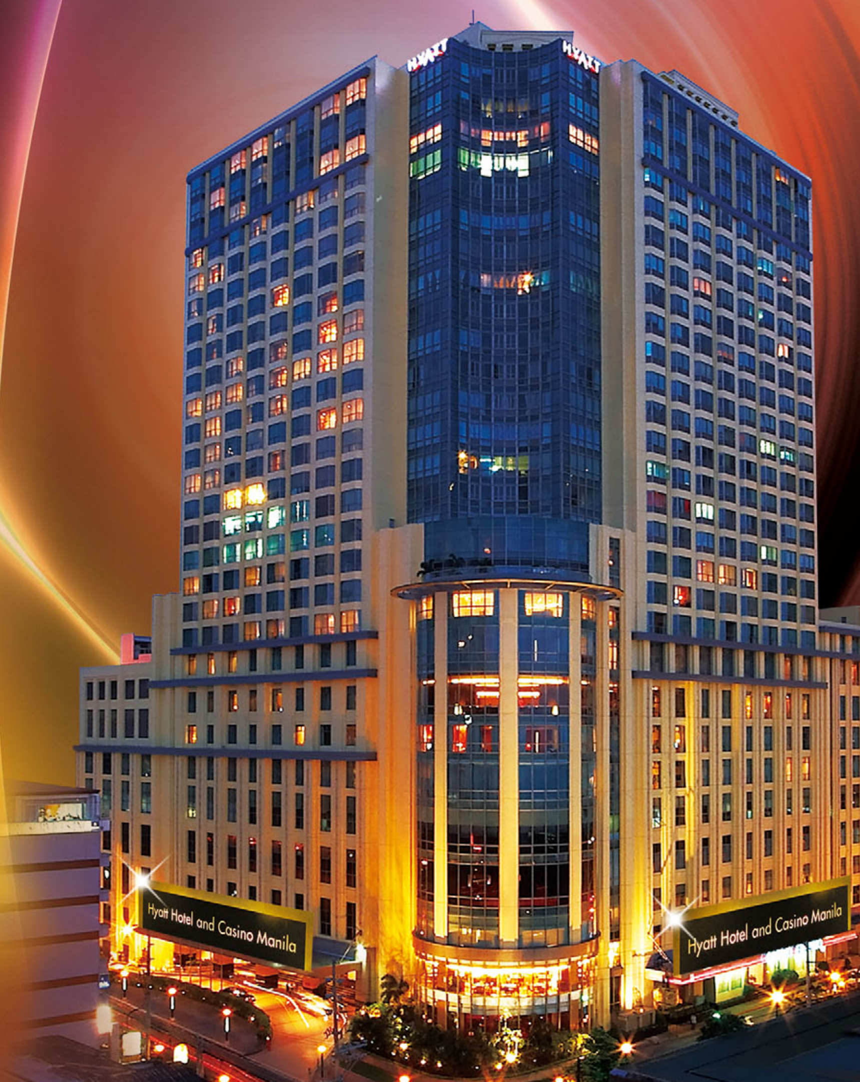
International Entertainment Corporation
國際娛樂有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8118

Interim Report
2009/10



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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.

CORPORATE INFORMATION

Executive Directors

Dr. CHENG Kar Shun *(Chairman)*
Mr. LO Lin Shing, Simon *(Deputy Chairman)*
Mr. TO Hin Tsun, Gerald
Mr. CHENG Kam Chiu, Stewart
Mr. CHEUNG Kam Biu, Wilson
Mr. CHENG Chi Kong
Mr. CHENG Chi Him

Independent Non-executive Directors

Mr. CHEUNG Hon Kit
Mr. KWEE Chong Kok, Michael
Mr. LAU Wai Piu
Mr. TSUI Hing Chuen, William *JP*

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Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

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16–18 Queen's Road Central
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Company Website

http://www.ientcorp.com

Company Secretary

Mr. KWOK Chi Kin *CPA, FCCA*

Authorised Representatives

Mr. CHENG Kam Chiu, Stewart
Mr. KWOK Chi Kin

Compliance Officer

Mr. TO Hin Tsun, Gerald

Audit Committee Members

Mr. CHEUNG Hon Kit *(Committee Chairman)*
Mr. LAU Wai Piu
Mr. TSUI Hing Chuen, William *JP*

Remuneration Committee Members

Mr. LAU Wai Piu *(Committee Chairman)*
Mr. CHEUNG Hon Kit
Mr. KWEE Chong Kok, Michael
Mr. TSUI Hing Chuen, William *JP*

Principal Bankers

Public Bank (Hong Kong) Limited
Public Bank Centre
120 Des Voeux Road Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Rooms 1712–1716
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183 Queen's Road East
Hong Kong

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
88 Queensway
Hong Kong

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 six months ended 30 September 2009, together with the comparative unaudited figures for the corresponding periods in 2008 as follows:

Condensed Consolidated Income Statement

For the three months and six months ended 30 September 2009

		Three months ended 30 September		Six months ended 30 September	
	Notes	**2009 (Unaudited) HK$'000**	2008 (Unaudited) HK$'000 *(Restated)*	**2009 (Unaudited) HK$'000**	2008 (Unaudited) HK$'000 *(Restated)*
Continuing operations					
Revenue	2	**117,987**	127,014	**233,696**	263,294
Cost of sales		**(62,092)**	(65,956)	**(124,963)**	(135,918)
Gross profit		**55,895**	61,058	**108,733**	127,376
Other income	4	**3,492**	9,957	**7,650**	19,211
Change in fair value of conversion option derivative		**36,000**	64,000	**34,000**	61,200
Selling and distribution costs		**(2,319)**	(1,694)	**(5,002)**	(2,838)
General and administrative expenses		**(36,055)**	(35,167)	**(68,861)**	(69,634)
Share of loss of an associate		**(17,917)**	(1,841)	**(19,992)**	(2,140)
Finance costs		**(10,751)**	(9,482)	**(21,386)**	(22,162)
Profit before taxation	5	**28,345**	86,831	**35,142**	111,013
Taxation (charge) credit	6	**(69)**	8,530	**(36)**	25,630
Profit for the period from continuing operations		**28,276**	95,361	**35,106**	136,643
Discontinued operations					
Loss for the period from discontinued operations		**–**	–	**–**	(1,376)
Profit for the period		**28,276**	95,361	**35,106**	135,267
Attributable to:					
Owners of the Company		**10,399**	75,889	**3,492**	86,484
Minority interests		**17,877**	19,472	**31,614**	48,783
		28,276	95,361	**35,106**	135,267
Earnings (loss) per share	8				
		HK cent	HK cent	**HK cent**	HK cent
From continuing and discontinued operations					
Basic		**0.88**	6.44	**0.30**	7.33
Diluted		**(1.08)**	1.55	**(0.66)**	3.21
From continuing operations					
Basic		**0.88**	6.44	**0.30**	7.45
Diluted		**(1.08)**	1.55	**(0.66)**	3.31

Condensed Consolidated Statement of Comprehensive Income

For the three months and six months ended 30 September 2009

	Three months ended 30 September		Six months ended 30 September	
	2009	2008	**2009**	2008
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		*(Restated)*
Profit for the period	**28,276**	95,361	**35,106**	135,267
Other comprehensive income (expenses)				
Exchange differences on translation	**68,827**	(108,220)	**41,740**	(251,564)
Fair value change in available-for-sale financial assets	**368**	(5,939)	**2,353**	(8,556)
Other comprehensive income (expenses) for the period	**69,195**	(114,159)	**44,093**	(260,120)
Total comprehensive income (expenses) for the period	**97,471**	(18,798)	**79,199**	(124,853)
Total comprehensive income (expenses) attributable to:				
Owners of the Company	**51,899**	14,400	**33,985**	(50,206)
Minority interests	**45,572**	(33,198)	**45,214**	(74,647)
	97,471	(18,798)	**79,199**	(124,853)

Condensed Consolidated Statement of Financial Position

As at 30 September 2009

	Notes	30 September 2009 (Unaudited) HK$'000	31 March 2009 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	*9*	**541,645**	565,177
Investment properties	*10*	**1,132,491**	1,166,117
Goodwill		**–**	–
Investment in an associate		**508,850**	546,316
Held-to-maturity investments		**15,309**	–
Other assets		**6,445**	6,596
		2,204,740	2,284,206
Current assets			
Inventories		**2,857**	2,644
Film costs	*11*	**11,124**	15,993
Available-for-sale financial assets		**5,304**	1,988
Trade receivables	*12*	**35,775**	34,209
Other receivables, deposits and prepayments		**32,655**	39,027
Amount due from a related company		**–**	539
Amount due from an associate	*13*	**843,509**	492,271
Bank balances and cash		**471,810**	704,644
		1,403,034	1,291,315
Current liabilities			
Trade payables	*14*	**63,141**	64,063
Other payables and accrued charges		**54,321**	54,756
Tax liabilities		**1,000**	1,000
Promissory notes	*15*	**281,242**	316,402
Conversion option derivative		**34,000**	68,000
		433,704	504,221
Net current assets		**969,330**	787,094
Total assets less current liabilities		**3,174,070**	3,071,300

	Notes	30 September 2009 (Unaudited) HK$'000	31 March 2009 (Audited) HK$'000
Capital and reserves			
Share capital	*16*	**1,179,157**	1,179,157
Share premium and reserves		**843,278**	809,293
Equity attributable to owners of the Company		**2,022,435**	1,988,450
Minority interests		**682,373**	637,159
Total equity		**2,704,808**	2,625,609
Non-current liabilities			
Convertible note		**359,571**	338,185
Deferred tax liabilities		**108,835**	106,791
Other liabilities		**856**	715
		469,262	445,691
		3,174,070	3,071,300

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2009

	Share capital (Unaudited) HK$'000	Share premium (Unaudited) HK$'000	Merger reserve (Unaudited) HK$'000	Investment revaluation reserve (Unaudited) HK$'000	Other reserve (Unaudited) HK$'000 *(Restated)*	Exchange reserve (Unaudited) HK$'000 *(Restated)*	Accumu-lated losses (Unaudited) HK$'000 *(Restated)*	Attributable to owners of the Company (Unaudited) HK$'000	Minority interests (Unaudited) HK$'000 *(Restated)*	Total (Unaudited) HK$'000
At 1 April 2008	1,179,157	720,408	53,022	(926)	362,982	66,782	(297,389)	2,084,036	715,897	2,799,933
Profit for the period	–	–	–	–	–	–	86,484	86,484	48,783	135,267
Fair value change in available-for-sale financial assets	–	–	–	(8,556)	–	–	–	(8,556)	–	(8,556)
Exchange differences on translation	–	–	–	–	–	(128,134)	–	(128,134)	(123,430)	(251,564)
Total comprehensive (expenses) income for the period	–	–	–	(8,556)	–	(128,134)	86,484	(50,206)	(74,647)	(124,853)
At 30 September 2008	1,179,157	720,408	53,022	(9,482)	362,982	(61,352)	(210,905)	2,033,830	641,250	2,675,080
At 1 April 2009	1,179,157	720,408	53,022	(529)	362,982	(144,455)	(182,135)	1,988,450	637,159	2,625,609
Profit for the period	–	–	–	–	–	–	3,492	3,492	31,614	35,106
Fair value change in available-for-sale financial assets	–	–	–	2,353	–	–	–	2,353	–	2,353
Exchange differences on translation	–	–	–	–	–	28,140	–	28,140	13,600	41,740
Total comprehensive income for the period	–	–	–	2,353	–	28,140	3,492	33,985	45,214	79,199
At 30 September 2009	**1,179,157**	**720,408**	**53,022**	**1,824**	**362,982**	**(116,315)**	**(178,643)**	**2,022,435**	**682,373**	**2,704,808**

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2009

	Six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash from operating activities	**146,983**	180,720
Net cash (used in) from investing activities	**(357,115)**	115,229
Net cash used in financing activities	**(35,160)**	(372,264)
Net decrease in cash and cash equivalents	**(245,292)**	(76,315)
Cash and cash equivalents at 1 April	**704,644**	915,265
Effect of foreign exchange rate changes	**12,458**	(30,786)
Cash and cash equivalents at 30 September	**471,810**	808,164
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**471,810**	808,164

Notes:

1. **Basis of preparation and principal accounting policies**

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

During the year ended 31 March 2009, the deferred tax liability in relation to the fair value adjustment arising from investment properties has been revised by taking into consideration of the rental income from Philippine Amusement and Gaming Corporation ("PAGCOR") which is exempted from Philippines corporate income tax. A zero tax rate has been applied over the lease term with PAGCOR and a tax rate of 35%, which changed to 30% with effective on 1 January 2009, after the expiry of the lease with PAGCOR would be applied, the comparative information has been represented. As a result of the recalculation, the deferred tax credit in the unaudited consolidated profits for the three months and six months ended 30 September 2008 were decreased by approximately HK$8,235,000 and HK$17,751,000 respectively, of which approximately HK$4,035,000 and HK$8,698,000 respectively were attributable to the minority interests, the other reserve as at 30 September 2008 was increased by approximately HK$140,862,000, the exchange reserve as at 30 September 2008 was decreased by approximately HK$8,395,000, and the minority interests as at 30 September 2008 was increased by approximately HK$118,576,000. The accounting treatment for the restatement of the comparative figures is consistent with those used for the Group's annual financial statements for the year ended 31 March 2009.

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

Except as described below, the same accounting policies, presentation and methods of computation have been followed in these unaudited condensed consolidated financial statements as were applied in the preparation of the Group's annual financial statements for the year ended 31 March 2009.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. The Group designated certain debt securities as held-to-maturity investments. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

A number of new and revised standards, amendments and interpretations are effective for the Group's financial year beginning on 1 April 2009. The Group has applied the following new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by HKICPA, which are effective for the Group's financial year beginning on 1 April 2009.

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to amendment to paragraph 80 of HKAS 39

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 "Segment Reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3).

The adoption of the other new or revised 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)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 27 (Revised 2008)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of rights issue[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Revised 2009)	First-time adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 1 (Amendments)	Additional exemptions for first-time adopters[3]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[3]
HKFRS 3 (Revised 2008)	Business combinations[1]
HK(IFRIC) – INT 17	Distribution of non-cash assets to owners[1]

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

2 Effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

3 Effective for annual periods beginning on or after 1 January 2010

4 Effective for annual periods beginning on or after 1 February 2010

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combination for which the acquisition dates are on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The Directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. Revenue

	Three months ended 30 September		Six months ended 30 September	
	2009	2008	**2009**	2008
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
The Group's revenue comprises:				
Continuing operations				
Entertainment business				
Film and television programme production and distribution licensing	**8,952**	10,763	**16,762**	13,776
Music concerts and sale of music records	**–**	1,028	**33**	1,365
	8,952	11,791	**16,795**	15,141
Hotel				
Room revenue	**16,628**	24,302	**34,802**	50,974
Food and beverages	**10,923**	13,470	**21,641**	27,688
Other hotel service income	**1,282**	1,540	**2,520**	4,302
	28,833	39,312	**58,963**	82,964
Leasing of properties	**80,202**	75,911	**157,938**	165,189
	117,987	127,014	**233,696**	263,294
Discontinued operations				
Sales of goods	**–**	–	**–**	448
Service income	**–**	–	**–**	403
	–	–	**–**	851
	117,987	127,014	**233,696**	264,145

3. Segment Information

The Group has adopted HKFRS 8 "Operating Segments" for the Group's financial year beginning on 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard, HKAS 14 "Segment Reporting", required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor changed the basis of measurement of segment profit or loss.

The Group currently organizes its operations into three reportable segments, namely hotel, leasing and entertainment business. The identification of these three operating segments is consistent with the way in which information is reported internally to the Group's senior management for the purpose of resource allocation and performance assessment.

The Group's reportable segments under HKFRS 8 are as follows:–

Hotel	–	Operation of hotel business
Leasing	–	Leasing of properties
Entertainment business	–	Production and licensing of theatrical motion pictures in a variety of genres and investments in production of television series, music concerts and sales of music records

The Group was also engaged in the businesses of network solutions and project services. These operations were discontinued immediately after the disposal of Cyber On-Air Group Limited ("COAG") and its subsidiaries on 25 April 2008 and the corresponding reportable segments were classified as discontinued operations accordingly.

The following is an analysis of the Group's revenue and results by operating segments for the period under review.

Six months ended 30 September 2009

	Hotel (Unaudited) HK$'000	Leasing (Unaudited) HK$'000	Entertainment business (Unaudited) HK$'000	Elimination (Unaudited) HK$'000	Consolidated (Unaudited) HK$'000
SEGMENT REVENUE					
External revenue	58,963	157,938	16,795	–	233,696
Inter-segment revenue	399	309	–	(708)	–
Total	59,362	158,247	16,795	(708)	233,696
SEGMENT RESULTS	(23,188)	72,836	(3,995)		45,653
Other income					7,650
Change in fair value of conversion option derivative					34,000
Central administration expenses					(10,783)
Share of loss of an associate					(19,992)
Finance costs					(21,386)
Profit before taxation					35,142
Taxation charge					(36)
Profit for the period					35,106

Note: Inter-segment revenue are charged at prevailing market rates.

Six months ended 30 September 2008

	Continuing operations					Discontinued operations			
	Hotel (Unaudited) HK$'000	Leasing (Unaudited) HK$'000	Entertainment business (Unaudited) HK$'000	Elimination (Unaudited) HK$'000	Total (Unaudited) HK$'000 *(Restated)*	Network solutions (Unaudited) HK$'000	Project services (Unaudited) HK$'000	Total (Unaudited) HK$'000	Consolidated (Unaudited) HK$'000 *(Restated)*
SEGMENT REVENUE									
External revenue	82,964	165,189	15,141	–	263,294	448	403	851	264,145
Inter-segment revenue	–	338	–	(338)	–	–	–	–	–
Total	82,964	165,527	15,141	(338)	263,294	448	403	851	264,145
SEGMENT RESULTS	(8,259)	74,396	(4,954)		61,183	113	55	168	61,351
Other income					19,211			1	19,212
Change in fair value of conversion option derivative					61,200			–	61,200
Central administration expenses					(6,279)			(1,545)	(7,824)
Share of loss of an associate					(2,140)			–	(2,140)
Finance costs					(22,162)			–	(22,162)
Profit (loss) before taxation					111,013			(1,376)	109,637
Taxation credit					25,630			–	25,630
Profit (loss) for the period					136,643			(1,376)	135,267

Note: Inter-segment revenue are charged at prevailing market rates.

4. Other income

	Three months ended 30 September		Six months ended 30 September	
	2009	2008	**2009**	2008
	(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	**3,400**	9,837	**7,463**	18,596
Sundry income	**92**	120	**187**	251
	3,492	9,957	**7,650**	19,211
Discontinued operations				
Interest income	**–**	–	**–**	1
	3,492	9,957	**7,650**	19,212

5. Profit before taxation

	Three months ended 30 September						Six months ended 30 September					
	Continuing operations		Discontinued operations		Total		Continuing operations		Discontinued operations		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Profit before taxation has been arrived at after charging (crediting):												
Allowance for bad and doubtful debts for trade and other receivables	**23**	176	**-**	–	**23**	176	**46**	219	**-**	–	**46**	219
Allowance for obsolete inventories (included in cost of sales)	**-**	755	**-**	–	**-**	755	**-**	1,384	**-**	–	**-**	1,384
Amortisation of film costs (included in cost of sales)	**3,088**	804	**-**	–	**3,088**	804	**5,518**	1,758	**-**	–	**5,518**	1,758
Cost of inventories recognised as an expense	**3,246**	4,382	**-**	–	**3,246**	4,382	**6,385**	8,914	**-**	683	**6,385**	9,597
Depreciation of property, plant and equipment	**24,071**	26,625	**-**	–	**24,071**	26,625	**48,359**	54,129	**-**	–	**48,359**	54,129
Depreciation of investment properties	**27,443**	28,367	**-**	–	**27,443**	28,367	**55,105**	60,796	**-**	–	**55,105**	60,796
Impairment loss recognised in respect of film costs (included in cost of sales)	**-**	588	**-**	–	**-**	588	**-**	759	**-**	–	**-**	759
Rental expenses under operating leases on												
– premises	**1,985**	2,164	**-**	–	**1,985**	2,164	**3,978**	4,341	**-**	43	**3,978**	4,384
– equipment	**32**	10	**-**	–	**32**	10	**63**	14	**-**	2	**63**	16
	2,017	2,174	**-**	–	**2,017**	2,174	**4,041**	4,355	**-**	45	**4,041**	4,400
Gross rental income from leased properties and entertainment equipment	**(80,202)**	(75,911)	**-**	–	**(80,202)**	(75,911)	**(157,938)**	(165,189)	**-**	–	**(157,938)**	(165,189)
Less: Direct operating expenses from leased properties and entertainment equipment that generated rental income *(Note)*	**43,139**	45,544	**-**	–	**43,139**	45,544	**85,102**	90,793	**-**	–	**85,102**	90,793
	(37,063)	(30,367)	**-**	–	**(37,063)**	(30,367)	**(72,836)**	(74,396)	**-**	–	**(72,836)**	(74,396)
Staff costs, including directors' emoluments												
– salaries and allowances	**12,975**	16,252	**-**	–	**12,975**	16,252	**26,627**	31,048	**-**	394	**26,627**	31,442
– retirement benefits schemes contributions	**143**	135	**-**	–	**143**	135	**279**	285	**-**	15	**279**	300
	13,118	16,387	**-**	–	**13,118**	16,387	**26,906**	31,333	**-**	409	**26,906**	31,742

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

6. Taxation (charge) credit

	Three months ended 30 September		Six months ended 30 September	
	2009	2008	**2009**	2008
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		*(Restated)*
Continuing operations				
Income tax	**–**	–	**–**	–
Deferred tax (charge) credit	**(69)**	8,530	**(36)**	25,630
	(69)	8,530	**(36)**	25,630
Discontinued operations				
Income tax	**–**	–	**–**	–
Deferred tax	**–**	–	**–**	–
	–	–	**–**	–
Taxation (charge) credit	**(69)**	8,530	**(36)**	25,630

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 six months ended 30 September 2009 and three months and six months ended 30 September 2008 as the Group's operations either had no assessable profits or were exempted from profits tax.

A subsidiary operating in the Philippines had entered into a lease agreement with PAGCOR, a company solely owned by the Philippines government, such that the subsidiary is entitled to the tax exemption in respect of the rental income received or receivable from PAGCOR being exempted from the Philippines corporate income tax. In addition, according to the lease agreement, if the subsidiary is required to make any payment of the Philippines corporate income tax in relation to any rental income received or receivable from PAGCOR, PAGCOR shall indemnify the subsidiary for such payment.

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

7. Dividend

No dividends were paid, declared or proposed during the period under review. The Board does not recommend the payment of any dividend for the six months ended 30 September 2009 (for the six months ended 30 September 2008: nil).

8. Earnings (loss) per share

From continuing and discontinued operations

The calculation of basic and diluted earnings (loss) per share attributable to the owners of the Company for the three months and six months ended 30 September 2009 together with the comparative figures for 2008 are based on the following data:

	Three months ended 30 September		Six months ended 30 September	
	2009	2008	**2009**	2008
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		*(Restated)*
Earnings (loss)				
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**10,399**	75,889	**3,492**	86,484
Effect of dilutive potential ordinary shares in respect of convertible note:				
– Change in fair value of conversion option derivative	**(36,000)**	(64,000)	**(34,000)**	(61,200)
– Effective interest expense	**10,751**	9,482	**21,386**	19,042
(Loss) earnings for the purpose of diluted (loss) earnings per share	**(14,850)**	21,371	**(9,122)**	44,326

	Three months ended 30 September		Six months ended 30 September	
	2009	2008	**2009**	2008
	In thousand	In thousand	**In thousand**	In thousand
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,179,157**	1,179,157	**1,179,157**	1,179,157
Effect of dilutive potential ordinary shares from convertible note	**200,000**	200,000	**200,000**	200,000
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**1,379,157**	1,379,157	**1,379,157**	1,379,157

The calculation of diluted (loss) earnings per share for the three months and six months ended 30 September 2009 and three months and six months ended 30 September 2008 did not assume the exercise of a subsidiary's outstanding share options. The Directors consider that the value of the subsidiary is lower than the exercise price as the subsidiary was delisted in March 2007 and had unaudited consolidated net liabilities as at 30 September 2009 and 30 September 2008.

From continuing operations

The calculation of basic and diluted earnings (loss) per share from continuing operations attributable to the owners of the Company for the three months and six months ended 30 September 2009 and together with the comparative figures for 2008 are based on the following data:

	Three months ended 30 September		Six months ended 30 September	
	2009	2008	**2009**	2008
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		*(Restated)*
Earnings (loss) figures are calculated as follows:				
Profit for the period attributable to owners of the Company	**10,399**	75,889	**3,492**	86,484
Less: Loss for the period from discontinued operations attributable to owners of the Company	**–**	–	**–**	(1,376)
Earnings for the purpose of basic earnings per share from continuing operations	**10,399**	75,889	**3,492**	87,860
Effect of dilutive potential ordinary shares in respect of convertible note:				
– Change in fair value of conversion option derivative	**(36,000)**	(64,000)	**(34,000)**	(61,200)
– Effective interest expense	**10,751**	9,482	**21,386**	19,042
(Loss) earnings for the purpose of diluted (loss) earnings per share from continuing operations	**(14,850)**	21,371	**(9,122)**	45,702

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

From discontinued operations

Since the subsidiaries operating the discontinued operations have been disposed in April 2008, no basic and diluted earnings (loss) per share from discontinued operations for the three months and six months ended 30 September 2009 and three months ended 30 September 2008 were presented.

Basic loss per share from discontinued operations for the six months ended 30 September 2008 is HK0.12 cent per share based on the unaudited consolidated loss for the six months ended 30 September 2008 from discontinued operations attributable to the owners of the Company 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 six months ended 30 September 2008 as the conversion of convertible note or the exercise of a subsidiary's outstanding share options would result in a decrease in loss per share from discontinued operations.

9. Property, plant and equipment

	Buildings (Unaudited) HK$'000	Leasehold improvements (Unaudited) HK$'000	Plant and machinery (Unaudited) HK$'000	Furniture, fixtures and equipment (Unaudited) HK$'000	Entertainment equipment (Unaudited) HK$'000	Computer hardware (Unaudited) HK$'000	Motor vehicles (Unaudited) HK$'000	Total (Unaudited) HK$'000
COST								
At 1 April 2008	563,934	5,907	96,370	62,502	57,131	681	853	787,378
Exchange adjustments	(77,980)	(845)	(13,351)	(8,607)	(9,505)	1	(84)	(110,371)
Additions	1,071	–	667	3,260	31,540	–	246	36,784
Disposals	–	–	–	(206)	–	–	(410)	(616)
Write-off	–	–	–	(7)	–	(56)	–	(63)
At 31 March 2009	487,025	5,062	83,686	56,942	79,166	626	605	713,112
Exchange adjustments	9,158	59	1,576	979	1,591	–	12	13,375
Additions	1,277	–	429	390	12,468	–	3	14,567
Disposals	–	–	–	(996)	–	(2)	–	(998)
At 30 September 2009	**497,460**	**5,121**	**85,691**	**57,315**	**93,225**	**624**	**620**	**740,056**
DEPRECIATION								
At 1 April 2008	13,003	930	17,821	12,477	12,245	526	78	57,080
Exchange adjustments	(3,014)	(26)	(4,120)	(2,749)	(2,947)	1	(12)	(12,867)
Provided for the year	23,849	362	32,460	22,563	24,589	67	108	103,998
Eliminated on disposals	–	–	–	(148)	–	–	(67)	(215)
Eliminated on write-off	–	–	–	(7)	–	(54)	–	(61)
At 31 March 2009	33,838	1,266	46,161	32,136	33,887	540	107	147,935
Exchange adjustments	730	(7)	995	611	727	–	3	3,059
Provided for the period	11,422	176	15,453	10,302	10,918	27	61	48,359
Eliminated on disposals	–	–	–	(940)	–	(2)	–	(942)
At 30 September 2009	**45,990**	**1,435**	**62,609**	**42,109**	**45,532**	**565**	**171**	**198,411**
CARRYING VALUES								
At 30 September 2009	**451,470**	**3,686**	**23,082**	**15,206**	**47,693**	**59**	**449**	**541,645**
At 31 March 2009	453,187	3,796	37,525	24,806	45,279	86	498	565,177

10. Investment properties

	(Unaudited) HK$'000
COST	
At 1 April 2008	1,514,761
Exchange adjustments	(209,334)
Additions	420
At 31 March 2009	1,305,847
Exchange adjustments	24,529
Additions	32
At 30 September 2009	**1,330,408**
DEPRECIATION	
At 1 April 2008	34,279
Exchange adjustments	(10,665)
Provided for the year	116,116
At 31 March 2009	139,730
Exchange adjustments	3,082
Provided for the period	55,105
At 30 September 2009	**197,917**
CARRYING VALUES	
At 30 September 2009	**1,132,491**
At 31 March 2009	1,166,117

11. Film costs

	(Unaudited) HK$'000
COST	
At 1 April 2008	653,112
Exchange adjustments	(808)
Additions	6,734
At 31 March 2009	659,038
Exchange adjustments	(12,989)
Additions	1,153
At 30 September 2009	**647,202**
AMORTISATION AND IMPAIRMENT	
At 1 April 2008	622,659
Exchange adjustments	(1,384)
Provided for the year	12,352
Impairment loss recognised	9,418
At 31 March 2009	643,045
Exchange adjustments	(12,485)
Provided for the period	5,518
At 30 September 2009	**636,078**
CARRYING VALUES	
At 30 September 2009	**11,124**
At 31 March 2009	15,993

12. Trade receivables

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

	30 September 2009 (Unaudited) HK$'000	31 March 2009 (Audited) HK$'000
Aged:		
0 – 30 days	**31,142**	28,947
31 – 60 days	**1,904**	3,443
61 – 90 days	**2,276**	515
Over 90 days	**453**	1,304
	35,775	34,209

13. Amount due from an associate

As at 30 September 2009, included in the amount due from an associate of approximately HK$832 million (as at 31 March 2009: approximately HK$487 million) are first, second and additional shareholder's loans of approximately HK$88 million (as at 31 March 2009: approximately HK$88 million), HK$40 million (as at 31 March 2009: HK$40 million) and approximately HK$704 million (as at 31 March 2009: approximately HK$359 million), respectively. The first shareholder's loan is unsecured, interest-free and repayable on demand. The second and additional shareholder's loans are unsecured and bear interest at 6% per annum, of which the second shareholder's loan is repayable on demand and the additional shareholder's loan should originally be repayable in full on the earlier of the second anniversary of the loan agreement dated 8 April 2008 (the "Loan Agreement") and the seventh day after the issue of the certificate of compliance and occupation permit for the properties held by the associate in Macau. In August 2009, the repayment date of the additional shareholder's loan was extended to 31 August 2010. The Directors anticipated that the entire shareholder's loans of approximately HK$832 million will be repaid within 12 months and are therefore classified as current asset. The remaining balance was the accrued interest of the shareholder's loans and the amount shall be paid every three months.

Pursuant to the Loan Agreement, the additional shareholder's loan granted by the Group was at maximum of HK$760 million. As at 30 September 2009, the Group advanced approximately HK$704 million (as at 31 March 2009: approximately HK$359 million) additional shareholder's loan to the associate. Accordingly, the Group has outstanding committed loan facilities the approximately HK$56 million (as at 31 March 2009: approximately HK$401 million).

The interest income from the associate for the six months ended 30 September 2009 was approximately HK$17 million. Such amount was eliminated to the investment in an associate under the equity method of accounting.

14. Trade payables

The aged analysis of trade payables is as follows:

	30 September 2009 (Unaudited) HK$'000	31 March 2009 (Audited) HK$'000
Aged:		
0 – 30 days	**3,397**	3,501
31 – 60 days	**748**	217
61 – 90 days	**–**	–
Over 90 days	**58,996**	60,345
	63,141	64,063

15. Promissory notes

In October 2007, promissory notes (the "Promissory Notes") with an aggregate amount of approximately HK$642 million were issued by a subsidiary of the Company in favor of two related companies, which are beneficially owned by the intermediate holding company, Chow Tai Fook Enterprises Limited ("CTF"). The Promissory Notes were issued to replace the shareholders' loans of HK$642 million assigned by shareholders which arise from the acquisition of Fortune Gate Overseas Limited ("Fortune Gate"). Pursuant to the terms of the Promissory Notes, the amounts are unsecured, interest-free and are repayable on demand. During the six months ended 30 September 2009, the Group has settled part of the Promissory Notes.

16. Share capital

	Par value of shares	Number of shares	Value (Unaudited)
	HK$		HK$'000
Authorised:			
Ordinary shares			
At 1 April 2008, at 31 March 2009 and at 30 September 2009	1 each	2,000,000,000	2,000,000
Issued and fully paid:			
Ordinary shares			
At 1 April 2008, at 31 March 2009 and at 30 September 2009	1 each	1,179,157,235	1,179,157

17. Operating lease commitments

The Group as lessor

Marina Square Properties, Inc., an indirect subsidiary of the Company acquired on 11 October 2007 signed a contract with PAGCOR on 14 March 2003 to lease equipped gaming premises and office premises for a period of twelve years commencing from 31 March 2004. The monthly rental would be based on a certain percentage of net gaming revenue of the casino operated by PAGCOR or a fixed amount of Peso100,000 (equivalent to approximately HK$16,100 (30 September 2008: equivalent to approximately HK$17,600)), whichever is higher.

PAGCOR is chartered under Presidential Decore No. 1869, as amended ("PAGCOR Charter") to operate the casino in the Philippines. The PAGCOR Charter was due to expire on 10 July 2008 and renewal was granted in June 2007 for 25 years from 11 July 2008. Casino rental income earned during the three months and six months ended 30 September 2009 was approximately HK$80,202,000 (three months ended 30 September 2008: approximately HK$75,911,000) and HK$157,938,000 (six months ended 30 September 2008: approximately HK$165,189,000) respectively, including contingent rental charges amounting to approximately HK$80,153,000 (three months ended 30 September 2008: approximately HK$75,858,000) and HK$157,841,000 (six months ended 30 September 2008: approximately HK$165,083,000) respectively.

The Group as lessee

At 30 September 2009, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 September 2009 (Unaudited) HK$'000	31 March 2009 (Audited) HK$'000
Within one year	**7,016**	7,184
In the second to fifth year inclusive	**24,861**	25,399
Over five years	**73,911**	75,370
	105,788	107,953

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

18. Related party transactions

Apart from the related party transactions as disclosed in notes 13 and 15, the Group entered into the following material transactions with related parties during the period:

	Six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Accommodation and beverages income *(note a)*	**369**	511
Financial advisory and professional fee to a related company *(note b)*	**298**	618
Rental expenses *(note c)*	**340**	385

Notes:

(a) Accommodation and beverages income were received from a subsidiary indirectly owned by CTF, the intermediate holding company of the Company, during the period.

(b) The amounts represented professional fees in respect of providing financial advisory services during the period and were paid to a related company, in which Dr. Cheng Kar Shun, Mr. Lo Lin Shing, Simon and Mr. To Hin Tsun, Gerald, the Directors, have managerial duties and significant influence in the financial and operating policy. Mr. Lo Lin Shing, Simon ceased to have managerial duties and significant influence in that related company with effect from 1 July 2009.

(c) A company, in which Dr. Cheng Kar Shun and Mr. Cheng Chi Kong, the Directors, have managerial duties and significant influence in the financial and operating policy, leased office premises to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group's revenue from continuing operations for the six months ended 30 September 2009 was approximately HK$233.7 million, representing a decrease of approximately 11.2%, as compared with approximately HK$263.3 million for the previous corresponding period in 2008. The decrease in revenue from continuing operations was mainly due to the decrease in revenue from the hotel operations in the Philippines during the period. The Group reported a gross profit from continuing operations of approximately HK$108.7 million for the period under review, representing a decrease of approximately 14.6%, as compared with approximately HK$127.4 million in the last corresponding period. The decrease in gross profit from continuing operations was mainly due to the depreciation of Philippine Peso against Hong Kong Dollar and a decrease in revenue from the operations of hotel during the period.

Other income from continuing operations for the six months ended 30 September 2009 was approximately HK$7.7 million, representing a decrease of approximately 60.2%, as compared with approximately HK$19.2 million in the last corresponding period. The decrease was mainly due to the decrease in interest income during the period.

Selling and distribution costs, and general and administrative expenses from continuing operations increased by approximately 1.9% to approximately HK$73.9 million for the six months ended 30 September 2009 from approximately HK$72.5 million in the last corresponding period. There was no material fluctuation on the expenses.

During the six months ended 30 September 2009, the Group recorded a gain of approximately HK$34.0 million on change in fair value of conversion option derivative as compared with approximately HK$61.2 million for the previous period in 2008, representing a decrease of approximately 44.4%. Share of loss from an associated company during the six months ended 30 September 2009 was approximately HK$20.0 million, representing an increase of approximately 834.2%, as compared with approximately HK$2.1 million in the corresponding period in 2008. The increase was mainly due to the increase in the pre-operating expenses.

Finance costs from continuing operations for the six months ended 30 September 2009 were approximately HK$21.4 million, representing a decrease of approximately 3.5%, as compared with approximately HK$22.2 million in last corresponding period. The decrease was mainly due to the decrease in interest on bank borrowings as the Group repaid all bank borrowings during the year ended 31 March 2009.

The Group recorded a profit from continuing operations for the six months ended 30 September 2009, amounted to approximately HK$35.1 million, representing a decrease of approximately 74.3%, as compared with approximately HK$136.6 million in the last corresponding period. The decrease in profit from continuing operations was mainly due to the depreciation of Philippine Peso against Hong Kong Dollar, a decrease in revenue from the operations of hotel, and a decrease in the gain on the change in fair value of conversion option derivative, as compared to the last corresponding period. Also, the Group recorded a deferred tax charge for the period while it was a deferred tax credit for the six months ended 30 September 2008.

On 27 December 2007, the Company entered into a conditional sale and purchase agreement for the disposal of its entire interest in 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 six months ended 30 September 2008 from the discontinued operations, including the provision of the network solutions and project services, was approximately HK$1.4 million.

Business Review

The principal activities of the Group are hotel operations, leasing of properties for casino, ancillary leisure and entertainment operations, and to a lesser extent as compared to the preceding period 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 revenue derived from the leasing of properties and operating the hotel for the six months ended 30 September 2009 were approximately HK$157.9 million and HK$59.0 million respectively, representing a decrease of approximately 4.4% and 28.9% respectively, as compared with approximately HK$165.2 million and HK$83.0 million respectively in the last corresponding period. The decrease in revenue was mainly due to the depreciation of Philippine Peso against Hong Kong Dollar as compared with the corresponding period last year.

2. **Entertainment business**

The revenue derived from the entertainment business for the six months ended 30 September 2009 was approximately HK$16.8 million, representing an increase of approximately 10.9% as compared with approximately HK$15.1 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 increase in revenue resulted from the increase in revenue from licensing of theatrical feature films.

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, and hotel business. 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 which was developed into a complex comprising the high-end residential units, a super-deluxe hotel with casino facilities, commercial units and parking. The hotel and casino were open to guests in September 2009. The hotel namely L'Arc New World Hotel Macau, is a 5-star hotel with 301 hotel rooms and the casino includes over 100 gaming tables and around 400 slot machines.

The Group's share of loss in the associated company for the six months ended 30 September 2009 was approximately HK$20.0 million, representing an increase of approximately 834.2%, as compared with approximately HK$2.1 million in the last corresponding period. The increase was mainly due to the increase in the pre-operating expenses.

FUTURE OUTLOOK

After the completion of the acquisition of the hotel and entertainment operations in the Philippines and Macau, the Group focuses on the hotel operations and the leasing of properties for casino, ancillary leisure and entertainment operations and they are the core activities of the Group. The Directors consider that hotel and entertainment operations will continue to contribute significantly towards the Group's revenue and results.

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 Company's 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 as to enable the Group's current management to focus on its existing hotel and entertainment operations and to explore other leisure and entertainment businesses or opportunities in Asia. 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 the Group's financial structure and the composition of its assets and liabilities periodically and may consider further re-alignment of its investments and business operations.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2009, the Group's net current assets amounted to approximately HK$969.3 million (as at 31 March 2009: approximately HK$787.1 million). Current assets amounted to approximately HK$1,403.0 million (as at 31 March 2009: approximately HK$1,291.3 million), of which approximately HK$471.8 million (as at 31 March 2009: approximately HK$704.6 million) was cash and bank deposits, approximately HK$843.5 million (as at 31 March 2009: approximately HK$492.3 million) was amount due from an associate, approximately HK$35.8 million (as at 31 March 2009: approximately HK$34.2 million) was trade receivables, approximately HK$5.3 million (as at 31 March 2009: approximately HK$2.0 million) was available-for-sale financial assets, approximately HK$32.6 million (as at 31 March 2009: approximately HK$39.0 million) was other receivables, deposits and prepayments, approximately HK$11.1 million (as at 31 March 2009: approximately HK$16.0 million) was film costs and approximately HK$2.9 million (as at 31 March 2009: approximately HK$2.6 million) was inventories.

The Group had current liabilities amounted to approximately HK$433.7 million (as at 31 March 2009: approximately HK$504.2 million), of which approximately HK$63.1 million (as at 31 March 2009: approximately HK$64.1 million) was trade payables, approximately HK$54.3 million (as at 31 March 2009: approximately HK$54.8 million) was other payables and accrued charges, approximately HK$281.2 million (as at 31 March 2009: approximately HK$316.4 million) was the Promissory Notes and approximately HK$34.0 million (as at 31 March 2009: approximately HK$68.0 million) was the fair value of conversion option derivative.

The Promissory Notes amounted to approximately HK$281.2 million (as at 31 March 2009: approximately HK$316.4 million) were denominated in Hong Kong Dollar. The amounts were unsecured, interest-free and repayable on demand. During the six months period ended 30 September 2009, the Group has settled part of the Promissory Notes.

The convertible note was issued by the Company in October 2007, 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 per share, subject to customary adjustments for among other things, subdivision or consolidation of shares, bonus issues, right issues and other events which have diluting effects on the issued share capital of the Company. The principal amount of the convertible note outstanding as at 30 September 2009 and 31 March 2009 was HK$400,000,000.

The gearing ratio, measured in terms of total borrowings divided by total assets, was approximately 17.8% as at 30 September 2009, compared to approximately 18.3% as at 31 March 2009.

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

CHARGES ON GROUP ASSETS

As at 30 September 2009 and 31 March 2009, 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 and affiliated company, which would have been required to be disclosed under the GEM Listing Rules, for the six months ended 30 September 2009.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group will continue to explore the market and identify any business opportunities which may provide its growth and development potential, enhance the profitability, and strive for better return to the shareholders.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

As at 30 September 2009, the Group's assets and liabilities were mainly denominated in Hong Kong Dollar, United States Dollar and Philippine Peso. The Group primarily earns its revenue in Hong Kong Dollar, United States Dollar and Philippine Peso while the Group primarily incurs costs and expenses mainly in Hong Kong dollars, United States dollars and Philippine Peso. The Group has not implemented any formal hedging policy. However, the management would monitor foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

CONTINGENT LIABILITIES

As at 30 September 2009 and 31 March 2009, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees of the Group was 354 as at 30 September 2009 (as at 30 September 2008: 389). The staff costs for the six months ended 30 September 2009 was approximately HK$26.9 million (for the six months ended 30 September 2008: approximately HK$31.7 million). The remuneration of Directors and employees of the Group was based on the performance and experience of 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, employee benefits included medical scheme, insurance, retirement benefits schemes and share option scheme.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is the comparison of the actual business progress to the information provided under the section headed "Statement of Business Objective" in the circular of the Company dated 29 June 2007 in relation to the acquisition of the hotel and entertainment operations in the Philippines and Macau (the "Circular). The Company was treated as a deemed new listing applicant as a result of the acquisition, which was completed on 11 October 2007.

For the period from 1 April 2009 to 30 September 2009

Business objectives stated in the Circular	Actual business progress
System improvement	
Implement workflow applications using Lotus Notes as the platform as may be required by operations	Lotus Notes system program scripts and approvers have been upgraded to align the current system flows.
New computer equipment acquisition	
Acquire network attached storage device and high-speed tape drive for data storage	The Group is evaluating different kinds of data storage.
Purchase hardware and software modules for Voice over IP implementation	The use of Voice over IP is under evaluation by the management.
Marketing activities	
Estimated marketing budget will be approximately Peso24 million	Actual marketing expenses amounted to approximately Peso17 million.
Set up fairs in Tokyo, Osaka, Nagoya and Fukuoka	Visit has been made to accounts in Nagoya and the Group has participated the Hyatt® Fairs in Tokyo, Osaka and Shanghai during the period.

Business objectives stated in the Circular	Actual business progress
Make sales calls in Bangkok, Kuala Lumpur and Singapore	Sales trips have been made to Singapore. The Group has participated the Arabian Travel Mart in Dubai and the China Outbound Tours and Travel Mart in Beijing.
Set up trade shows in London and United States of America	Setting up trade shows in London was postponed to November 2009.
Form partnership with airline, credit card and telecommunication companies	The Group has formed new partnerships with airlines and credit card companies.
Macau operation	
Complete renting of the commercial areas	The hotel and casino were open to guests in September 2009. Certain commercial areas were rented out.
Media business	
Attend film festivals	Film festivals have been attended.
Continue to recruit staff to develop the business in Asia	The recruitment plan is under review due to downturn of media business.
Continue to explore the strategic partnership in major cities in the PRC and Asia	The Group has liaised with potential partners and cooperative discussion is in progress.
Produce music concerts in the major cities in the PRC and Asia	The production of new music concerts is under review due to downturn of media business.

FINANCIAL ASSISTANCE TO AN ASSOCIATED COMPANY

On 8 April 2008, Fortune Gate, a direct wholly owned subsidiary of the Company, entered into the Loan Agreement with 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 shareholders of the Company at the extraordinary general meeting of the Company held on 19 May 2008. On 29 July 2009, Fortune Gate and ATD entered into the conditional supplemental loan agreement (the "Supplemental Loan Agreement") to extend the repayment date of the loan advanced to ATD to 31 August 2010. The Supplemental Loan Agreement was approved by the shareholders of the Company at the extraordinary general meeting of the Company held on 27 August 2009. Details of the transaction are set out in the announcements of the Company dated 9 April 2008 and 29 July 2009 and the circulars of the Company dated 28 April 2008 and 11 August 2009.

At 30 September 2009, the amount due from ATD was approximately HK$843,509,000, 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$703,680,000 was unsecured, bore interest at the rate of 6% per annum and shall be repaid on 31 August 2010; 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 30 September 2009, the undrawn loan facilities pursuant to the Loan Agreement amounted to HK$56,320,000. 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.

The unaudited condensed statement of financial position extracted from the consolidated management accounts of ATD as at 30 September 2009 is as follows:

	HK$'000
Current assets	1,387,906
Current liabilities	(3,302,153)
Net current liabilities	(1,914,247)
Non-current assets	3,450,339
Non-current liabilities	(182,957)
Net assets	1,353,135

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 30 September 2009, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571 of the Laws of Hong Kong), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (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.

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.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Save as disclosed below, as at 30 September 2009, so far as is known to the Directors or chief executives of the Company, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) who had 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. ("Cross-Growth")	Beneficial owner	–	200,000,000 *(Note 2)*	200,000,000	16.96%
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, the Company and CTF in relation to the acquisition of hotel and entertainment operations in the Philippines and Macau.

Cross-Growth is wholly owned by CTF. Accordingly, CTF is deemed to be interested in 200,000,000 underlying shares of the Company held by Cross-Growth 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 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 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 six months ended 30 September 2009 and there were no share options outstanding under the share option scheme as at 30 September 2009.

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 30 September 2009 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 2009 and 30 September 2009
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 six months ended 30 September 2009.

COMPLIANCE ADVISER'S INTERESTS

As updated and notified by the compliance adviser of the Company, Cinda International Capital Limited (the "Compliance Adviser"), as at 30 September 2009, 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 competes or is 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	executive director, optionholder and shareholder *(Note 1)*
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 *(Note 2)*
Cheng Kar Shun	New World Development Company Limited and its subsidiaries	Investment in hotel property in Makati, Manila, Philippines	executive director, optionholder and shareholder *(Note 3)*
Cheng Chi Kong	New World Development Company Limited and its subsidiaries	Investment in hotel property in Makati, Manila, Philippines	executive director and optionholder *(Note 4)*

Notes:

(1) *As at 30 September 2009, Mr. Cheung Hon Kit is personally interested in 761,280 share options, 1,312,000 underlying shares under equity derivatives and 11,679,000 shares of ITC Properties Group Limited, together representing approximately 2.92% of the issued share capital of ITC Properties Group Limited.*

(2) *Many Town Company Limited is owned as to 93.3% by United Worldwide Investment S.A., of which 50% is owned by Dr. Cheng Kar Shun.*

(3) *As at 30 September 2009, Dr. Cheng Kar Shun is personally interested in 36,710,652 share options and his spouse is personally interested in 300,000 shares of New World Development Company Limited respectively, together representing approximately 0.96% of the issued share capital of New World Development Company Limited.*

(4) *As at 30 September 2009, Mr. Cheng Chi Kong is personally interested in 502,885 share options of New World Development Company Limited, representing approximately 0.01% of the issued share capital of New World Development Company Limited.*

Potential competition

Fortune Holiday Limited ("Fortune"), which is indirectly owned as to 73% by CTF, 11% by Mr. To Hin Tsun, Gerald and a non-member of the Group, 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 in the Philippines 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 was also 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 is 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 interim report for the six months ended 30 September 2009.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices as set out in the Appendix 15 of the GEM Listing Rules throughout the six months ended 30 September 2009, except for the following deviations:

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

The chairman of the Board had not attended the annual general meeting of the Company held on 27 August 2009 as he was having his business commitment at the time of such meeting. One of the executive Directors was elected as the chairman of the annual general meeting and responded to the questions of the shareholders. The management considers that the Board endeavor to maintain an on-going dialogue with shareholders.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Rules 5.48 to 5.67 of the GEM Listing Rules.

The Company, having made specific enquiry of all the Directors, was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the six months ended 30 September 2009.

DISCLOSURE OF DIRECTORS' INFORMATION UNDER RULE 17.50A(1) OF THE GEM LISTING RULES

The following are the changes of Directors' information since the publication of the annual report of the Company for the year ended 31 March 2009 and up to the date of this report, which is required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules:

Mr. Lo Lin Shing, Simon, an executive Director, was resigned as a deputy chairman and an executive director of Taifook Securities Group Limited, a company listed on the Stock Exchange, with effect from 1 July 2009.

Mr. Cheng Kam Chiu, Stewart, an executive Director, was resigned as an executive director of Grand T G Gold Holdings Limited, a company listed on the Stock Exchange, with effect from 15 May 2009.

Mr. Cheng Chi Him, an executive Director, was resigned as an executive director of New Times Energy Corporation Limited, a company listed on the Stock Exchange, with effect from 19 October 2009.

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

During the six months ended 30 September 2009, 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 November 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*