International Entertainment Corporation

國際娛樂有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 01009

Interim Report 2013/14

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

Authorised Representatives

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

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

Rooms 1207-8
New World Tower 1
16-18 Queen's Road Central
Hong Kong

Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 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

Deloitte.
德勤

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 34, which comprise the condensed consolidated statement of financial position as of 30 September 2013 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months period 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 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 November 2013

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 2013, together with the comparative unaudited figures for the corresponding period in 2012 as follows:

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 September 2013

	Notes	Six months ended 30 September 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
Revenue	3	**194,672**	217,259
Cost of sales		**(109,396)**	(109,382)
Gross profit		**85,276**	107,877
Other income	5	**11,370**	34,651
Other gain and loss		**64,553**	(20,368)
Change in fair value of financial assets at fair value through profit or loss and derivative financial instrument		**(14,476)**	11,432
Selling and distribution costs		**(2,359)**	(2,685)
General and administrative expenses		**(71,870)**	(67,467)
Profit before taxation	6	**72,494**	63,440
Income tax (charge) credit	7	**(6,815)**	779
Profit for the period		**65,679**	64,219
Profit for the period attributable to:			
Owners of the Company		**43,904**	30,254
Non-controlling interests		**21,775**	33,965
		65,679	64,219
Earnings per share	9	**HK cent**	HK cent
Basic		**3.72**	2.57

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2013

	Six months ended 30 September 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
Profit for the period	**65,679**	64,219
Other comprehensive (expense) income for the period:		
Item that will not be reclassified to profit or loss		
– exchange differences arising on translation to presentation currency	**(164,045)**	78,679
Item that may be subsequently reclassified to profit or loss		
– exchange differences arising on translation of foreign operations	**14,153**	–
	(149,892)	78,679
Total comprehensive (expense) income for the period	**(84,213)**	142,898
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	**(50,371)**	82,005
Non-controlling interests	**(33,842)**	60,893
	(84,213)	142,898

Condensed Consolidated Statement of Financial Position

At 30 September 2013

	Notes	30 September 2013 HK$'000 (Unaudited)	31 March 2013 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	**465,075**	508,232
Investment properties	11	**756,191**	867,932
Financial assets at fair value through profit or loss	12	**74,838**	77,745
Other assets		**1,259**	1,513
		1,297,363	1,455,422
Current assets			
Inventories		**2,786**	2,908
Financial assets at fair value through profit or loss	12	**208,971**	201,237
Loan receivable	13	**42,000**	44,000
Trade receivables	14	**23,589**	30,167
Other receivables, deposits and prepayments		**23,737**	26,220
Bank balances and cash		**1,359,571**	1,378,965
		1,660,654	1,683,497
Current liabilities			
Trade payables	15	**4,509**	4,954
Other payables and accrued charges		**57,130**	49,869
Derivative financial instrument	16	**19,303**	–
Tax liabilities		**2,426**	123,286
		83,368	178,109
Net current assets		**1,577,286**	1,505,388
Total assets less current liabilities		**2,874,649**	2,960,810

	Note	30 September 2013 HK$'000 (Unaudited)	31 March 2013 HK$'000 (Audited)
Capital and reserves			
Share capital	*17*	**1,179,157**	1,179,157
Share premium and reserves		**627,629**	678,000
Equity attributable to owners of the Company		**1,806,786**	1,857,157
Non-controlling interests		**913,409**	947,251
Total equity		**2,720,195**	2,804,408
Non-current liabilities			
Deferred tax liabilities		**150,620**	152,821
Other liabilities		**3,834**	3,581
		154,454	156,402
		2,874,649	2,960,810

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2013

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000 *(Note 1)*	Other reserve HK$'000 *(Note 2)*	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
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
At 1 April 2013 (audited)	1,179,157	1,122	53,022	362,982	123,106	137,768	1,857,157	947,251	2,804,408
Profit for the period	–	–	–	–	–	43,904	43,904	21,775	65,679
Exchange differences arising on translation	–	–	–	–	(94,275)	–	(94,275)	(55,617)	(149,892)
Total comprehensive (expense) income for the period	–	–	–	–	(94,275)	43,904	(50,371)	(33,842)	(84,213)
At 30 September 2013 (unaudited)	1,179,157	1,122	53,022	362,982	28,831	181,672	1,806,786	913,409	2,720,195

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 2013

	Six months ended 30 September 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
Operating activities		
Cash generated from operations	**117,693**	112,387
Income tax paid	**(115,508)**	–
Net cash from operating activities	**2,185**	112,387
Investing activities		
Increase in loan receivable	**–**	(48,000)
Repayment of loan receivable	**–**	73,916
Purchase of financial assets at fair value through profit or loss	**–**	(132,600)
Purchase of property, plant and equipment	**(16,423)**	(12,166)
Interest received	**9,183**	27,533
Other investing cash flows	**2,822**	869
Net cash used in investing activities	**(4,418)**	(90,448)
Cash used in financing activity		
Dividends paid to non-controlling interests	**–**	(7,980)
Net (decrease) increase in cash and cash equivalents	**(2,233)**	13,959
Cash and cash equivalents at 1 April	**1,378,965**	1,300,189
Effect of foreign exchange rate changes	**(17,161)**	38,746
Cash and cash equivalents at 30 September	**1,359,571**	1,352,894
Analysis of cash and cash equivalents		
Bank balances and cash	**1,359,571**	1,352,894

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2013

1. General

The Company is a public listed 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 ("HKAS") 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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2013. The Group adopted the following accounting policies from the accounting period beginning on 1 April 2013.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair values at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

In addition, in the current interim period, the Group has applied, for the first time, the following new and revised HKASs, Hong Kong Financial Reporting Standards ("HKFRSs"), amendments and interpretation ("HK(IFRIC) – INT") (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the HKICPA:

- HKFRS 10 Consolidated financial statements;
- HKFRS 11 Joint arrangements;
- HKFRS 12 Disclosure of interests in other entities;
- Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance;
- HKFRS 13 Fair value measurement;
- HKAS 19 (as revised in 2011) Employee benefits;
- HKAS 28 (as revised in 2011) Investments in associates and joint ventures;
- Amendments to HKFRS 7 Disclosures – Offsetting financial assets and financial liabilities;
- Amendments to HKAS 1 Presentation of items of other comprehensive income;
- Amendments to HKFRSs Annual improvements to HKFRSs 2009-2011 cycle; and
- HK(IFRIC) – INT 20 Stripping costs in the production phase of a surface mine.

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information in accordance with the consequential amendments of HKAS 34 are set out in note 19. The application of HKFRS 13 has no impact to the fair value measurements of the Group's assets and liabilities.

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. Upon application of the amendments to HKAS 1, the Group's '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 existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

New and Revised Standards on consolidation, joint arrangements, associates and disclosures

In the current interim period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10 Consolidated financial statements

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC) – Int 12 "Consolidation – Special Purpose Entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The Directors reviewed and assessed the Group's investees in accordance with the requirements of HKFRS 10. The Directors concluded that there was no impact to these condensed consolidated financial statements for the adoption of HKFRS 10.

HKFRS 12 Disclosure of interests in other entities

HKFRS 12 is a new disclosure standard and is applicable to entities that have interest in subsidiaries. The adoption of this standard has had no impact on these condensed consolidated financial statements. Additional disclosures in accordance with HKFRS 12 will be made in the Group's consolidated financial statements for the year ending 31 March 2014.

Except as described above, the application of the other new and revised HKFRSs in the current interim period has had no material impact on the amounts reported in these condensed consolidated financial statements and/or on the disclosures set out in these condensed consolidated financial statements.

3. Revenue

	Six months ended 30 September	
	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
The Group's revenue comprises:		
Hotel		
Room revenue	**41,814**	41,100
Food and beverages	**23,318**	23,414
Other hotel service income	**2,214**	2,846
	67,346	67,360
Leasing of investment properties equipped with entertainment equipment	**127,326**	149,899
	194,672	217,259

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 resource allocation and assessment of segment performance focuses on each principal operating division. The Group's operating segments under HKFRS 8 "Operating Segments" 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 2013

	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	67,346	127,326	194,672	-	194,672
Inter-segment sales	122	348	470	(470)	-
Total	67,468	127,674	195,142	(470)	194,672
RESULTS					
Segment (loss) profit	(5,567)	20,981	15,414		15,414
Unallocated other income					8,151
Other gain and loss					64,553
Change in fair value of financial assets at fair value through profit or loss and derivative financial instrument					(14,476)
Unallocated expenses					(7,963)
Profit for the period					65,679

For the six months ended 30 September 2012

	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	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

Segment (loss) profit represents the loss from or profit earned after tax by 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 derivative financial instrument, and unallocated other income (i.e. investment income). This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

5. Other Income

	Six months ended 30 September 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
Interest income from bank balances	**4,715**	15,602
Interest income from financial assets at fair value through profit or loss	**4,582**	4,582
Interest income from loan receivable	**–**	13,292
Dividend income from financial assets at fair value through profit or loss	**1,680**	780
Sundry income	**393**	395
	11,370	34,651

6. Profit Before Taxation

	Six months ended 30 September	
	2013	2012
	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	**(171)**	(1)
Allowance for loan receivable (included in other gain and loss)	**2,000**	–
Cost of inventories recognised as an expense	**7,464**	7,342
Change in fair value of financial assets at fair value through profit or loss	**(4,827)**	(11,432)
Loss on derivative financial instrument	**19,303**	–
Depreciation of property, plant and equipment	**28,297**	28,035
Depreciation of investment properties	**62,016**	62,524
Net foreign exchange (gain) loss (included in other gain and loss)	**(66,553)**	20,368
Rental expenses under operating leases on premises and land	**3,171**	2,972
Gross revenue from leasing of investment properties equipped with entertainment equipment	**(127,326)**	(149,899)
Less: Direct operating expenses that generated revenue from leasing of investment properties equipped with entertainment equipment *(Note)*	**98,320**	95,827
	(29,006)	(54,072)

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

7. Income Tax (Charge) Credit

	Six months ended 30 September	
	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Deferred taxation – current period	**(6,815)**	779

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 there were no assessable profits in Hong Kong for both periods.

The corporate income tax rate in the Philippines is 30% for both periods. No provision for Philippine corporate income tax has been made as there was no assessable profit in the Philippines 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 and the Philippines either had no assessable profits or were exempted from profits tax in the respective jurisdictions.

Under the relevant tax law in the Philippines, withholding tax is imposed on dividends distributed in respect of profits earned by the subsidiaries of the Company operating in the Philippines to its overseas immediate holding company. Deferred tax liability on the undistributed profits earned have been accrued at the tax rate of 15% on the expected dividend stream of ranging between approximately 65% to 80% of the yearly profit which is determined by the Directors. No deferred tax liability has been recognised in respect of the remaining undistributed earnings retained by the Philippine subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is possible that such differences will not be reversed in the foreseeable future. For the six months ended 30 September 2013, deferred tax on withholding tax on undistributed earnings arising from Philippine subsidiaries amounting to approximately HK$10,030,000 (for the six months ended 30 September 2012: nil).

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, for the lease of certain premises in the Philippines. On 29 February 2012, Bureau of Internal Revenue in the Philippines ("BIR") issued a formal letter of demand to such subsidiary for alleged deficiency taxes covering the taxable year of 2008 amounting to approximately Peso807,000,000 (equivalent to approximately HK$144,069,000) arising mainly from the imposition of income tax inclusive of penalties and interest on the rental income of such subsidiary from the lease of certain 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 is exempt from Philippine corporate income tax pursuant to Section 13(2) of the Presidential Decree No. 1869, as amended.

In April 2013, BIR issued Revenue Memorandum Circular ("RMC") No. 33 - 2013 dated 17 April 2013 which, *inter alia*, provided that PAGCOR and its contractees and licensees would be considered by BIR as being subject to corporate income tax under National Internal Revenue Code of the Philippines, as amended. The independent legal adviser to such subsidiary advised that notwithstanding the issuance of the RMC, there were still valid legal arguments against the deficiency tax assessments. Based on the advice from the independent legal adviser, the Directors believe that such subsidiary has valid legal arguments to defend the tax dispute. Accordingly, no provision has been made for the tax dispute and/or the potential deferred tax liabilities arising from the investment properties in the condensed consolidated financial statements for the six months ended 30 September 2013. However, since there is at present a possible obligation (existence of which can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of such subsidiary) which may or may not require an initial outflow of resources, the Directors consider it prudent to estimate as at 30 September 2013, the contingent liabilities in respect of the alleged deficiency taxes covering the taxable year of 2008 as stated in the formal letter of demand and the contingent liabilities in respect of the potential income taxes (but not taking into account any possible penalty or interest liability) that may be assessed by BIR for the taxable years that are not yet barred by prescription under the relevant laws, rules and regulations in the Philippines as being in a total amount of approximately HK$374,035,000 (31 March 2013: approximately HK$371,574,000) as a possible outflow of resources but subject to such subsidiary's claim for full indemnity thereof as mentioned below.

The independent legal adviser to such subsidiary also advised that based on the terms of the Lease Agreement, there is strong legal basis for such subsidiary to claim full indemnity from PAGCOR in respect of any such tax payment, together with any interest, penalties and expenses payable or incurred in connection therewith.

8. Dividends

No dividends were paid, declared or proposed during the six months ended 30 September 2013 (for the six months ended 30 September 2012: nil). The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2013 (for the six months ended 30 September 2012: 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	
	2013	2012
	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)	**43,904**	30,254

	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

For the six months ended 30 September 2013 and 2012, no diluted earnings per share have been presented as there were no potential ordinary shares in issue during 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 2012 (audited)	555,888	5,189	98,105	67,903	139,750	628	1,035	868,498
Exchange adjustments	28,557	209	5,078	3,474	7,578	–	53	44,949
Additions	1,062	–	1,863	275	20,549	–	–	23,749
Disposals	–	(698)	–	(276)	(1,716)	(114)	–	(2,804)
Write-off	(1,213)	–	(65)	(4)	–	(35)	–	(1,317)
At 31 March 2013 (audited)	584,294	4,700	104,981	71,372	166,161	479	1,088	933,075
Exchange adjustments	(34,748)	(249)	(6,128)	(4,182)	(9,843)	–	(63)	(55,213)
Additions	105	–	458	2,108	13,741	11	–	16,423
Disposals	–	–	–	(9)	(3,541)	–	–	(3,550)
Write-off	–	–	(271)	(7)	(57)	(8)	–	(343)
At 30 September 2013 (unaudited)	**549,651**	**4,451**	**99,040**	**69,282**	**166,461**	**482**	**1,025**	**890,392**
DEPRECIATION								
At 1 April 2012 (audited)	115,416	1,983	90,651	59,136	83,873	534	540	352,133
Exchange adjustments	6,486	50	4,700	3,078	4,797	–	33	19,144
Provided for the year	27,524	242	2,028	2,745	24,645	31	233	57,448
Eliminated on disposals	–	(698)	–	(228)	(1,565)	(74)	–	(2,565)
Eliminated on write-off	(1,213)	–	(65)	(4)	–	(35)	–	(1,317)
At 31 March 2013 (audited)	148,213	1,577	97,314	64,727	111,750	456	806	424,843
Exchange adjustments	(8,837)	(69)	(5,688)	(3,785)	(6,670)	–	(48)	(25,097)
Provided for the period	12,947	103	949	1,437	12,773	13	75	28,297
Eliminated on disposals	–	–	–	(3)	(2,405)	–	–	(2,408)
Eliminated on write-off	–	–	(271)	(7)	(32)	(8)	–	(318)
At 30 September 2013 (unaudited)	**152,323**	**1,611**	**92,304**	**62,369**	**115,416**	**461**	**833**	**425,317**
CARRYING VALUES								
At 30 September 2013 (unaudited)	**397,328**	**2,840**	**6,736**	**6,913**	**51,045**	**21**	**192**	**465,075**
At 31 March 2013 (audited)	436,081	3,123	7,667	6,645	54,411	23	282	508,232

11. Investment Properties

	HK$'000
COST	
At 1 April 2012 (audited)	1,477,097
Exchange adjustments	75,890
At 31 March 2013 (audited)	1,552,987
Exchange adjustments	(90,604)
At 30 September 2013 (unaudited)	**1,462,383**
DEPRECIATION	
At 1 April 2012 (audited)	528,141
Exchange adjustments	29,823
Provided for the year	127,091
At 31 March 2013 (audited)	685,055
Exchange adjustments	(40,879)
Provided for the period	62,016
At 30 September 2013 (unaudited)	**706,192**
CARRYING VALUES	
At 30 September 2013 (unaudited)	**756,191**
At 31 March 2013 (audited)	867,932

12. Financial Assets at Fair Value through Profit or Loss

	30 September 2013 HK$'000 (Unaudited)	31 March 2013 HK$'000 (Audited)
Financial assets at fair value through profit or loss comprises:		
Non-current:		
Debt securities notes listed overseas with fixed interest of 11.75% per annum and maturity date on 18 May 2015 *(Note i)*	**53,723**	55,780
8% perpetual subordinated capital securities listed overseas *(Note ii)*	**21,115**	21,965
	74,838	77,745
Current:		
Index-linked investments *(Note iii)*	**129,171**	131,037
Equity securities listed in Hong Kong	**79,800**	70,200
	208,971	201,237
Total	**283,809**	278,982

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 will mature within 12 months. The return of the investments is determined based on the higher of the performance of certain market indices or at a fixed rate of return ranging from 5.0% to 11.0%.*

13. Loan Receivable

	30 September 2013 HK$'000 (Unaudited)	31 March 2013 HK$'000 (Audited)
Fixed-rate loan receivable	**42,000**	44,000

At 30 September 2013 and 31 March 2013, the amount represented the Group's participation in a credit facility in the principal amount of HK$48,000,000 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 repayable within 12 months from the end of the reporting period. The amount became overdue during the six months ended 30 September 2013. The Directors assessed the recoverable amount of the loan receivable based on the discounted cash flow. An allowance of HK$2,000,000 (year ended 31 March 2013: HK$4,000,000) has been provided for the six months ended 30 September 2013 accordingly.

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 which approximate the respective revenue recognition date at the end of the reporting period.

	30 September 2013 HK$'000 (Unaudited)	31 March 2013 HK$'000 (Audited)
Aged:		
0 – 30 days	**19,460**	26,722
31 – 60 days	**1,334**	1,814
61 – 90 days	**492**	457
Over 90 days	**2,303**	1,174
	23,589	30,167

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 2013 HK$'000 (Unaudited)	31 March 2013 HK$'000 (Audited)
Aged:		
0 – 30 days	**1,383**	1,645
31 – 60 days	**1,184**	678
61 – 90 days	**117**	30
Over 90 days	**1,825**	2,601
	4,509	4,954

16. Derivative Financial Instrument

During the six months ended 30 September 2013, a subsidiary of the Company entered into an agreement with a third party (the "Buyer") with the receipt of a non-refundable deposit. The Buyer has an option to purchase certain equity securities listed in Hong Kong at pre-determined consideration on certain dates specified in the agreement and the non-refundable deposit can be net off with the consideration once the transaction is completed. If the Buyer does not proceed with the transaction on the dates specified in the agreement, the non-refundable deposit will not be refunded to the Buyer. The contractual arrangement as specified in the agreement is considered as a derivative financial instrument.

The fair values of derivative financial instrument as at the date of the entering into of the agreement and as at 30 September 2013 were estimated by an independent valuer with the binomial model and the key inputs are conversion price, conversion period, risk-fee rate, share price and volatility of the equity instruments. The Group recognised a loss on derivative financial instrument of approximately HK$18,079,000 in the condensed consolidated statement of profit or loss at the date of the entering into of the agreement and a further loss on derivative financial instrument of approximately HK$1,224,000 was recognised in the condensed consolidated statement of profit or loss in the current period subsequent to initial recognition.

17. Share Capital

	Par value of shares HK$	Number of shares	Value HK$'000
Authorised:			
Ordinary shares			
At 1 April 2012 (audited),			
31 March 2013 (audited) and			
30 September 2013 (unaudited)	1 each	2,000,000,000	2,000,000
Issued and fully paid:			
Ordinary shares			
At 1 April 2012 (audited),			
31 March 2013 (audited) and			
30 September 2013 (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 equipped gaming premises and office premises for a period of twelve years commencing from 31 March 2004. The monthly rental would be based on a certain percentage of net gaming revenue of the casino operated by PAGCOR or a fixed amount of Peso100,000 (equivalent to approximately HK$18,000 (as at 30 September 2012: equivalent to approximately HK$18,000)), whichever is higher.

PAGCOR is chartered under Presidential Decree No. 1869, as amended ("PAGCOR Charter") to operate casino in the Philippines. The PAGCOR Charter 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 2013 was approximately HK$127,326,000 (for the six months ended 30 September 2012: approximately HK$149,899,000), including contingent rental charges amounting to approximately HK$127,218,000 (for the six months ended 30 September 2012: approximately HK$149,791,000).

The Group as lessee

As at 30 September 2013, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 September 2013 HK$'000 (Unaudited)	31 March 2013 HK$'000 (Audited)
Within one year	**6,271**	6,565
In the second to fifth year inclusive	**20,724**	22,661
Over five years	**50,013**	55,370
	77,008	84,596

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. Fair Value Measurements of Financial Instruments

Fair values of the Group's financial assets and financial liabilities that are measured at fair values on recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair values at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/ financial liabilities	Fair value as at 30 September 2013 HK$'000 (Unaudited)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Debt securities notes listed overseas classified as financial assets at fair value through profit or loss	**53,723**	Level 1	Quoted bid prices in an active market	N/A	N/A
Perpetual subordinated capital securities listed overseas classified as financial assets at fair value through profit or loss	**21,115**	Level 1	Quoted bid prices in an active market	N/A	N/A
Equity securities listed in Hong Kong classified as financial assets at fair value through profit or loss	**79,800**	Level 1	Quoted bid prices in an active market	N/A	N/A

Financial assets/ financial liabilities	Fair value as at 30 September 2013 HK$'000 (Unaudited)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Index-linked investments classified as financial assets at fair value through profit or loss	**129,171**	Level 3	Discounted cash flow. Future cash flows are estimated based on the index provided by the counterparty and discounted at a rate that reflects the credit risk of the counterparty	Index provided by the counterparty *(note i)*	The higher the index, the higher the fair value
Contingent consideration provision classified as other payables and accrued charges	**16,600**	Level 3	Expected amount of liability. Expected amount of liability is estimated based on weighted average of all possible outcomes	Expected amount of liability estimated by the management of the Group *(note ii)*	The higher the expected amount of liability, the higher the fair value
Derivative financial instrument	**19,303**	Level 3	Binomial Model. The key inputs are: conversion price, conversion period, risk-free rate, share price and volatility	Volatility is determined based on the historical market trend of the share price *(note iii)*	The higher the volatility, the higher the fair value

Notes:

(i) *If the index to the valuation model had been 5% increased/decreased while all other variables were held constant, the carrying amounts of index-linked investments would increase/decrease by approximately HK$6,459,000. In management's opinion, the sensitivity analysis is unrepresentative as it does not reflect the exposure during the period.*

(ii) *If the expected amount of liability to the valuation model had been 5% increased/decreased while all other variables were held constant, the carrying amounts of contingent consideration provision would increase/decrease by approximately HK$830,000. In management's opinion, the sensitivity analysis is unrepresentative as it does not reflect the exposure during the period.*

(iii) *If the volatility to the valuation model had been 5% increased/decreased while all other variables were held constant, the carrying amount of derivative financial instrument would increase/decrease by approximately HK$199,000/HK$176,000. In management's opinion, the sensitivity analysis is unrepresentative as it does not reflect the exposure during the period.*

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

Reconciliation of Level 3 fair value measurements of financial assets (liabilities)

	Index-linked investments HK$'000	**Contingent consideration provision** HK$'000	**Derivative financial instrument** HK$'000
At 1 April 2013 (audited)	131,037	(16,600)	–
Total loss in profit or loss *(note)*	(1,866)	–	(19,303)
At 30 September 2013 (unaudited)	129,171	(16,600)	(19,303)

Note: The total loss for the period, which related to change in fair value of index-linked investments and loss on derivative financial instrument, is recognised in the condensed consolidated statement of profit or loss.

Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group would consider engaging independent valuer to perform the valuation on regular basis. The management of the Group work closely with the valuer to establish the appropriate valuation techniques and inputs to the model.

The Group engages the independent valuer to perform the valuation of the index-linked investments and derivative financial instrument for financial reporting purposes. As a part of the valuation process, the valuer reports directly to the chief financial officer of the Company. For the valuation of the contingent consideration provision, the chief financial officer of the Company estimated the expected amount of liability based on the currently available information. The chief financial officer of the Company reports the valuer and his findings to the Board. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

20. Related Party Transactions

(a) The Group entered into the following transactions with related parties during the period:

	Six months ended 30 September	
	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Accommodation and beverages income *(Note i)*	**44**	376
Purchase of goods *(Note ii)*	**–**	499
Rental expenses *(Note iii)*	**819**	606

Notes:

(i) *Accommodation and beverages income were received from a subsidiary indirectly controlled by Chow Tai Fook Enterprises Limited ("CTF"), an intermediate parent of the Company.*

(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 during the period is as follows:

	Six months ended 30 September	
	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Salaries and other benefits	**3,504**	1,821
Contributions to retirement benefits scheme	**15**	14
	3,519	1,835

21. Contingent Liabilities

As at 30 September 2013, the Group had contingent liabilities of approximately HK$374,035,000 (as at 31 March 2013: approximately HK$371,574,000) relating to the tax dispute between a subsidiary of the Company operating in the Philippines and BIR for taxable year of 2008 as well as the potential income taxes (but not taking into account any possible penalty or interest liability) that may be assessed by BIR for the taxable years that are not yet barred by prescription under the relevant laws, rules and regulations in the Philippines. The details are set out in note 7.

Management Discussion and Analysis

Financial Review

The Group's revenue for the six months ended 30 September 2013 was approximately HK$194.7 million, representing a decrease of approximately 10.4%, as compared with approximately HK$217.3 million for the corresponding period in 2012. 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$85.3 million for the period under review, representing a decrease of approximately 20.9%, as compared with approximately HK$107.9 million in the last corresponding period. The decrease in gross profit for the period was mainly due to the decrease in the revenue from the leasing of properties.

Other income of the Group for the six months ended 30 September 2013 was approximately HK$11.4 million, representing a decrease of approximately 67.1%, as compared with approximately HK$34.7 million in the last corresponding period. The decrease was mainly due to the decrease in interest income from loan receivable during the period.

The Group recorded a loss of approximately HK$14.5 million on change in fair value of financial assets at fair value through profit or loss and derivative financial instrument for the six months ended 30 September 2013, while it was a gain on change in fair value of financial assets at fair value through profit or loss of approximately HK$11.4 million for the last corresponding period.

Other gain and loss of the Group represented the net foreign exchange gain or loss and the allowance for loan receivable recognised during the period under review. The net foreign exchange gain or loss mainly arises from the retranslation of monetary items denominated in currencies other than the functional currency of the Company at the end of the reporting period. The Group recorded a net foreign exchange gain of approximately HK$66.6 million for the six months ended 30 September 2013, while it was a net foreign exchange loss of approximately HK$20.4 million in the last corresponding period. The allowance for loan receivable recognised for the six months ended 30 September 2013 was approximately HK$2.0 million, while there was no allowance for loan receivable recognised for the last corresponding period.

Selling and distribution costs, and general and administrative expenses of the Group increased by approximately 5.7% to approximately HK$74.2 million for the six months ended 30 September 2013 from approximately HK$70.2 million in the last corresponding period.

The Group recorded a profit of approximately HK$65.7 million for the six months ended 30 September 2013, representing an increase of approximately 2.3%, as compared with approximately HK$64.2 million in the last corresponding period.

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 2013 was approximately HK$127.4 million, representing a decrease of approximately 15.0%, as compared with approximately HK$149.9 million in the last corresponding period. It contributed approximately 65.4% of the Group's total revenue during the period under review. In the last corresponding period, it contributed approximately 69.0% of 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 2013 was approximately HK$67.3 million, representing a decrease of approximately 0.1%, as compared with approximately HK$67.4 million in the last corresponding period.

Included in the revenue derived from the hotel operations, approximately 62.1% of the revenue was contributed by room revenue for the period under review. The room revenue for the six months ended 30 September 2013 was approximately HK$41.8 million, representing an increase of approximately 1.7%, as compared with approximately HK$41.1 million in the last corresponding period. The increase was mainly due to the increase in the average 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 2013, the Group's net current assets amounted to approximately HK$1,577.3 million (as at 31 March 2013: approximately HK$1,505.4 million). Current assets amounted to approximately HK$1,660.7 million (as at 31 March 2013: approximately HK$1,683.5 million), of which approximately HK$1,359.6 million (as at 31 March 2013: approximately HK$1,379.0 million) was cash and bank deposits, approximately HK$23.6 million (as at 31 March 2013: approximately HK$30.2 million) was trade receivables, approximately HK$23.7 million (as at 31 March 2013: approximately HK$26.2 million) was other receivables, deposits and prepayments, approximately HK$209.0 million (as at 31 March 2013: approximately HK$201.2 million) was financial assets at fair value through profit or loss, approximately HK$42.0 million (as at 31 March 2013: approximately HK$44.0 million) was loan receivable, and approximately HK$2.8 million (as at 31 March 2013: approximately HK$2.9 million) was inventories.

The Group had current liabilities amounted to approximately HK$83.4 million (as at 31 March 2013: approximately HK$178.1 million), of which approximately HK$4.5 million (as at 31 March 2013: approximately HK$5.0 million) was trade payables, approximately HK$57.2 million (as at 31 March 2013: approximately HK$49.9 million) was other payables and accrued charges, approximately HK$2.4 million (as at 31 March 2013: approximately HK$123.3 million) was tax liabilities, and approximately HK$19.3 million (as at 31 March 2013: nil) was derivative financial instrument.

The bank balances and cash of the Group as at 30 September 2013 was mainly denominated in HK$ and United States Dollars ("USD").

During the six months ended 30 September 2013, the Group had paid the withholding tax amounted to approximately HK$115.5 million in respect of the dividend distributed by a subsidiary of the Company in the Philippines to its overseas immediate holding company.

The gearing ratio, measured in terms of total borrowings divided by total assets, was zero as at 30 September 2013 and 31 March 2013.

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

Charges on Group Assets

As at 30 September 2013 and 31 March 2013, there were no charges over any of the Group's assets.

Material Acquisitions and Disposals and Significant Investments

There was no acquisition or disposal of subsidiary and associated company or significant investments of the Group, which would have been required to be disclosed under the Listing Rules, for the six months ended 30 September 2013.

Future Plans for Material Investments or Capital Assets

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

Exposure to Fluctuations in Exchange Rates and any Related Hedges

At 30 September 2013, 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 mainly in HK$ and Peso. The Group has not implemented any formal hedging policy. However, the management of the Group will monitor foreign currency exposure and consider hedging significant foreign currency exposure should the need arise.

Contingent Liabilities

At 30 September 2013, the Group had contingent liabilities of approximately HK$374,035,000 (as at 31 March 2013: approximately HK$371,574,000) relating to the tax dispute between a subsidiary of the Company operating in the Philippines and BIR for taxable year of 2008 as well as the potential income taxes (but not taking into account any possible penalty or interest liability) that may be assessed by BIR for the taxable years that are not yet barred by prescription under the relevant laws, rules and regulations in the Philippines. Details of contingent liabilities are set out in note 7 to the condensed consolidated financial statements.

Employees and Remuneration Policies

The total number of employees of the Group was 314 as at 30 September 2013 (as at 30 September 2012: 315). The staff costs for the six months ended 30 September 2013 was approximately HK$28.3 million (for the six months ended 30 September 2012: approximately HK$25.2 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 2013, 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 shares of the Company (the "Shares")

Name of Director	Number of Shares: Personal interest	Number of Shares: Corporate interest	Number of Shares: 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.

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

Name of Director	Number of ordinary shares of USD1.00 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.

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				Approximate percentage of shareholding
	Personal interest	Spouse interest	Corporate interest	Total	
Dr. Cheng Kar Shun	–	1,900,000	–	1,900,000	0.02%
Mr. Cheng Chi Kong	–	–	20,000 *(Note)*	20,000	0.00%

Note: 20,000 shares are held by Woodbury Capital Management Limited, which is 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 2013, 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 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 is interested in approximately 78.58% 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 is 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 is 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 oversee the relationship with the external auditor, to review the financial information of the Group, and to review and supervise the financial reporting process, internal controls and risk management functions of the Group.

The Audit Committee has reviewed the unaudited interim report of the Company for the six months ended 30 September 2013. The Company's auditor, Messrs. Deloitte Touche Tohmatsu has reviewed the condensed consolidated financial statements for the six months ended 30 September 2013 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 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 with an aim to maximising the shareholders' values and interests as well as to enhancing the stakeholders' transparency and accountability. During the six months ended 30 September 2013, 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. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should 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 requires independent shareholders' approval.

The chairman of the Board did not attend the annual general meeting of the Company held on 23 August 2013 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 of 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 2013.

Interim Dividend

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 September 2013 (2012: nil).

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

During the six months ended 30 September 2013, 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, 22 November 2013

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.