International Entertainment Corporation
國際娛樂有限公司
(Incorporated in the Cayman Islands with limited liability)
Stock Code : 8118

First Quarterly Report 2010/11

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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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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 ended 30 June 2010, together with the comparative unaudited figures for the corresponding period in 2009 as follows:

Condensed Consolidated Income Statement

For the three months ended 30 June 2010

	Notes	**Three months ended 30 June 2010 (Unaudited) HK$'000**	Three months ended 30 June 2009 (Unaudited) HK$'000
Continuing operations			
Revenue	*2*	**97,295**	107,866
Cost of sales		**(50,554)**	(58,649)
Gross profit		**46,741**	49,217
Other income	*3*	**4,430**	4,116
Other gain and loss		**14,877**	(1,764)
Change in fair value of conversion option derivative		**49,200**	(2,000)
Selling and distribution costs		**(1,266)**	(995)
General and administrative expenses		**(28,210)**	(26,052)
Share of loss of an associate		**(44)**	(2,075)
Finance costs		**(11,783)**	(10,635)
Profit before taxation		**73,945**	9,812
Taxation credit	*4*	**234**	33
Profit for the period from continuing operations		**74,179**	9,845
Discontinued operations			
Loss for the period from discontinued operations		**–**	(3,015)
Profit for the period		**74,179**	6,830
Attributable to:			
Owners of the Company		**65,126**	(6,907)
Non-controlling interests		**9,053**	13,737
		74,179	6,830
Earnings (loss) per share	*6*	**HK cent**	HK cent
From continuing and discontinued operations			
Basic		**5.52**	(0.59)
Diluted		**2.01**	(0.59)
From continuing operations			
Basic		**5.52**	(0.33)
Diluted		**2.01**	(0.33)

Condensed Consolidated Statement of Comprehensive Income

For the three months ended 30 June 2010

	Three months ended 30 June 2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000
Profit for the period	**74,179**	6,830
Other comprehensive income and expenses		
Exchange differences arising on translation	**(51,304)**	(27,087)
Fair value change in available-for-sale financial assets	**(2,124)**	1,985
Other comprehensive income and expenses for the period	**(53,428)**	(25,102)
Total comprehensive income and expenses for the period	**20,751**	(18,272)
Total comprehensive income and expenses attributable to:		
Owners of the Company	**27,979**	(17,914)
Non-controlling interests	**(7,228)**	(358)
	20,751	(18,272)

Notes:

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

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").

The unaudited consolidated results have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values. Certain comparative figures have been re-presented to include entertainment business classified as discontinued operations for the three months ended 30 June 2009.

Except as described below, the accounting policies used in the preparation of the unaudited consolidated results are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2010.

In the current period, the Group has applied the following new and revised standards, amendments and interpretations (the "new and revised HKFRSs") issued by HKICPA.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 32 (Amendment)	Classification of rights issues
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 1 (Revised)	First-time adoption of HKFRSs
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners

The adoption of the new and revised HKFRSs had no material effect on the results and financial position of the Group for the current or prior accounting periods.

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 2010[1]
HKAS 24 (Revised)	Related party disclosures[3]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[2]
HKFRS 9	Financial instruments[4]
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement[3]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[2]

1 *Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate*

2 *Effective for annual periods beginning on or after 1 July 2010*

3 *Effective for annual periods beginning on or after 1 January 2011*

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

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company 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 June 2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000
The Group's revenue from continuing operations comprises:		
Hotel		
Room revenue	**19,638**	18,174
Food and beverages	**9,995**	10,718
Other hotel service income	**1,324**	1,238
	30,957	30,130
Leasing of investment properties equipped with entertainment equipment	**66,338**	77,736
	97,295	107,866

3. Other income

	Three months ended 30 June 2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000
Continuing operations:		
Interest income	**4,252**	4,027
Sundry income	**178**	89
	4,430	4,116

4. Taxation credit

	Three months ended 30 June 2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000
Continuing operations:		
Deferred tax credit – current period	**234**	33

No provision for Hong Kong Profits Tax has been made as the Group's operations in Hong Kong had no assessable profits for the three months ended 30 June 2010 and 30 June 2009.

No provision for taxation in other jurisdictions was made in the unaudited consolidated results for the three months ended 30 June 2010 and 30 June 2009 as the Group's operations outside Hong Kong either had no assessable profits or were exempted from profits tax in respective jurisdictions.

A subsidiary operating in the Philippines had entered into a lease agreement with Philippine Amusement and Gaming Corporation ("PAGCOR"), a company solely owned by the Philippine 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 Philippine corporate profits tax. In addition, according to the lease agreement, if the subsidiary is required to make any payment of the Philippine corporate profits tax in relation to any rental income received or receivable from PAGCOR, PAGCOR shall indemnify the subsidiary in respect of such payment.

5. 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 three months ended 30 June 2010 (for the three months ended 30 June 2009: nil).

6. Earnings (loss) per share

From continuing and discontinued operations

The calculation of basic and diluted earnings (loss) per share attributable to owners of the Company is based on the following data:

	Three months ended 30 June 2010 (Unaudited) HK$'000	Three months ended 30 June 2009 (Unaudited) HK$'000
Earnings (loss)		
Earnings (loss) for the purpose of basic earnings (loss) per share (profit (loss) for the period attributable to owners of the Company)	**65,126**	(6,907)
Effect of dilutive potential ordinary shares in respect of convertible note:		
– Change in fair value of conversion option derivative	**(49,200)**	-
– Effective interest expense	**11,783**	-
Earnings (loss) for the purpose of diluted earnings (loss) per share	**27,709**	(6,907)

	Three months ended 30 June	
	2010	2009
	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
Effect of dilutive potential ordinary shares from convertible note	**200,000**	-
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**1,379,157**	1,179,157

The calculation of diluted loss per share for the three months ended 30 June 2009 did not assume the conversion of convertible note and the exercise of the outstanding share options of M8 Entertainment Inc. ("M8") as the conversion of convertible note would result in a decrease in loss per share and the exercise price of M8's share options was higher than the fair value of M8's share since M8 was delisted from Toronto Stock Exchange in March 2007 and had consolidated net total liabilities as at 30 June 2009. In addition, M8 was put into liquidation on 19 March 2010.

From continuing operations

The calculation of basic and diluted earnings (loss) per share from continuing operations attributable to owners of the Company is based on the following data:

	Three months ended 30 June 2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000
Earnings (loss) figures are calculated as follows:		
Profit (loss) for the period attributable to owners of the Company	**65,126**	(6,907)
Less: Loss for the period from discontinued operations attributable to owners of the Company	**–**	(3,015)
Earnings (loss) for the purpose of basic earnings (loss) per share from continuing operations	**65,126**	(3,892)
Effect of dilutive potential ordinary shares in respect of convertible note:		
– Change in fair value of conversion option derivative	**(49,200)**	–
– Effective interest expense	**11,783**	–
Earnings (loss) for the purpose of diluted earnings (loss) per share from continuing operations	**27,709**	(3,892)

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

From discontinued operations

For the three months ended 30 June 2009, basic and diluted loss per share from discontinued operations was HK0.26 cent, which is calculated based on the loss from discontinued operations for the three months period ended 30 June 2009 attributable to owners of the Company of approximately HK$3,015,000 and the same denominators detailed above for both basic and diluted earnings (loss) per share.

7. Reserves

	Attributable to owners of the Company								
	Share premium (Unaudited) HK$'000	Merger reserve (Unaudited) HK$'000 *(Note 1)*	Investment revaluation reserve (Unaudited) HK$'000	Other reserve (Unaudited) HK$'000 *(Note 2)*	Exchange reserve (Unaudited) HK$'000	(Accumulated losses) Retained profits (Unaudited) HK$'000	Total (Unaudited) HK$'000	Non-controlling interests (Unaudited) HK$'000	Total (Unaudited) HK$'000
At 1 April 2009	720,408	53,022	(529)	362,982	(144,455)	(182,135)	809,293	637,159	1,446,452
(Loss) profit for the period	–	–	–	–	–	(6,907)	(6,907)	13,737	6,830
Fair value change in available-for-sale financial assets	–	–	1,985	–	–	–	1,985	–	1,985
Exchange differences arising on translation	–	–	–	–	(12,992)	–	(12,992)	(14,095)	(27,087)
Total comprehensive income and expenses for the period	–	–	1,985	–	(12,992)	(6,907)	(17,914)	(358)	(18,272)
At 30 June 2009	720,408	53,022	1,456	362,982	(157,447)	(189,042)	791,379	636,801	1,428,180
At 1 April 2010	720,408	53,022	4,613	362,982	(39,866)	93,525	1,194,684	753,849	1,948,533
Profit for the period	–	–	–	–	–	65,126	65,126	9,053	74,179
Fair value change in available-for-sale financial assets	–	–	(2,124)	–	–	–	(2,124)	–	(2,124)
Exchange differences arising on translation	–	–	–	–	(35,023)	–	(35,023)	(16,281)	(51,304)
Total comprehensive income and expenses for the period	–	–	(2,124)	–	(35,023)	65,126	27,979	(7,228)	20,751
At 30 June 2010	**720,408**	**53,022**	**2,489**	**362,982**	**(74,889)**	**158,651**	**1,222,663**	**746,621**	**1,969,284**

Notes:

1. *Merger reserve of the Group represents the difference between the share capital and share premium of Cyber On-Air Multimedia Limited whose shares were exchanged for the Company's shares and the nominal amount of share capital issued by the Company pursuant to the group reorganisation in year 2000. Cyber On-Air Multimedia Limited was disposed of during the year ended 31 March 2008.*

2. *The other reserve represents discount on acquisition of subsidiaries from a subsidiary of an intermediate parent arising in the year ended 31 March 2008.*

Management Discussion and Analysis

Financial Review

The Group's revenue from continuing operations for the three months ended 30 June 2010 was approximately HK$97.3 million, representing a decrease of approximately 9.8%, as compared with approximately HK$107.9 million in the last corresponding period. The decrease in revenue from continuing operations was mainly due to the decrease in revenue from the leasing of properties and hotel operations in the Philippines during the period. The Group reported a gross profit from continuing operations of approximately HK$46.7 million for the period under review, representing a decrease of approximately 5.0%, as compared with approximately HK$49.2 million in the last corresponding period. The decrease in gross profit from continuing operations was mainly due to the decrease in revenue from leasing of properties in the Philippines during the period.

Other income from continuing operations for the three months ended 30 June 2010 was approximately HK$4.4 million, representing an increase of approximately 7.6%, as compared with approximately HK$4.1 million in the last corresponding period. The increase was mainly due to the increase in interest income during the period.

Other gain and loss from continuing operations represented the net foreign exchange gain or loss recognised during the period under review. The Group recorded a net foreign exchange gain of approximately HK$14.9 million for the three months ended 30 June 2010, while it was a net foreign exchange loss of approximately HK$1.8 million for the three months ended 30 June 2009.

Selling and distribution costs, and general and administrative expenses from continuing operations increased by approximately 9.0% to approximately HK$29.5 million for the three months ended 30 June 2010 from approximately HK$27.0 million in the last corresponding period.

The Group recorded a gain of approximately HK$49.2 million on change in fair value of conversion option derivative for the three months ended 30 June 2010, while it was a loss of approximately HK$2.0 million for the three months ended 30 June 2009.

Share of loss from an associated company for the three months ended 30 June 2010 was approximately HK$44,000, representing a decrease of approximately 97.9%, as compared with approximately HK$2.1 million in the last corresponding period. The decrease in share of loss from an associated company was mainly due to the inclusion of the operating results arising from the hotel and entertainment operations, and the recognition of sales of residential units during the three months ended 30 June 2010.

Finance costs from continuing operations for the three months ended 30 June 2010 were approximately HK$11.8 million, representing an increase of approximately 10.8%, as compared with approximately HK$10.6 million in the last corresponding period.

The Group recorded a profit from continuing operations for the three months ended 30 June 2010, amounted to approximately HK$74.2 million, representing an increase of approximately 653.5%, as compared with approximately HK$9.8 million in the last corresponding period. The increase in profit from continuing operations was mainly due to a gain on change in fair value of conversion option derivative recognised for the three months ended 30 June 2010.

The loss from discontinued operations for the three months ended 30 June 2009, including the entertainment business only, was approximately HK$3.0 million.

Business Review

The principal activities of the Group are hotel operations, and leasing of properties for casino and ancillary leisure and entertainment operations.

1. Leasing of properties

The revenue derived from the leasing of properties for the three months ended 30 June 2010 was approximately HK$66.3 million, representing a decrease of approximately 14.7%, as compared with approximately HK$77.7 million in the last corresponding period. It contributed approximately 68% of the Group's total revenue from continuing operations during the period under review. In the last corresponding period, it contributed approximately 72% of the Group's total revenue from continuing operations.

2. Hotel operations

The revenue derived from the hotel operations mainly includes room revenue, revenue from food and beverages and other hotel service income. The revenue derived from the hotel operations for the three months ended 30 June 2010 was approximately HK$31.0 million, representing an increase of approximately 2.7%, as compared with approximately HK$30.1 million in the last corresponding period. There was no material fluctuation in revenue from hotel operations as compared with the last corresponding period.

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 and entertainment operations in Macau. ATD developed 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) in Macau 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 opened to guests in September 2009. The hotel is a 5-star hotel with 301 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 three months ended 30 June 2010 was approximately HK$44,000, representing a decrease of approximately 97.9%, as compared with approximately HK$2.1 million in the last corresponding period. The decrease in share of loss from an associated company was mainly due to the inclusion of the operating results arising from the hotel and entertainment operations, and the recognition of sales of residential units during the three months ended 30 June 2010.

On 7 May 2010, the Company entered into a conditional sale and purchase agreement (the "Agreement") with Power Link Fortune Limited ("Power Link") pursuant to which the Company conditionally agreed to sell and assign, and Power Link conditionally agreed to purchase the entire issued share capital of Fortune Gate Overseas Limited (the "Sale Share") and to accept the assignment of the entire amount of the interest–free shareholder's loan owing from Fortune Gate Overseas Limited to the Company as at the completion of the disposal (the "Sale Loan") at a cash consideration of HK$1,830 million, subject to adjustments as set out in the Agreement. Pursuant to the Agreement, Fortune Gate Overseas Limited has to undergo a reorganisation so that immediately prior to the completion of the disposal of the Sale Share and the Sale Loan, Fortune Gate Overseas Limited will only have the investment in ATD and the amount due from an associate and has no other liability except the Sale Loan. Immediately after the disposal of the Sale Share and the Sale Loan, Fortune Gate Overseas Limited will cease to be a wholly owned subsidiary of the Company and the Group will not be able to exercise any control on Fortune Gate Overseas Limited anymore. As at the date of this report, the proposed disposal of the Sale Share and the Sale Loan by the Company to Power Link has not yet completed. Details of the proposed disposal are set out in the announcement of the Company dated 11 May 2010 and the circular of the Company dated 30 July 2010.

Future Outlook

Following the order issued by the Superior Court of Quebec in Canada liquidating M8 Entertainment Inc. and the entering into of the conditional agreement for the sale of the equity interest of Fortune Gate Overseas Limited, which held 40% equity interest in ATD, the Group would focus on its existing hotel operations, and the leasing of properties for casino and ancillary leisure and entertainment operations in the Philippines, and will continue to do so as well as exploring other businesses or opportunities to strive for a better return to the shareholders of the Company. The Directors consider that the existing hotel operations and the leasing of properties in the Philippines will continue to contribute significantly towards the Group's revenue and results.

In July 2010, the Company submitted a formal application to The Stock Exchange of Hong Kong Limited in relation to the proposed transfer of listing of its shares from the Growth Enterprise Market to the Main Board of The Stock Exchange of Hong Kong Limited. The Directors consider that the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited will be beneficial to the future growth, financial flexibility and business development of the Group.

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 June 2010, 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: Personal Interest	Corporate interest	Total	Approximate percentage of the issued share capital of the Company
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: Personal Interest	Corporate interest	Total	Approximate percentage of shareholding
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 30 June 2010, 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%
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, 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 deemed to be 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 deemed to be 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 deemed to be held by Cross-Growth under the SFO.*

Share Option Scheme

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 had been granted, exercised or cancelled during the three months ended 30 June 2010 and there were no share options outstanding under the share option scheme as at 30 June 2010.

Competing Business

Directors' interests in competing business

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

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
Mr. Cheung Hon Kit	ITC Properties Group Limited	Investment in hotel and residential property in Macau	executive director, optionholder and shareholder *(Note 1)*
Dr. 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)*
Dr. Cheng Kar Shun	New World Development Company Limited ("NWD") and its subsidiaries	Investment in hotel property in Makati, Manila, Philippines	executive director, optionholder and shareholder *(Note 3)*
Mr. Cheng Chi Kong	NWD and its subsidiaries	Investment in hotel property in Makati, Manila, Philippines	executive director and optionholder *(Note 4)*

Notes:

(1) *As at 30 June 2010, Mr. Cheung Hon Kit is personally interested in 3,900,000 share options, 12,000,000 shares of ITC Properties Group Limited, together representing approximately 2.81% 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 June 2010, Dr. Cheng Kar Shun is personally interested in 36,710,652 share options and his spouse is personally interested in 300,000 shares of NWD respectively, together representing approximately 0.96% of the issued share capital of NWD.*

(4) *As at 30 June 2010, Mr. Cheng Chi Kong is personally interested in 502,885 share options of NWD, representing approximately 0.01% of the issued share capital of NWD.*

Potential competition

Fortune Holiday Limited ("Fortune Holiday"), 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 Philippine Amusement and Gaming Corporation ("PAGCOR") in June 2002 pursuant to which Fortune Holiday, 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 Holiday 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 Holiday has also been given, *inter alia*, the option to renew the lease for another 25 years.

Fortune Holiday was 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 Holiday in Metro Manila (but outside the Theme Park Manila). Both Dr. Cheng Kar Shun and Mr. To Hin Tsun, Gerald are the directors of Fortune Holiday. CTF and its subsidiaries owned about 40.03% of the issued share capital of NWD which has investment in hotel property in Makati, Manila, Philippines.

Same as disclosed above, none of the directors and the controlling shareholder (as 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 first quarterly report for the three months ended 30 June 2010.

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

During the three months ended 30 June 2010, 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, 12 August 2010

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*