



International Entertainment Corporation

國際娛樂有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 01009

Interim Report
2012/13



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. CHENG 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*

Executive Committee

Dr. CHENG Kar Shun

(*Committee Chairman*)

Mr. TO Hin Tsun, Gerald

Mr. CHENG Kam Biu, Wilson

Audit Committee

Mr. CHEUNG Hon Kit

(*Committee Chairman*)

Mr. LAU Wai Piu

Mr. TSUI Hing Chuen, William *JP*

Nomination Committee

Mr. TSUI Hing Chuen, William *JP*

(*Committee Chairman*)

Mr. TO Hin Tsun, Gerald

Mr. CHENG Kam Biu, Wilson

Mr. CHEUNG Hon Kit

Mr. KWEE Chong Kok, Michael

Mr. LAU Wai Piu

Remuneration Committee

Mr. LAU Wai Piu (*Committee Chairman*)

Mr. CHEUNG Hon Kit

Mr. KWEE Chong Kok, Michael

Mr. TSUI Hing Chuen, William *JP*

Company Secretary

Mr. KWOK Chi Kin *CPA, FCCA*

Authorised Representatives

Mr. CHENG Kam Chiu, Stewart

Mr. KWOK Chi Kin

Registered Office

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Grand Cayman KY1-1111

Cayman Islands

Head Office and Principal Place of Business in Hong Kong

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Hong Kong

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor
Services Limited
Rooms 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

Banco de Oro Unibank, Inc.
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
Maybank Philippines Inc.
Public Bank (Hong Kong) Limited
Rizal Commercial Banking Corporation

Auditor

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

Stock Code

01009

Company Website

<http://www.ientcorp.com>

The English text of this interim report shall prevail over the Chinese text in case of inconsistencies.

Report on Review of Condensed Consolidated Financial Statements



TO THE BOARD OF DIRECTORS OF INTERNATIONAL ENTERTAINMENT CORPORATION

國際娛樂有限公司

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of International Entertainment Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 5 to 29, which comprises the condensed consolidated statement of financial position as of 30 September 2012 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

23 November 2012

Results

The board of directors (the “Board”) of International Entertainment Corporation (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2012, together with the comparative unaudited figures for the corresponding period in 2011 as follows:

Condensed Consolidated Income Statement

For the six months ended 30 September 2012

| | Notes | Six months ended 30 September | |
|---|-------|----------------------------------|---------------------------------|
| | | 2012 HK\$'000 (Unaudited) | 2011 HK\$'000 (Unaudited) |
| Revenue | 3 | 217,259 | 223,196 |
| Cost of sales | | (109,382) | (106,470) |
| Gross profit | | 107,877 | 116,726 |
| Other income | 5 | 34,651 | 28,378 |
| Other gain and loss | | (20,368) | (9,631) |
| Change in fair value of financial assets at fair value through profit or loss | | 11,432 | (10,937) |
| Selling and distribution costs | | (2,685) | (2,881) |
| General and administrative expenses | | (67,467) | (69,381) |
| Profit before taxation | 6 | 63,440 | 52,274 |
| Income tax credit | 7 | 779 | 640 |
| Profit for the period | | 64,219 | 52,914 |
| Attributable to: | | | |
| Owners of the Company | | 30,254 | 20,769 |
| Non-controlling interests | | 33,965 | 32,145 |
| | | 64,219 | 52,914 |
| Earnings per share | 9 | HK cent | HK cent |
| Basic | | 2.57 | 1.76 |

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2012

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

Condensed Consolidated Statement of Financial Position

As at 30 September 2012

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

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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2012

| | Attributable to owners of the Company | | | | | | | Non-controlling interests | Total |
|---|---------------------------------------|---------------|----------------|---------------|------------------|------------------|-----------|---------------------------|-----------|
| | Share capital | Share premium | Merger reserve | Other reserve | Exchange reserve | Retained profits | Total | | |
| | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 |
| | | | (Note 1) | (Note 2) | | | | | |
| At 1 April 2011 (audited) | 1,179,157 | 720,408 | 53,022 | 362,982 | 6,571 | 266,143 | 2,588,283 | 845,531 | 3,433,814 |
| Profit for the period | - | - | - | - | - | 20,769 | 20,769 | 32,145 | 52,914 |
| Exchange differences arising on translation | - | - | - | - | 6,388 | - | 6,388 | (4,948) | 1,440 |
| Total comprehensive income for the period | - | - | - | - | 6,388 | 20,769 | 27,157 | 27,197 | 54,364 |
| Dividends recognised as distribution | - | (719,286) | - | - | - | (165,082) | (884,368) | - | (884,368) |
| At 30 September 2011 (unaudited) | 1,179,157 | 1,122 | 53,022 | 362,982 | 12,969 | 121,830 | 1,731,072 | 872,728 | 2,603,800 |
| At 1 April 2012 (audited) | 1,179,157 | 1,122 | 53,022 | 362,982 | 32,994 | 161,135 | 1,790,412 | 911,127 | 2,701,539 |
| Profit for the period | - | - | - | - | - | 30,254 | 30,254 | 33,965 | 64,219 |
| Exchange differences arising on translation | - | - | - | - | 51,751 | - | 51,751 | 26,928 | 78,679 |
| Total comprehensive income for the period | - | - | - | - | 51,751 | 30,254 | 82,005 | 60,893 | 142,898 |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | (7,980) | (7,980) |
| At 30 September 2012 (unaudited) | 1,179,157 | 1,122 | 53,022 | 362,982 | 84,745 | 191,389 | 1,872,417 | 964,040 | 2,836,457 |

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. 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.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2012

| | Six months ended | |
|--|------------------|-------------|
| | 2012 | 2011 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Net cash from operating activities | 112,387 | 93,316 |
| Investing activities | | |
| Increase in loan receivable | (48,000) | (334,000) |
| Repayment of loan receivable | 73,916 | – |
| Purchase of financial assets at fair value through profit or loss | (132,600) | (100,494) |
| Refund of cash consideration to the purchaser in respect of the disposal of a subsidiary | – | (240,397) |
| Other investing cash flows | 16,236 | 7,109 |
| Net cash used in investing activities | (90,448) | (667,782) |
| Financing activities | | |
| Dividends paid to shareholders of the Company | – | (884,368) |
| Dividends paid to non-controlling interests | (7,980) | – |
| Cash used in financing activities | (7,980) | (884,368) |
| Net increase (decrease) in cash and cash equivalents | 13,959 | (1,458,834) |
| Cash and cash equivalents at 1 April | 1,300,189 | 2,182,155 |
| Effect of foreign exchange rate changes | 38,746 | (3,589) |
| Cash and cash equivalents at 30 September | 1,352,894 | 719,732 |
| Analysis of cash and cash equivalents | | |
| Bank balances and cash | 1,352,894 | 719,732 |

Notes:

1. General

The Company is a company incorporated in the Cayman Islands with limited liability and its issued shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 27 September 2010.

The functional currency of the Company is Philippine Peso ("Peso"), the currency of the primary economic environment in which the Company's major subsidiaries operate. The condensed consolidated financial statements are presented in Hong Kong Dollars ("HK\$") as the directors of the Company (the "Directors") consider that it is an appropriate presentation for a company listed in Hong Kong and for convenience of the shareholders of the Company (the "Shareholders").

The Company is an investment holding company.

2. Basis of Preparation and Principal Accounting Policies

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

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

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Revenue

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

4. Segment Information

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

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

Information regarding the above segments is presented below.

Segment revenue and results

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

For the six months ended 30 September 2012

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

For the six months ended 30 September 2011

| | Hotel HK\$'000 (Unaudited) | Leasing HK\$'000 (Unaudited) | Reportable segment total HK\$'000 (Unaudited) | Elimination HK\$'000 (Unaudited) | Total HK\$'000 (Unaudited) |
|---|----------------------------------|------------------------------------|--|--|----------------------------------|
| REVENUE | | | | | |
| External sales | 70,067 | 153,129 | 223,196 | - | 223,196 |
| Inter-segment sales | 174 | 347 | 521 | (521) | - |
| Total | 70,241 | 153,476 | 223,717 | (521) | 223,196 |
| RESULTS | | | | | |
| Segment (loss) profit | (1,751) | 65,276 | 63,525 | | 63,525 |
| Unallocated other income | | | | | 18,647 |
| Other gain and loss | | | | | (9,631) |
| Change in fair value of financial assets at fair value through profit or loss | | | | | (10,937) |
| Unallocated expenses | | | | | (8,690) |
| Profit for the period | | | | | 52,914 |

Segment profit (loss) represents the profit earned by or loss from each segment without allocation of unallocated expenses (including corporate expenses), other gain and loss, change in fair value of financial assets at fair value through profit or loss and unallocated other income (i.e. investment income). This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

5. Other Income

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

6. Profit Before Taxation

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

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

7. Income Tax Credit

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. No provision for Hong Kong Profits Tax has been made as the Group's operations in Hong Kong had no assessable profits for both periods.

No provision for taxation in other jurisdictions was made in the condensed consolidated financial statements for both periods as the Group's operations outside Hong Kong either had no assessable profits or were exempted from profits tax in the respective jurisdictions.

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

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

8. Dividends

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

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

9. Earnings Per Share

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

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

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

10. Property, Plant and Equipment

| | Buildings HK\$'000 | Leasehold improvements HK\$'000 | Machinery HK\$'000 | Furniture, fixtures and equipment HK\$'000 | Entertainment equipment HK\$'000 | Computer hardware HK\$'000 | Motor vehicles HK\$'000 | Total HK\$'000 |
|---|-----------------------|---------------------------------------|-----------------------|---|--|----------------------------------|-------------------------------|-------------------|
| COST | | | | | | | | |
| At 1 April 2011 (audited) | 552,143 | 5,164 | 96,219 | 67,721 | 135,401 | 694 | 951 | 858,293 |
| Exchange adjustments | 3,445 | 25 | 603 | 420 | 850 | 1 | 6 | 5,350 |
| Additions | 300 | - | 1,305 | 432 | 17,625 | 47 | 160 | 19,869 |
| Disposals | - | - | (22) | (669) | (2,639) | (110) | (82) | (3,522) |
| Write-off | - | - | - | (1) | (11,487) | (4) | - | (11,492) |
| At 31 March 2012 (audited) | 555,888 | 5,189 | 98,105 | 67,903 | 139,750 | 628 | 1,035 | 868,498 |
| Exchange adjustments | 16,244 | 119 | 2,872 | 1,982 | 4,255 | - | 31 | 25,503 |
| Additions | 340 | - | 393 | 654 | 10,779 | - | - | 12,166 |
| Disposals | - | (698) | - | (121) | - | (114) | - | (933) |
| At 30 September 2012 (unaudited) | 572,472 | 4,610 | 101,370 | 70,418 | 154,784 | 514 | 1,066 | 905,234 |
| DEPRECIATION | | | | | | | | |
| At 1 April 2011 (audited) | 89,040 | 1,393 | 87,478 | 55,673 | 76,126 | 573 | 403 | 310,686 |
| Exchange adjustments | 596 | 5 | 550 | 350 | 496 | 1 | 3 | 1,991 |
| Provided for the year | 25,780 | 585 | 2,640 | 3,557 | 20,528 | 65 | 157 | 53,312 |
| Eliminated on disposals | - | - | (17) | (443) | (1,780) | (101) | (23) | (2,364) |
| Eliminated on write-off | - | - | - | (1) | (11,487) | (4) | - | (11,492) |
| At 31 March 2012 (audited) | 115,416 | 1,983 | 90,651 | 59,136 | 83,873 | 534 | 540 | 352,133 |
| Exchange adjustments | 3,580 | 27 | 2,663 | 1,742 | 2,646 | - | 19 | 10,677 |
| Provided for the period | 13,081 | 135 | 992 | 1,441 | 12,250 | 18 | 118 | 28,035 |
| Eliminated on disposals | - | (698) | - | (74) | - | (74) | - | (846) |
| At 30 September 2012 (unaudited) | 132,077 | 1,447 | 94,306 | 62,245 | 98,769 | 478 | 677 | 389,999 |
| CARRYING VALUES | | | | | | | | |
| At 30 September 2012 (unaudited) | 440,395 | 3,163 | 7,064 | 8,173 | 56,015 | 36 | 389 | 515,235 |
| At 31 March 2012 (audited) | 440,472 | 3,206 | 7,454 | 8,767 | 55,877 | 94 | 495 | 516,365 |

11. Investment Properties

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

12. Financial Assets at Fair Value through Profit or Loss

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

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

Notes:

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

13. Loan Receivable

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

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

14. Trade Receivables

The average credit terms for trade receivables granted by the Group range from 0 to 90 days. A longer period is granted to customers with whom the Group has a good business relationship. The following is an aged analysis of trade receivables net of allowance for doubtful debts, presented based on the invoice date, at the end of the reporting period.

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

15. Trade Payables

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

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

16. Promissory Notes

In October 2007, promissory notes (the “Promissory Notes”) in an aggregate amount of approximately HK\$642.0 million were issued by a subsidiary of the Company in favour of two related companies, which are beneficially owned by Chow Tai Fook Enterprises Limited (“CTF”), an intermediate parent of the Company, to replace the then shareholders’ loans of approximately HK\$642.0 million which arose from the acquisition of Fortune Gate Overseas Limited (which was disposed of during the year ended 31 March 2011). Pursuant to the terms of the Promissory Notes, the amounts are unsecured, non-interest bearing and repayable on demand. There was no repayment of the Promissory Notes during the current period.

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

17. Share Capital

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

18. Operating Lease Commitments

The Group as lessor

An indirect subsidiary of the Company signed a contract with PAGCOR to lease the equipped gaming premises and office premises to PAGCOR for a period of twelve years commencing from 31 March 2004. The monthly rental was based on a certain percentage of net gaming revenue of the casino operated by PAGCOR at the leased premises or a fixed amount of Peso100,000 (equivalent to approximately HK\$18,000 (30 September 2011: equivalent to approximately HK\$18,000)), whichever was higher.

PAGCOR is chartered under Presidential Decree No. 1869, as amended (“PAGCOR Charter”) to operate casino in the Philippines. The PAGCOR Charter was expired on 10 July 2008 and renewal was granted in June 2007 for 25 years from 11 July 2008. Casino rental income earned by the Group during the six months ended 30 September 2012 was approximately HK\$149,899,000 (six months ended 30 September 2011: approximately HK\$153,129,000), including contingent rental charges amounting to approximately HK\$149,791,000 (six months ended 30 September 2011: approximately HK\$153,021,000).

The Group as lessee

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

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

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

19. Related Party Transactions

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

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

Notes:

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

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

Management Discussion and Analysis

Financial Review

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

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

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

Other gain and loss represented the net foreign exchange gain or loss recognised during the period under review. The Group recorded a net foreign exchange loss of approximately HK\$20.4 million for the six months ended 30 September 2012, representing an increase of approximately 112.5%, as compared with a loss of approximately HK\$9.6 million in the last corresponding period.

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

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

Business Review

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

1. Leasing of properties

The revenue derived from the leasing of properties for the six months ended 30 September 2012 was approximately HK\$149.9 million, representing a decrease of approximately 2.1%, as compared with approximately HK\$153.1 million in the last corresponding period. It contributed approximately 69.0% to the Group's total revenue during the period under review. In the last corresponding period, it contributed approximately 68.6% to the Group's total revenue.

2. Hotel operations

The revenue derived from the hotel operations mainly includes room revenue, revenue from food and beverages and other hotel service income. The revenue derived from the hotel operations for the six months ended 30 September 2012 was approximately HK\$67.4 million, representing a decrease of approximately 3.9%, as compared with approximately HK\$70.1 million in the last corresponding period. The decrease was mainly due to the decrease in both the average room rate and the occupancy rate during the period under review.

Future Outlook

The Group will continue to focus on its existing hotel operations, and the leasing of properties for casino and ancillary leisure and entertainment operations in the Philippines, and will also strive to seek other business opportunities for better return to the Shareholders. In addition, the Directors will continue to review the Group's financial structure and the composition of its assets and liabilities periodically. The Directors consider that the existing hotel operations and the leasing of properties in the Philippines will continue to contribute significantly towards the Group's revenue and results.

Liquidity, Financial Resources and Capital Structure

As at 30 September 2012, the Group's net current assets amounted to approximately HK\$1,469.9 million (as at 31 March 2012: approximately HK\$1,288.6 million). Current assets amounted to approximately HK\$1,669.4 million (as at 31 March 2012: approximately HK\$1,480.9 million), of which approximately HK\$1,352.9 million (as at 31 March 2012: approximately HK\$1,300.2 million) was cash and bank deposits, approximately HK\$30.7 million (as at 31 March 2012: approximately HK\$70.3 million) was trade receivables, approximately HK\$29.0 million (as at 31 March 2012: approximately HK\$33.6 million) was other receivables, deposits and prepayments, approximately HK\$205.8 million (as at 31 March 2012: nil) was financial assets at fair value through profit or loss, approximately HK\$48.0 million (as at 31 March 2012: approximately HK\$73.9 million) was loan receivable, and approximately HK\$3.0 million (as at 31 March 2012: approximately HK\$2.9 million) was inventories.

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

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

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

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

Charges on Group's Assets

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

Material Acquisitions and Disposals and Significant Investments

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

Future Plans for Material Investments or Capital Assets

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

Exposure to Fluctuations in Exchange Rates and Any Related Hedges

As at 30 September 2012, the Group's assets and liabilities were mainly denominated in HK\$, USD and Peso. The Group primarily earns its revenue and income in HK\$, USD and Peso while the Group primarily incurs costs and expenses in HK\$ and Peso. The Group has not implemented any formal hedging policy. However, the management will monitor foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

Contingent Liabilities

As at 30 September 2012 and 31 March 2012, the Group did not have any significant contingent liabilities.

Employees and Remuneration Policies

The total number of employees of the Group was 315 as at 30 September 2012 (as at 30 September 2011: 341). The staff costs for the six months ended 30 September 2012 was approximately HK\$25.2 million (for the six months ended 30 September 2011: approximately HK\$25.3 million). The remuneration of the Directors and employees of the Group was based on the performance and experience of the individuals and was determined with reference to the Group's performance, the remuneration benchmark in the industry and the prevailing market conditions. In addition to the salaries, the employees of the Group are entitled to benefits including medical scheme, insurance and retirement benefits schemes.

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 2012, 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, Chapter 571 of the Laws of Hong Kong (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were taken or deemed to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company, to be notified to the Company and the Stock Exchange.

Long positions in the ordinary shares of the Company (the “Shares”)

| Name of Director | Number of Shares | | | Approximate percentage of the issued share capital of the Company |
|-------------------------|-------------------|--------------------------|---------|---|
| | Personal interest | Corporate interest | Total | |
| Mr. Lo Lin Shing, Simon | – | 364,800 <i>(Note)</i> | 364,800 | 0.03% |

Note: These Shares were 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 <i>(Note)</i> | 11 | 11% |

Note: Ten shares were held by Up-Market Franchise Ltd., and one share was 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.

Long positions in the ordinary shares of Chow Tai Fook Jewellery Group Limited (“CTFJGL”), an associated corporation of the Company

| Name of Director | Number of ordinary shares of HK\$1.00 each in the share capital of CTFJGL | | | Total | Approximate percentage of shareholding |
|--------------------|--|--------------------|-------------------------|-----------|--|
| | Personal interest | Spouse interest | Corporate interest | | |
| Dr. Cheng Kar Shun | – | 1,900,000 | – | 1,900,000 | 0.02% |
| Mr. Cheng Chi Kong | – | – | 20,000 <i>(Note)</i> | 20,000 | 0.00% |

Note: 20,000 shares were held by Woodbury Capital Management Limited, a company wholly-owned by Mr. Cheng Chi Kong, 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 2012, so far as is known to the Directors or chief executives of the Company, the Company had 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 Shares

| Name of Shareholder | Capacity | Number of Shares | Approximate percentage of the issued share capital of the Company |
|---|--------------------------------------|-----------------------------|---|
| Mediastar International Limited ("Mediastar") | Beneficial owner | 881,773,550 | 74.78% |
| CTF | Interest of a controlled corporation | 881,773,550 (Note 1) | 74.78% |
| Chow Tai Fook (Holding) Limited ("CTFHL") | Interest of a controlled corporation | 881,773,550 (Notes 1, 2) | 74.78% |
| Chow Tai Fook Capital Limited ("CTFC") | Interest of a controlled corporation | 881,773,550 (Notes 1, 3) | 74.78% |
| Cheng Yu Tung Family (Holdings II) Limited ("CYTFH-II") | Interest of a controlled corporation | 881,773,550 (Notes 1, 4) | 74.78% |
| Cheng Yu Tung Family (Holdings) Limited ("CYTFH") | Interest of a controlled corporation | 881,773,550 (Notes 1, 5) | 74.78% |

Notes:

- (1) Mediastar is wholly-owned by CTF. Accordingly, CTF was deemed to be interested in 881,773,550 Shares held by Mediastar under the SFO.
- (2) CTF is wholly-owned by CTFHL. Accordingly, CTFHL was deemed to be interested in 881,773,550 Shares held by Mediastar under the SFO.
- (3) CTFC was interested in approximately 74.07% of the issued share capital of CTFHL. Accordingly, CTFC was deemed to be interested in 881,773,550 Shares held by Mediastar under the SFO.
- (4) CYTFH-II was interested in approximately 46.65% of the issued share capital of CTFC. Accordingly, CYTFH-II was deemed to be interested in 881,773,550 Shares held by Mediastar under the SFO.
- (5) CYTFH was interested in approximately 48.98% of the issued share capital of CTFC. Accordingly, CYTFH was deemed to be interested in 881,773,550 Shares held by Mediastar under the SFO.

Audit Committee

The audit committee of the Company (the “Audit Committee”) comprises three independent non-executive Directors, namely Mr. Cheung Hon Kit (Chairman of the Audit Committee), Mr. Lau Wai Piu and Mr. Tsui Hing Chuen, William *JP* with terms of reference prepared in accordance with the requirements of the Listing Rules. One of the members of the Audit Committee possesses appropriate professional accounting qualification as defined under the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls of the Group.

The Audit Committee has reviewed the unaudited interim report of the Company for the six months ended 30 September 2012. The Company’s auditor, Messrs. Deloitte Touche Tohmatsu, has reviewed the condensed consolidated financial statements for the six months ended 30 September 2012 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

Compliance with Corporate Governance Code

The Company is committed to maintaining a high standard of corporate governance practices and procedures and to complying with the statutory and regulatory requirements. During the six months ended 30 September 2012, the Company has complied with the code provisions of the Corporate Governance Code (the “Code”) as set out in Appendix 14 to the Listing Rules, except for the following deviation:

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

The chairman of the Board did not attend the annual general meeting of the Company held on 24 August 2012 as he had another business engagement at the time of such meeting. One of the executive Directors was elected as the chairman of the aforesaid annual general meeting of the Company and responded to the questions raised by the Shareholders. The management of the Group considers that the Board has endeavored to maintain an on-going dialogue with the Shareholders.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors (the “Code on Securities Transactions”), the standard of which is no less than the required standard provided in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “Model Code”).

The Company, having made specific enquiries with all the Directors, was not aware of any non-compliance with the required standard provided in the Model Code and the Code on Securities Transactions throughout the six months ended 30 September 2012.

Interim Dividend

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

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

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

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

Hong Kong, 23 November 2012

As at the date of this report, the Board comprises seven executive Directors, namely Dr. Cheng Kar Shun, Mr. Lo Lin Shing, Simon, Mr. To Hin Tsun, Gerald, Mr. Cheng Kam Chiu, Stewart, Mr. Cheng Kam Biu, Wilson, Mr. Cheng Chi Kong and Mr. Cheng Chi Him, and four independent non-executive Directors, namely Mr. Cheung Hon Kit, Mr. Kwee Chong Kok, Michael, Mr. Lau Wai Piu and Mr. Tsui Hing Chuen, William JP.