International Entertainment Corporation
國際娛樂有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8118

Third Quarterly Report
2008/09

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 2008, together with the comparative unaudited figures for the corresponding periods in 2007 as follows:

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2008	2007	**2008**	2007
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
		HK$'000	HK$'000	**HK$'000**	HK$'000
Continuing operations					
Revenue	3	**105,562**	156,572	**368,856**	175,868
Cost of sales		**(62,520)**	(71,597)	**(198,438)**	(90,862)
Gross profit		**43,042**	84,975	**170,418**	85,006
Other income	4	**12,243**	19,239	**31,454**	29,487
Change in fair value of conversion option derivative		**52,000**	–	**113,200**	–
Selling and distribution costs		**(1,411)**	(7,783)	**(4,249)**	(16,355)
General and administrative expenses		**(36,696)**	(33,277)	**(106,330)**	(51,938)
Share of loss of an associate		**(2,071)**	(678)	**(4,211)**	(678)
Finance costs		**(10,650)**	(55,888)	**(32,812)**	(56,119)
Profit (loss) before taxation		**56,457**	6,588	**167,470**	(10,597)
Taxation credit	5	**64,472**	4,399	**107,853**	4,399
Profit (loss) for the period from continuing operations		**120,929**	10,987	**275,323**	(6,198)
Discontinued operations					
(Loss) profit for the period from discontinued operations		**–**	485	**(1,376)**	1,319
Profit (loss) for the period		**120,929**	11,472	**273,947**	(4,879)
Attributable to:					
Equity holders of the Company		**79,096**	13,329	**174,633**	(3,022)
Minority interests		**41,833**	(1,857)	**99,314**	(1,857)
		120,929	11,472	**273,947**	(4,879)
Earnings (loss) per share	7				
From continuing and discontinued operations					
Basic		**HK6.71 cents**	HK1.13 cents	**HK14.81 cents**	HK(0.45) cent
Diluted		**HK2.74 cents**	HK1.13 cents	**HK6.61 cents**	HK(0.45) cent
From continuing operations					
Basic		**HK6.71 cents**	HK1.09 cents	**HK14.93 cents**	HK(0.65) cent
Diluted		**HK2.74 cents**	HK1.09 cents	**HK6.71 cents**	HK(0.65) cent

Hyatt Hotel and Casino Manila

Notes:

1. Basis of preparation

The unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards 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 on 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 preparation of the Group's annual financial statements for the year ended 31 March 2008.

In current period, the Group has applied, for the first time, new amendments and interpretations ("new HKFRSs") issued by HKICPA which are effective on or after 1 January 2008. 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 required.

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of financial statements[2]
HKAS 23 (Revised)	Borrowing costs[2]
HKAS 27 (Revised)	Consolidated and separate financial statements[3]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 (Revised)	First-time adoption of Hong Kong Financial Reporting Standards[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate[2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[2]
HKFRS 3 (Revised)	Business combinations[3]
HKFRS 8	Operating segments[2]
HK(IFRIC)-Int 13	Customer loyalty programmes[4]
HK(IFRIC)-Int 15	Agreements for the construction of real estate[2]
HK(IFRIC)-Int 16	Hedges of a net investment in a foreign operation[5]
HK(IFRIC)-Int 17	Distributions of non-cash assets to owners[3]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 July 2009
[4] Effective for annual periods beginning on or after 1 July 2008
[5] Effective for annual periods beginning on or after 1 October 2008

The Group has already commenced an assessment of the impact of adopting these new and revised standards, amendments or interpretations but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position of the Group.

3. Revenue

	Three months ended 31 December		**Nine months ended 31 December**	
	2008 (Unaudited) HK$'000	2007 (Unaudited) HK$'000	**2008 (Unaudited) HK$'000**	2007 (Unaudited) HK$'000
The Group's revenue comprises:				
Continuing operations				
Entertainment business				
Film and television programme production and distribution licensing	**2,358**	40,221	**16,134**	54,529
Music concerts and sale of music records	**2,774**	772	**4,139**	5,760
	5,132	40,993	**20,273**	60,289
Hotel				
Room revenue	**21,625**	23,342	**72,599**	23,342
Food and beverages	**14,580**	16,468	**42,268**	16,468
Other hotel service income	**2,292**	1,631	**6,594**	1,631
	38,497	41,441	**121,461**	41,441
Leasing of properties	**61,933**	74,138	**227,122**	74,138
	105,562	156,572	**368,856**	175,868
Discontinued operations				
Sales of goods	**–**	6,548	**448**	10,412
Service income	**–**	2,288	**403**	11,511
	–	8,836	**851**	21,923
	105,562	165,408	**369,707**	197,791

4. Other income

	Three months ended 31 December		Nine months ended 31 December	
	2008	2007	**2008**	2007
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
The Group's other income comprises:				
Continuing operations				
Gain on disposal of subsidiaries	**–**	–	**364**	–
Interest income on bank deposits	**7,197**	16,664	**20,950**	26,488
Interest income on amount due from an associate	**4,560**	–	**9,403**	–
Imputed interest income on amount due from an associate	**–**	1,618	**–**	1,618
Dividend income from listed securities	**72**	400	**72**	400
Sundry income	**414**	557	**665**	981
	12,243	19,239	**31,454**	29,487
Discontinued operations				
Interest income on bank deposits	**–**	23	**1**	71
Sundry income	**–**	1	**–**	35
	–	24	**1**	106
	12,243	19,263	**31,455**	29,593

5. Taxation credit

	Three months ended 31 December		Nine months ended 31 December	
	2008	2007	**2008**	2007
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Continuing operations				
Income tax	**–**	–	**–**	–
Deferred tax credit				
Current period	**8,713**	4,399	**52,094**	4,399
Attributable to change in tax rate	**55,759**	–	**55,759**	–
	64,472	4,399	**107,853**	4,399
Discontinued operations				
Income tax	**–**	–	**–**	–
Deferred tax	**–**	–	**–**	–
	–	–	**–**	–
	64,472	4,399	**107,853**	4,399

No provision for Hong Kong profits tax or taxation arising in other jurisdictions was made in the unaudited consolidated results for the three months and nine months ended 31 December 2008 and three months and nine months ended 31 December 2007 as the Group's operations either had no assessable profits or were exempted from profits tax.

Marina Square Properties, Inc. ("MSPI"), a subsidiary operating in the Philippines, had entered into a lease agreement (the "Lease Agreement") with Philippine Amusement and Gaming Corporation ("PAGCOR"), a company solely owned by the Philippines government. MSPI is entitled to an exemption from Philippines profits tax on the rental income received or receivable from PAGCOR. According to the Lease Agreement, if MSPI is required to make any payment of the Philippines profits tax in relation to any rental income received or receivable from PAGCOR, PAGCOR shall indemnify MSPI against such payment.

Pursuant to the Republic Act No. 9337 of the Philippines, the corporate income tax rate in the Philippines would decrease from 35% to 30% with effect from 1 January 2009.

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 2008 (for the nine months ended 31 December 2007: nil).

7. Earnings (loss) per share

From continuing and discontinued operations

For calculation of basic and diluted earnings (loss) per share attributable to the equity holders of the Company for the three months and nine months ended 31 December 2008 together with the comparative figures for 2007 are based on the following data:

	Three months ended 31 December		Nine months ended 31 December	
	2008 (Unaudited) HK$'000	2007 (Unaudited) HK$'000	**2008 (Unaudited) HK$'000**	2007 (Unaudited) HK$'000
Earnings (loss)				
Earnings (loss) for the purpose of basic earnings (loss) per share (profit (loss) for the period attributable to equity holders of the Company)	**79,096**	13,329	**174,633**	(3,022)
Effect of dilutive potential ordinary shares in respect of convertible note:				
– Change in fair value of conversion option derivative	**(52,000)**	N/A	**(113,200)**	N/A
– Effective interest expense	**10,650**	N/A	**29,692**	N/A
Earnings (loss) for the purpose of diluted earnings (loss) per share	**37,746**	13,329	**91,125**	(3,022)

Hyatt Hotel and Casino Manila

	Three months ended 31 December		Nine months ended 31 December	
	2008	2007	**2008**	2007
	In thousand	In thousand	**In thousand**	In thousand
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**1,179,157**	1,179,157	**1,179,157**	668,046
Effect of dilutive potential ordinary shares from convertible note	**200,000**	N/A	**200,000**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**1,379,157**	1,179,157	**1,379,157**	668,046

The calculation of diluted earnings (loss) per share for the three months and nine months ended 31 December 2008 and three months and nine months ended 31 December 2007 did not assume the exercise of the subsidiary's outstanding share options since their exercise would increase earnings per share for the three months and nine months ended 31 December 2008 and three months ended 31 December 2007 and reduce loss per share for the nine months ended 31 December 2007.

From continuing operations

The calculation of basic and diluted earnings (loss) per share from continuing operations attributable to the equity holders of the Company for the three months and nine months ended 31 December 2008 and together with the comparative figures for 2007 are based on the following data:

	Three months ended 31 December		Nine months ended 31 December	
	2008	2007	**2008**	2007
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Earnings (loss) figures are calculated as follows:				
Profit (loss) for the period attributable to equity holders of the Company	**79,096**	13,329	**174,633**	(3,022)
Less: (Loss) profit for the period from discontinued operations attributable to equity holders of the Company	**–**	485	**(1,376)**	1,319
Earnings (loss) for the purpose of basic earnings (loss) per share from continuing operations	**79,096**	12,844	**176,009**	(4,341)
Effect of dilutive potential ordinary shares in respect of convertible note:				
– Change in fair value of conversion option derivative	**(52,000)**	N/A	**(113,200)**	N/A
– Effective interest expense	**10,650**	N/A	**29,692**	N/A
Earnings (loss) for the purpose of diluted earnings (loss) per share from continuing operations	**37,746**	12,844	**92,501**	(4,341)

The calculation of diluted earnings (loss) per share from continuing operations for the three months and nine months ended 31 December 2008 and three months and nine months ended 31 December 2007 did not assume the exercise of the subsidiary's outstanding share options since their exercise would increase earnings per share for the three months and nine months ended 31 December 2008 and three months ended 31 December 2007 and reduce loss per share for the nine months ended 31 December 2007.

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

From discontinued operations

Basic loss per share for discontinued operations for the nine months ended 31 December 2008 is HK0.12 cent per share based on the unaudited consolidated loss attributable to the equity holders of the Company from discontinued operations of approximately HK$1,376,000 and weighted average number of ordinary shares of 1,179,157,235 in issue during the period.

No diluted loss per share for discontinued operations was presented for the nine months ended 31 December 2008 as the conversion of convertible note or the exercise of the subsidiary's outstanding share options would result in a decrease in loss per share for discontinued operations. Since the subsidiaries operating the discontinued operations have been disposed in April 2008, no basic and diluted earnings (loss) per share for discontinued operations for the three months ended 31 December 2008 was presented.

Basic and diluted earnings per share for discontinued operations for the three months ended 31 December 2007 is HK0.04 cent per share based on the unaudited consolidated profit attributable to the equity holders of the Company for the three months ended 31 December 2007 from discontinued operations of approximately HK$485,000 and weighted average number of ordinary shares of 1,179,157,235.

Basic and diluted earnings per share for discontinued operations for the nine months ended 31 December 2007 is HK0.20 cent per share based on the unaudited consolidated profit attributable to the equity holders of the Company for the nine months ended 31 December 2007 from discontinued operations of approximately HK$1,319,000 and weighted average number of ordinary shares of 668,046,172.

Hyatt Hotel and Casino Manila

8. Reserves

	Attributable to equity holders of the Company								
	Share premium (Unaudited) HK$'000	Merger reserve (Unaudited) HK$'000	Investment revaluation reserve (Unaudited) HK$'000	Other reserve (Unaudited) HK$'000	Exchange reserve (Unaudited) HK$'000	Accumulated losses (Unaudited) HK$'000	Total (Unaudited) HK$'000	Minority interests (Unaudited) HK$'000	Total (Unaudited) HK$'000
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)
Net income recognised directly in equity	–	–	2,945	–	42,833	–	45,778	38,779	84,557
Loss for the period	–	–	–	–	–	(3,022)	(3,022)	(1,857)	(4,879)
Total recognised income and expense for the period	–	–	2,945	–	42,833	(3,022)	42,756	36,922	79,678
Acquisition of subsidiaries	–	–	–	222,637	–	–	222,637	513,070	735,707
Deferred tax charged to other reserve	–	–	–	(6,698)	–	–	(6,698)	(6,436)	(13,134)
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	3,133	215,939	41,491	(376,866)	657,127	543,556	1,200,683
At 1 April 2008	720,408	53,022	(926)	222,120	58,779	(297,389)	756,014	572,870	1,328,884
Fair value change in available-for-sale financial assets	–	–	(9,231)	–	–	–	(9,231)	–	(9,231)
Exchange differences on translation to presentation currency	–	–	–	–	(130,650)	–	(130,650)	(125,494)	(256,144)
Net expenses recognised directly in equity	–	–	(9,231)	–	(130,650)	–	(139,881)	(125,494)	(265,375)
Profit for the period	–	–	–	–	–	174,633	174,633	99,314	273,947
Total recognised income and expense for the period	–	–	(9,231)	–	(130,650)	174,633	34,752	(26,180)	8,572
At 31 December 2008	**720,408**	**53,022**	**(10,157)**	**222,120**	**(71,871)**	**(122,756)**	**790,766**	**546,690**	**1,337,456**

Management Discussion and Analysis

Financial Review

The Group's revenue from continuing operations for the nine months ended 31 December 2008 was approximately HK$368.9 million, representing an increase of approximately 109.7%, as compared with approximately HK$175.9 million for the previous corresponding period. The increase in revenue 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 from continuing operations of approximately HK$170.4 million for the period under review, as compared with approximately HK$85.0 million in the last corresponding period. The increase in gross profit for the period was mainly due to the contributions from the business operations in the Philippines during the period.

Other income from continuing operations for the nine months ended 31 December 2008 was approximately HK$31.5 million, representing an increase of approximately 6.7%, as compared with approximately HK$29.5 million in the last corresponding period. The increase was mainly due to the recognition of interest income on amount due from an associate during the period.

Selling and distribution costs, and general and administrative expenses from continuing operations increased by approximately 61.9% to approximately HK$110.6 million for the nine months ended 31 December 2008 from approximately HK$68.3 million in the last corresponding period. The increase was mainly due to the inclusion of the expenses incurred by business operations in the Philippines after the completion of the acquisition in October 2007.

During the nine months ended 31 December 2008, the Group recorded a gain of approximately HK$113.2 million on change in fair value of conversion option derivative. Share of a loss from an associated company of the Group for the nine months ended 31 December 2008 was approximately HK$4.2 million, representing an increase of approximately 521.1% as compared with approximately HK$0.7 million in last corresponding period. Since the acquisition was completed on 11 October 2007, only the results of the associated company during the period from the date of completion of the acquisition to 31 December 2007 were shared by the Group in the last corresponding period.

Finance costs from continuing operations for the nine months ended 31 December 2008 was approximately HK$32.8 million, representing a decrease of approximately 41.5%, as compared with approximately HK$56.1 million in last corresponding period. The decrease was mainly due to the repayment of borrowings during the nine months ended 31 December 2008.

Hyatt Hotel and Casino Manila

The Group recorded a profit before taxation from continuing operations for the nine months ended 31 December 2008, amounted to approximately HK$167.5 million while it was a loss of approximately HK$10.6 million in the last corresponding period. The financial performance was improved mainly due to the contributions from the business operations in the Philippines and the substantial favorable change in the fair value of conversion option derivative 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. The disposal was completed in April 2008. Immediately after the completion of the disposal, the Group ceased to carry on the business of provision of network solutions and project services. Details of the disposal are set out in the announcements of the Company dated 2 January 2008 and 3 March 2008, and the circular of the Company dated 23 January 2008.

The loss for the nine months ended 31 December 2008 from the discontinued operations, including the provision of the network solutions and project services, was approximately HK$1.4 million, while it was a profit of approximately HK$1.3 million in the last corresponding period.

Business Review

The principal activities of the Group are hotel operations, leasing of properties for casino, ancillary leisure and entertainment operations, 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. During the period under review, the Group ceased to carry on the business of provision of network solutions and project services.

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 and its subsidiaries 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.

   The revenue derived from the leasing of properties and operating the hotel for the nine months ended 31 December 2008 were approximately HK$227.1 million and HK$121.5 million respectively. 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 from the date of completion of the acquisition to 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 2008 was approximately HK$20.3 million, representing a decrease of approximately 66.4%, as compared with approximately HK$60.3 million for the previous corresponding period. The revenue comprised primarily from sales of the theatrical feature films under M8 Entertainment Inc. and its subsidiaries (the "M8 Group"). The decrease in revenue resulted from the decrease in number of films produced during the period.

Hyatt Hotel and Casino Manila

3. Interest in an associated company

   A wholly owned subsidiary of the Company held 40% equity interest in Arc of Triumph Development Company Limited ("ATD"), a company incorporated in Macau. The principal activities of ATD are property development and investment. ATD owns a parcel of land with an area of approximately 7,128 square meters located at Novos Aterros do Porto Exterior (新口岸外港填海區), Macau. It is currently under construction. According to the proposed development plan, the land would be developed into a complex comprising the high-end residential units, a super-deluxe hotel with casino facilities, commercial units and parking. The Group's share of loss in the associated company for the nine months ended 31 December 2008 was approximately HK$4.2 million, representing an increase of 521.1%, as compared with approximately HK$0.7 million for the previous corresponding period. Since the acquisition was completed on 11 October 2007, only the results of the associated company during the period from the date of completion of the acquisition to 31 December 2007 were shared by the Group in the last corresponding period.

Future Outlook

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

After taking into account matters related to the conduct of the M8 Group's business, which include, *inter alia*, the pessimistic operations of the M8 Group going forward, the status of the M8 Group's indebtedness to the Company, and the high cost of maintaining subsidiaries in North America, the Directors consider that it is the best interest of the Company not to devote any further resources to the M8 Group and to concentrate on the business and investments in Asia. The Directors also consider that it is appropriate to liquidate the M8 Group in accordance with the relevant overseas regulations so that the Group would focus on its existing hotel and entertainment operations and explore the leisure and entertainment markets for opportunities in those sectors in Asia with more anticipated potential growth in the near to medium term. The objective is to strive for better return to the shareholders of the Company. On 10 September 2008 (Montreal time), the Company's Canadian legal advisers proceeded with the filing of a Petition for the Issuance of a Liquidation Order before the Superior Court of Quebec in Canada. Details of the development of the liquidation of the M8 Group are set out in the announcements of the Company dated 18 July 2008 and 11 September 2008. The Company will make further announcement in accordance with the GEM Listing Rules for any further development.

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.

Financial Assistance to an Associated Company

On 8 April 2008, Fortune Gate Overseas Limited ("Fortune Gate"), a direct wholly owned subsidiary of the Company, entered into a conditional loan agreement (the "Loan Agreement") with Arc of Triumph Development Company Limited ("ATD"), an associated company of the Company incorporated in Macau, and is owned as to 40% by the Group.

Pursuant to the Loan Agreement, Fortune Gate has conditionally agreed to make available the loan facilities of up to HK$760,000,000 to be advanced to ATD for financing the development of a property and the working capital of ATD. At 8 April 2008, before entering into the Loan Agreement, the amount due from ATD was approximately HK$127,992,000. The Loan Agreement was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 19 May 2008. Details of the transaction are set out in the announcement of the Company dated 9 April 2008 and the circular of the Company dated 28 April 2008.

At 31 December 2008, the amount due from ATD was approximately HK$408,959,000, of which approximately HK$87,907,000 was unsecured, interest free and had no fixed date of repayment; HK$40,000,000 was unsecured, bore interest at the rate of 6% per annum and had no fixed date of repayment; HK$276,800,000 was unsecured, bore interest at the rate of 6% per annum and shall be repaid in full on the earlier of the second anniversary of the Loan Agreement and the seventh day after the issue of the certificate of compliance and the occupation permit in respect of the property; and the remaining balance was the accrued interest of the advance which shall be repaid every three months. The advance to ATD was funded by internal financial resources of the Group.

At 31 December 2008, the undrawn loan facilities pursuant to the Loan Agreement amounted to HK$483,200,000. Interest at the rate of 6% per annum from the date of advance by Fortune Gate to the date of full repayment by ATD will be charged.

Hyatt Hotel and Casino Manila

The unaudited condensed balance sheet of ATD at 31 December 2008 is as follows:

	HK$'000
Non-current assets	2,898,521
Current assets	868,479
Current liabilities	(2,167,419)
Net current liabilities	(1,298,940)
Non-current liabilities	(184,161)
Net assets	1,415,420

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 2008, 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. Lo Lin Shing, Simon	–	364,800 *(Note)*	364,800	0.03%

Note: These shares are held by Wellington Equities Inc., which is wholly owned by Mr. Lo Lin Shing, Simon, an executive director of the Company.

Long positions in the ordinary shares of Maxprofit International Limited ("Maxprofit"), a subsidiary of the Company

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 *(Note)*	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, an executive director of the Company.

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

Save as disclosed below, as at 31 December 2008, 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 interests or short positions 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 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 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 2008 and there were no share options outstanding under the share option scheme as at 31 December 2008.

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 2008 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 2008 and 31 December 2008
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	410,000
Employee	13 May 2002	14 May 2004 – 13 May 2012	0.170	1,100,000
Employee	13 May 2002	14 May 2005 – 13 May 2012	0.170	1,100,000
Employee	13 May 2002	14 May 2006 – 13 May 2012	0.170	1,100,000
Employee	28 August 2002	29 August 2004 – 28 August 2012	0.160	1,000,000
Employee	1 May 2003	2 May 2003 – 1 May 2013	0.075	3,320,000
Total				8,630,000

No option was exercised, cancelled or granted during the nine months ended 31 December 2008.

Compliance Adviser's Interests

As updated and notified by the compliance adviser of the Company, Cinda International Capital Limited (formerly named as Hantec Capital Limited) (the "Compliance Adviser"), as at 31 December 2008, 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 Group.

Competing Business

Directors' interests in competing business

The following directors are considered to have interests in the business 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	Nature of interest of the director in the entity
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, S.A. 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

Hyatt Hotel and Casino Manila

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 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.

Save 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 three independent non-executive directors, namely Mr. Cheung Hon Kit, Mr. Lau Wai Piu and Mr. Tsui Hing Chuen, William *JP*. 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 2008.

Hyatt Hotel and Casino Manila

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

During the nine months ended 31 December 2008, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

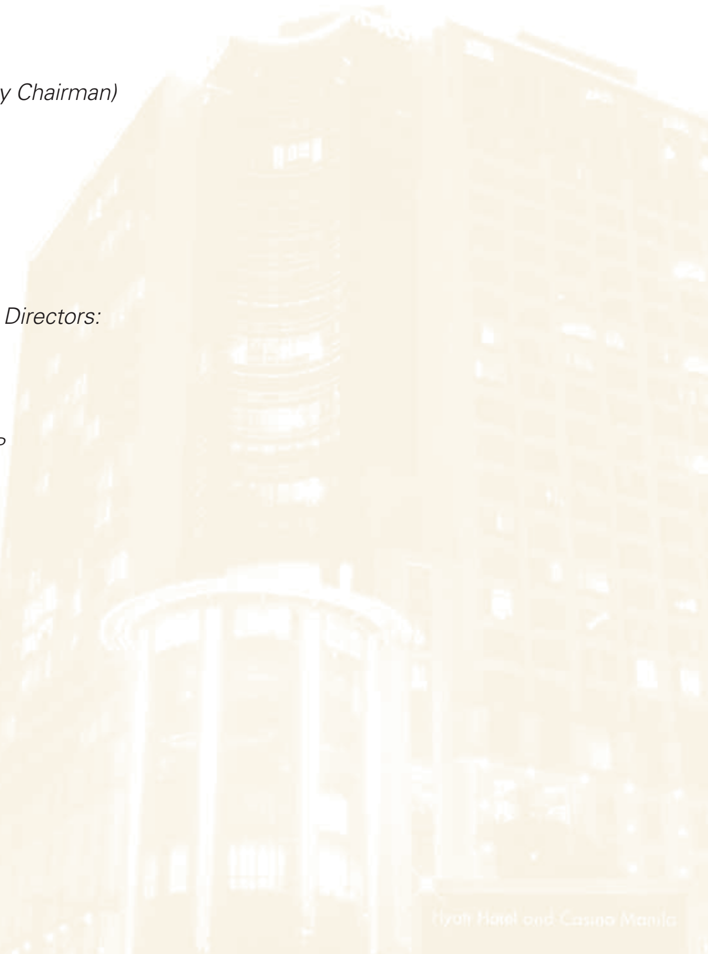
By order of the Board
International Entertainment Corporation
Dr. Cheng Kar Shun
Chairman

Hong Kong, 13 February 2009

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

Independent non-executive Directors:
Cheung Hon Kit
Kwee Chong Kok, Michael
Lau Wai Piu
Tsui Hing Chuen, William *JP*


Hyatt Hotel and Casino Manila