920 | 36,922 | 82,842 | |
| Acquisition of subsidiaries | - | - | 219,473 | - | - | - | - | 219,473 | 513,070 | 732,543 | |
| Deferred tax charged to other reserve | - | - | (6,698) | - | - | - | - | (6,698) | (6,436) | (13,134) | |
| Rights issue of shares | 471,663 | - | - | - | - | - | - | 471,663 | - | 471,663 | |
| Transaction costs attributable to issue of shares | (15,087) | - | - | - | - | - | - | (15,087) | - | (15,087) | |
| At 31 December 2007 | 720,408 | 53,022 | 212,775 | 3,133 | 3,164 | 41,491 | (376,866) | 657,127 | 543,556 | 1,200,683 | |

Note:

The initial accounting for the acquisition of subsidiaries has been determined provisionally, awaiting the receipt of professional valuations in relation to certain underlying assets and liabilities of the acquiree.

Management Discussion and Analysis

Financial Review

The Group's turnover from continuing operations for the nine months ended 31 December 2007 was approximately HK\$175.9 million, representing an increase of approximately 56.0%, as compared with approximately HK\$112.7 million for the previous corresponding period in 2006. The increase in turnover was mainly contributed by the lease of properties and hotel revenue from the business operations in the Philippines during the period. The Group reported a gross profit of approximately HK\$85.0 million for the period under review, as compared with gross loss of approximately HK\$15.9 million in the last corresponding period. The gross profit for the period was mainly due to the decrease in write-downs on the film costs and the contributions from the business operations in the Philippines during the period.

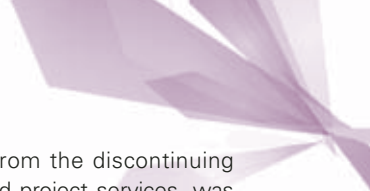
Other income from continuing operations for the nine months ended 31 December 2007 was approximately HK\$29.5 million, representing an increase of approximately 102.8%, as compared with approximately HK\$14.5 million in the last corresponding period. The increase was mainly due to the interest income on bank deposits of approximately HK\$26.5 million recognised during the period.

Selling and distribution costs, and general and administrative expenses from continuing operations increased by approximately 84.7% to approximately HK\$68.3 million for the nine months ended 31 December 2007 from approximately HK\$37.0 million in the last corresponding period. The increase was mainly due to the increase in marketing expenses for film promotion and distribution expenses for film distribution and the inclusion of the expenses incurred by business operations in the Philippines after the completion of the acquisition in October 2007.

Finance costs from continuing operations for the nine months ended 31 December 2007 was approximately HK\$56.1 million, representing an increase of approximately 2,118.1%, as compared with approximately HK\$2.5 million in last corresponding period. The increase was mainly due to the finance costs from the subsidiaries of the Philippines.

The Group recorded a loss before taxation from continuing operations for the nine months ended 31 December 2007, amounted to approximately HK\$10.6 million, representing a decrease of approximately 74.1%, as compared with approximately 40.9 million in the last corresponding period. The financial performance was improved mainly due to the decrease in write-downs on the film costs and the contributions from the business operations in the Philippines during the period.

On 27 December 2007, the Company entered into a conditional sale and purchase agreement for the disposal of its entire interest in Cyber On-Air Group Limited ("COAG"). COAG and its subsidiaries are principally engaged in network solutions and project services. Immediately after the completion of the disposal, the Group will cease to carry on the business of provision of network solutions and project services. As at the date of this report, the disposal has not been completed. Details of the disposal are set out in the announcement of the Company dated 2 January 2008 and the circular of the Company dated 23 January 2008.



The profit for the nine months ended 31 December 2007 from the discontinuing operations, including the provision of the network solutions and project services, was approximately HK\$1.3 million, while it was a loss of approximately HK\$19,000 in the last corresponding period.

Rights Issue and Issue of Convertible Note

On 28 August 2007, the Company completed a rights issue of 943,325,788 shares of HK\$1.00 each in the capital of the Company at a subscription price of HK\$1.50 per share. The gross proceeds from the rights issue was approximately HK\$1,415 million, which was principally used to finance the acquisition of the hotel and entertainment operations in the Philippines and Macau (the "Acquisition").

On 11 October 2007, the Company issued a HK\$400,000,000 convertible note due in three years, which bears interest at the rate of 1% per annum, convertible into ordinary shares of the Company at an initial conversion price of HK\$2.00 per share, subject to customary adjustments for among other things, subdivision or consolidation of shares, bonus issues, rights issues and other events which have diluting effects on the issued share capital of the Company. The convertible note was issued by the Company as part of the consideration of the Acquisition.

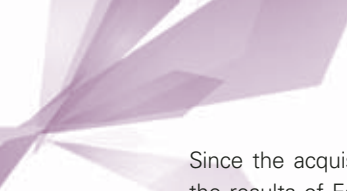
Business Review

The principal activities of the Group for the period under review were hotel operations, leasing of properties for casino, ancillary leisure and entertainment operations, provision of network solutions, project services, and the acquisition, financing, production and worldwide licensing of theatrical feature films in a variety of genres and investments in production of television series, music concerts and music records.

1. Leasing of properties and hotel operations

The acquisition of the entire issued share capital of Fortune Gate Overseas Limited ("Fortune Gate") was completed on 11 October 2007. Fortune Gate and its subsidiaries are principally engaged in the hotel operations and leasing of properties for casino, ancillary leisure and entertainment operations.

The acquisition of Fortune Gate enables the Group to take a further step in the leisure and entertainment markets through investing in the hotel and entertainment operations in the Philippines and Macau. Fortune Gate can also contribute to the business growth and broaden the revenue base of the Group. The objective of the acquisition is to strive for better return to the shareholders of the Company.



Since the acquisition of Fortune Gate was completed on 11 October 2007, only the results of Fortune Gate during the period from the date of completion of the acquisition to 31 December 2007 were taken up in the consolidated results of the Group for the nine months ended 31 December 2007. The revenue derived from the leasing of properties and operating the hotel for the nine months ended 31 December 2007 were approximately HK\$74.1 million and HK\$41.4 million respectively.

2. Entertainment business

The revenue derived from the entertainment business for the nine months ended 31 December 2007 was approximately HK\$60.3 million, representing a decrease of approximately 46.5% as compared with approximately HK\$112.7 million for the previous corresponding period. The revenue comprised primarily from sales of the theatrical feature films, *Monster*, *Man About Town* and *Lovewrecked*. *Monster* is a critically acclaimed drama, for which Charlize Theron won the Academy Award for Best Actress. *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 the decrease in number of films produced during the period.

3. 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 nine months ended 31 December 2007, the revenue derived from the network solutions was approximately HK\$10.4 million, compared to approximately HK\$5.9 million in the last corresponding period. The increase in revenue was due to more projects completed during the period under review.

4. Project services

For the nine months ended 31 December 2007, the revenue derived from the provision of project services was approximately HK\$10.5 million, compared to approximately HK\$6.8 million in the corresponding period. The increase in revenue was due to the continuously improvement of general economic environment.



Future Outlook

After the completion of the acquisition of the hotel and entertainment operations in the Philippines and Macau in October 2007, the Group would focus on the hotel operations and the leasing of properties for casino ancillary leisure and entertainment operations as they became the new core activities of the Group.

The Group also engages in the investments in production of films, television series, music concerts and music records. The Group will continue to seek for investment opportunities in these areas in Asia region, especially in Hong Kong and the People's Republic of China (the "PRC").

The Group will continue to explore the leisure and entertainment markets for opportunities in those sectors that have potential growth in the long run. The objective is to strive for better return to the shareholders of the Company. The broadened revenue base will reinforce the growth strategy of the Company and diversify the geographical coverage of the Company's business interests.

In addition, the Directors will continue to conduct the review of its financial structure and the composition of its assets and liabilities periodically and may consider further re-engineering such structure and composition in an optimal way. The Directors may in the future scale down or adjust areas of operations where appropriate.

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

Save as disclosed below, as at 31 December 2007, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), Chapter 571 of the Laws of Hong Kong) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were taken or deemed to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

Long positions in the ordinary shares of the Company

| Name of director | Number of ordinary shares of HK\$1.00 each in the share capital of the Company | | | Approximate percentage of the issued share capital of the Company |
|-------------------------------------|---|------------------------------|-----------|---|
| | Personal Interest | Corporate interest | Total | |
| Mr. Choi Wing Kin (<i>Note 2</i>) | 1,329,600 | – | 1,329,600 | 0.11% |
| Mr. So Kam Wing (<i>Note 2</i>) | 49,200 | – | 49,200 | 0.00% |
| Mr. Lo Lin Shing, Simon | – | 364,800 (<i>Note 1</i>) | 364,800 | 0.03% |

Notes:

- (1) These shares are held by Wellington Equities Inc., which is wholly owned by Mr. Lo Lin Shing, Simon.
- (2) Mr. Choi Wing Kin and Mr. So Kam Wing have resigned as the executive Directors with effect from 29 January 2008.

Long positions in the ordinary shares of Maxprofit International Limited ("Maxprofit")

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

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

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

Save as disclosed below, as at 31 December 2007, so far as is known to the Directors or chief executives of the Company, no person, other than a Director, or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO as having an interest in 5% or more of the issued share capital of the Company.

Long positions in the ordinary shares of the Company

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

Notes:

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

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

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

Share Option Schemes

Share option scheme adopted on 20 August 2004

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

No options have been granted, exercised or cancelled during the nine months ended 31 December 2007 and there were no share options outstanding under the share option scheme as at 31 December 2007.

Share option scheme of M8 Entertainment Inc.

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

Details of the share options outstanding as at 31 December 2007 which have been granted under the Plan to employees are as follows:

| Name or category of participant | Date of grant | Exercisable period | Exercise price per share CAD | At 1 April 2007 and 31 December 2007 |
|--|----------------------|-------------------------------------|--|---|
| Employee | 25 May 2000 | 26 May 2000 - 25 May 2010 | 0.120 | 100,000 |
| Employee | 29 August 2000 | 30 August 2003 - 29 August 2010 | 0.100 | 93,750 |
| Employee | 29 August 2000 | 30 August 2004 - 29 August 2010 | 0.100 | 306,250 |
| Employee | 24 May 2001 | 25 May 2001 - 24 May 2011 | 0.035 | 100,000 |
| Employee | 15 February 2002 | 16 February 2003 - 15 February 2012 | 0.075 | 510,000 |
| Employee | 13 May 2002 | 14 May 2003 - 13 May 2012 | 0.170 | 50,000 |
| Employee | 13 May 2002 | 14 May 2004 - 13 May 2012 | 0.170 | 1,150,000 |
| Employee | 13 May 2002 | 14 May 2005 - 13 May 2012 | 0.170 | 1,150,000 |
| Employee | 13 May 2002 | 14 May 2006 - 13 May 2012 | 0.170 | 1,150,000 |
| Employee | 28 August 2002 | 29 August 2004 - 28 August 2012 | 0.160 | 1,200,000 |
| Employee | 1 May 2003 | 2 May 2003 - 1 May 2013 | 0.075 | 5,920,000 |
| Total | | | | <u>11,730,000</u> |

No option was exercised, cancelled or granted during the nine months ended 31 December 2007.

Compliance Adviser's Interests

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

Competing Business

Directors' interests in competing business

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

| Name of director | Name of entity which business is considered to compete or likely to compete with the business of the Group | Description of business of the entity which is considered to compete or likely to compete with the business of the Group | Name of interest of the director in the entity |
|-------------------------|---|---|---|
| Cheung Hon Kit | Wing on Travel (Holdings) Limited and its subsidiaries | Investment in hotel property with casino facilities in Macau | director and optionholder |
| Cheung Hon Kit | ITC Properties Group Limited | Investment in hotel and residential property in Macau | director, optionholder and shareholder |
| Cheng Kar Shun | Many Town Company Limited | A minority investor of Sociedade de Jogos de Macau which is principally engaged in casino business in Macau | director and beneficial owner |
| Cheng Kar Shun | New World Development Company Limited and its subsidiaries | Investment in hotel property in Makati, Manila, Philippines | director, optionholder and shareholder |
| Cheng Chi Kong | New World Development Company Limited and its subsidiaries | Investment in hotel property in Makati, Manila, Philippines | director and optionholder |

Potential competition

Fortune Holiday Limited (“Fortune”), which is indirectly owned as to 73% by CTF, 11% by Mr. To Hin Tsun, Gerald and not a member of the Group, has entered into agreements with Philippine Amusement and Gaming Corporation (“PAGCOR”) in June 2002 pursuant to which Fortune, subject to fulfillment of certain conditions precedent, is entitled to acquire a site of approximately 10.5 hectares (“Fortune Land”) within a 60 hectares site at the Manila Bay Reclamation Area proposed to be called “Theme Park Manila”. Under those agreements, Fortune is entitled to build a hotel, residential and entertainment complex including three PAGCOR casino facilities at the Fortune Land. The initial term of the lease of the Fortune Land under the said agreements is 50 years and Fortune has also been given, inter alia, the option to renew the lease for another 25 years.

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

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

Audit Committee

The Company has established an audit committee in July 2000 with written terms of reference in compliance with the GEM Listing Rules. The audit committee has three members, comprising 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. The audit committee has reviewed the unaudited third quarterly report for the nine months ended 31 December 2007.



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

During the nine months ended 31 December 2007, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

By order of the Board
Cheng Kar Shun
Chairman

Hong Kong, 14 February 2008

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

Executive Directors:

Cheng Kar Shun (*Chairman*)

Lo Lin Shing, Simon (*Deputy Chairman*)

To Hin Tsun, Gerald

Cheng Kam Chiu, Stewart

Cheng Kam Biu, Wilson

Cheng Chi Kong

Cheng Chi Him

Non-executive Director:

Wu Wing Kin

Independent non-executive Directors:

Cheung Hon Kit

Kwee Chong Kok, Michael

Wong Chi Keung