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## **INTERNATIONAL ENTERTAINMENT CORPORATION**

### **國際娛樂有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 01009)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2016**

#### **FINANCIAL HIGHLIGHTS**

	<b>Year ended 31 March 2016</b>	Year ended 31 March 2015
Revenue ( <i>HK\$'000</i> )	<b>330,939</b>	366,837
Profit before taxation ( <i>HK\$'000</i> )	<b>57,745</b>	85,849
Profit for the year ( <i>HK\$'000</i> )	<b>45,212</b>	61,138
Profit for the year attributable to owners of the Company ( <i>HK\$'000</i> )	<b>31,703</b>	45,944
Earnings per share – Basic ( <i>HK cent</i> )	<b>2.69</b>	3.90

The Board does not recommend the payment of a final dividend for the year ended 31 March 2016.

## RESULTS

The board of directors (the “Board”) of International Entertainment Corporation (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2016, together with the comparative figures for the year ended 31 March 2015, as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 March 2016*

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	3	<b>330,939</b>	366,837
Cost of sales		<u><b>(176,562)</b></u>	<u>(206,837)</u>
Gross profit		<b>154,377</b>	160,000
Other income	5	<b>12,583</b>	23,508
Other gains and losses		<b>50,761</b>	9,838
Change in fair value of financial assets at fair value through profit or loss		<b>(21,154)</b>	51,410
Selling and marketing expenses		<b>(5,966)</b>	(5,405)
General and administrative expenses		<u><b>(132,856)</b></u>	<u>(153,502)</u>
Profit before taxation	6	<b>57,745</b>	85,849
Income tax charge	7	<u><b>(12,533)</b></u>	<u>(24,711)</u>
Profit for the year		<u><b>45,212</b></u>	<u>61,138</u>
Profit for the year attributable to:			
Owners of the Company		<b>31,703</b>	45,944
Non-controlling interests		<u><b>13,509</b></u>	<u>15,194</u>
		<u><b>45,212</b></u>	<u>61,138</u>
		<i>HK cent</i>	<i>HK cent</i>
Earnings per share	9		
Basic		<u><b>2.69</b></u>	<u>3.90</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the year ended 31 March 2016*

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit for the year	<u>45,212</u>	<u>61,138</u>
Other comprehensive (expense) income for the year		
Items that will not be reclassified to profit or loss:		
— remeasurement of defined benefit obligations	(306)	(275)
— exchange differences arising on translation to presentation currency	<u>(69,524)</u>	<u>1,460</u>
	<b>(69,830)</b>	1,185
Item that may be subsequently reclassified to profit or loss:		
— exchange differences arising on translation of foreign operations	<u>4,267</u>	<u>206</u>
Other comprehensive (expense) income for the year, net of income tax	<u>(65,563)</u>	<u>1,391</u>
Total comprehensive (expense) income for the year	<u><b>(20,351)</b></u>	<u><b>62,529</b></u>
Total comprehensive (expense) income for the year attributable to:		
Owners of the Company	(18,750)	47,273
Non-controlling interests	<u>(1,601)</u>	<u>15,256</u>
	<u><b>(20,351)</b></u>	<u><b>62,529</b></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>356,432</b>	398,645
Investment properties		<b>444,384</b>	555,412
Financial assets at fair value through profit or loss	<i>10</i>	<b>20,290</b>	20,444
Other receivables, deposits and prepayments		<b>5,926</b>	892
		<b>827,032</b>	975,393
<b>Current assets</b>			
Inventories		<b>2,546</b>	3,067
Financial assets at fair value through profit or loss	<i>10</i>	–	54,750
Trade receivables	<i>11</i>	<b>20,211</b>	25,932
Other receivables, deposits and prepayments		<b>16,071</b>	20,258
Bank balances and cash		<b>1,179,500</b>	1,591,533
		<b>1,218,328</b>	1,695,540
<b>Current liabilities</b>			
Trade payables	<i>12</i>	<b>6,094</b>	5,916
Other payables and accrued charges	<i>12</i>	<b>28,015</b>	42,640
Tax liabilities		<b>1,730</b>	58,516
		<b>35,839</b>	107,072
Net current assets		<b>1,182,489</b>	1,588,468
Total assets less current liabilities		<b>2,009,521</b>	2,563,861

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Capital and reserves		
Share capital	<b>1,179,157</b>	1,179,157
Share premium and reserves	<b>134,815</b>	695,977
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Equity attributable to owners of the Company	<b>1,313,972</b>	1,875,134
Non-controlling interests	<b>565,945</b>	567,546
	<hr/>	<hr/>
Total equity	<b>1,879,917</b>	2,442,680
	<hr/>	<hr/>
Non-current liabilities		
Deferred tax liabilities	<b>124,434</b>	117,001
Other liabilities	<b>5,170</b>	4,180
	<hr/>	<hr/>
	<b>129,604</b>	121,181
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	<b>2,009,521</b>	2,563,861
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Notes:

## 1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements of the Group include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance which concern the preparation of financial statements.

The consolidated financial statements of the Group have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 consolidated financial statements of the Group 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 the convenience of the shareholders of the Company (the “Shareholders”).

## 2. SIGNIFICANT ACCOUNTING POLICIES AND APPLICATION OF NEW AND REVISED HKFRSs

Except as described below, the accounting policies used in the preparation of the consolidated financial statements of the Group are consistently applied.

The Group has applied for the first time in the current year the following amendments to HKFRSs issued by the HKICPA:

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle

The application of these amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## 3. REVENUE

	2016 <i>HK\$’000</i>	2015 <i>HK\$’000</i>
The Group’s revenue comprises:		
Hotel		
Room revenue	68,150	84,195
Food and beverages	37,699	44,237
Other hotel service income	2,931	3,794
	<u>108,780</u>	<u>132,226</u>
Leasing of investment properties equipped with entertainment equipment	222,159	234,611
	<u><u>330,939</u></u>	<u><u>366,837</u></u>

#### 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 year ended 31 March 2016*

	Hotel HK\$’000	Leasing HK\$’000	Reportable segment total HK\$’000	Elimination HK\$’000	Total HK\$’000
REVENUE					
External sales	108,780	222,159	330,939	–	330,939
Inter-segment sales	400	643	1,043	(1,043)	–
Total	<u>109,180</u>	<u>222,802</u>	<u>331,982</u>	<u>(1,043)</u>	<u>330,939</u>
RESULTS					
Segment (loss) profit	<u>(23,735)</u>	<u>47,864</u>	<u>24,129</u>		24,129
Unallocated other income					8,308
Other gains and losses					50,761
Change in fair value of financial assets at fair value through profit or loss (“FVTPL”)					(21,154)
Unallocated expenses					(20,626)
Unallocated income tax credit					<u>3,794</u>
Profit for the year					<u>45,212</u>

For the year ended 31 March 2015

	Hotel HK\$'000	Leasing HK\$'000	Reportable segment total HK\$'000	Elimination HK\$'000	Total HK\$'000
<b>REVENUE</b>					
External sales	132,226	234,611	366,837	–	366,837
Inter-segment sales	398	671	1,069	(1,069)	–
<b>Total</b>	<b>132,624</b>	<b>235,282</b>	<b>367,906</b>	<b>(1,069)</b>	<b>366,837</b>
<b>RESULTS</b>					
Segment (loss) profit	(12,033)	34,323	22,290		22,290
Unallocated other income					16,192
Other gains and losses					9,838
Change in fair value of financial assets at FVTPL					51,410
Unallocated expenses					(32,859)
Unallocated income tax charge					(5,733)
<b>Profit for the year</b>					<b>61,138</b>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit after tax earned by or loss after tax from each segment without allocation of unallocated expenses (including corporate expenses), other gains and losses, change in fair value of financial assets at FVTPL, unallocated other income (i.e. investment income) and unallocated income tax credit (charge). This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

### Segment assets and liabilities

At 31 March 2016

	Hotel HK\$'000	Leasing HK\$'000	Consolidated HK\$'000
<b>ASSETS</b>			
Segment assets	448,279	857,114	1,305,393
Unallocated assets			
Bank balances and cash			717,950
Financial assets at FVTPL			20,290
Others			1,727
<b>Consolidated total assets</b>			<b>2,045,360</b>
<b>LIABILITIES</b>			
Segment liabilities	61,074	98,058	159,132
Unallocated liabilities			
Tax liabilities			1,730
Others			4,581
<b>Consolidated total liabilities</b>			<b>165,443</b>



At 31 March 2015

	Hotel HK\$'000	Leasing HK\$'000	Consolidated HK\$'000
<b>ASSETS</b>			
Segment assets	485,708	858,665	1,344,373
Unallocated assets			
Bank balances and cash			1,249,424
Financial assets at FVTPL			75,194
Others			1,942
			<u>1,942</u>
Consolidated total assets			<u><u>2,670,933</u></u>
<b>LIABILITIES</b>			
Segment liabilities	63,559	139,990	203,549
Unallocated liabilities			
Tax liabilities			135
Deferred tax liabilities			6,023
Contingent consideration provision			16,600
Others			1,946
			<u>1,946</u>
Consolidated total liabilities			<u><u>228,253</u></u>

For the purposes of assessing segment performance and allocating resources between segments:

- all assets are allocated to operating segments, other than unallocated assets (including plant and equipment for corporate use, financial assets at FVTPL, other receivables, deposits and prepayments for the corporate, and bank balances and cash for the corporate).
- all liabilities are allocated to operating segments, other than unallocated liabilities (including corporate tax liabilities, contingent consideration provision, and other payables and accrued charges for the corporate).

## Other segment information

For the year ended 31 March 2016

	Hotel HK\$'000	Leasing HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Consolidated total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to property, plant and equipment and investment properties	2,573	9,374	11,947	–	11,947
Gain on change in fair value of contingent consideration provision (included in other gains and losses)	–	–	–	(16,600)	(16,600)
(Reversal of allowance) allowance for bad and doubtful debts for trade receivables, net	(5)	1,590	1,585	–	1,585
Depreciation	26,592	112,490	139,082	9	139,091
Interest income	1,054	3,221	4,275	6,169	10,444
Income tax credit (charge)	2,710	(19,037)	(16,327)	3,794	(12,533)

For the year ended 31 March 2015

	Hotel HK\$'000	Leasing HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Consolidated total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to property, plant and equipment and investment properties	1,923	13,607	15,530	16	15,546
Allowance for bad and doubtful debts for trade receivables, net	29	1,712	1,741	–	1,741
Reversal of allowance for loan receivable (included in other gains and losses)	–	–	–	(6,000)	(6,000)
Depreciation	27,755	140,346	168,101	8	168,109
Interest income	1,590	5,726	7,316	13,709	21,025
Income tax credit (charge)	375	(19,353)	(18,978)	(5,733)	(24,711)

## Geographical segments

The Group's operations are mainly located in the Republic of the Philippines (the "Philippines").

All of the Group's revenue is generated from external customers in the Philippines. As at 31 March 2016 and 2015, the non-current assets excluded financial instruments were mainly located in the Philippines.

## Revenue from major services

The analysis of the Group's revenue from its major services is disclosed in note 3.

## Information about major customer

Included in the revenue generated from hotel segment and leasing segment of approximately HK\$2,782,000 (2015: HK\$2,834,000) and HK\$222,159,000 (2015: HK\$234,611,000) respectively were contributed by the Group's largest customer and the aggregate revenue from this customer represented approximately 68% (2015: 65%) of the total revenue of the Group. There are no other single customers contributing over 10% of the Group's total revenue.

## 5. OTHER INCOME

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest income from bank balances	<b>10,444</b>	11,367
Interest income from financial assets at FVTPL	–	7,052
Interest income from loan receivable	–	2,606
Dividend income from financial assets at FVTPL	<b>1,560</b>	1,560
Sundry income	<b>579</b>	923
	<u><b>12,583</b></u>	<u>23,508</u>

Included above is income from listed investments of approximately HK\$1,560,000 (2015: HK\$8,612,000).

## 6. PROFIT BEFORE TAXATION

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Allowance for bad and doubtful debts for trade receivables, net	<b>1,585</b>	1,741
Reversal of allowance for loan receivable (included in other gains and losses)	–	(6,000)
Auditor's remuneration	<b>1,995</b>	1,995
Cost of inventories recognised as an expense	<b>13,818</b>	15,055
Change in fair value of contingent consideration provision (included in other gains and losses)	<b>(16,600)</b>	–
Change in fair value of financial assets at FVTPL	<b>21,154</b>	(51,410)
Legal and professional expenses (included in general and administrative expenses)	<b>6,298</b>	19,008
Depreciation of property, plant and equipment	<b>43,286</b>	48,160
Depreciation of investment properties	<b>95,805</b>	119,949
Net foreign exchange gain (included in other gains and losses)	<b>(34,161)</b>	(3,838)
Rental expenses under operating leases on premises and land	<b>5,943</b>	6,170
Gross revenue from leasing of investment properties equipped with entertainment equipment	<b>(222,159)</b>	(234,611)
Less: Direct operating expenses that generated revenue from leasing of investment properties equipped with entertainment equipment ( <i>Note</i> )	<b>157,908</b>	185,996
	<b>(64,251)</b>	(48,615)
Staff costs, including Directors' emoluments		
— salaries and allowances	<b>57,745</b>	56,989
— retirement benefit costs	<b>995</b>	888
	<b>58,740</b>	57,877

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

## 7. INCOME TAX CHARGE

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax:		
Hong Kong	<b>(2,229)</b>	–
The Philippines	<b>(15)</b>	(60,741)
	<u><b>(2,244)</b></u>	<u>(60,741)</u>
Overprovision in prior years:		
Hong Kong	–	290
Deferred taxation:		
Current year	<b>(10,289)</b>	35,740
	<u><b>(12,533)</b></u>	<u>(24,711)</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

The corporate income tax rate in the Philippines is 30% for both years. The withholding tax rate in respect of a dividend distributed by a subsidiary of the Company operating in the Philippines to its overseas immediate holding company is 15% for both years.

No provision for taxation in other jurisdictions was made in the consolidated financial statements for both years 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.

During the year ended 31 March 2015, the Group utilised deferred tax liability in an amount of approximately HK\$58,978,000 as a result of dividend distributed by a subsidiary of the Company in the Philippines to its overseas immediate holding company.

## 8. DIVIDENDS

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Dividends recognised as distribution to owners of the Company during the year:		
Final dividend for 2014/15 – HK\$0.01 per share (2015: Final dividend for 2013/14 – nil)	<b>11,792</b>	–
Special dividend for 2014/15 – HK\$0.45 per share (2015: Special dividend for 2013/14 – nil)	<b>530,620</b>	–
	<b>542,412</b>	–
Dividends proposed in respect of the current year:		
Final dividend for 2015/16 – nil (2015: Final dividend for 2014/15 – HK\$0.01 per share)	–	11,792
Special dividend for 2015/16 – nil (2015: Special dividend for 2014/15 – HK\$0.45 per share)	–	530,620
	–	542,412

The Board does not recommend the payment of a final dividend for the year ended 31 March 2016 (2015: final dividend of HK\$0.01 per share and special dividend of HK\$0.45 per share).

## 9. EARNINGS PER SHARE

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

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	<b>31,703</b>	45,944
	<i>In thousand</i>	<i>In thousand</i>
<b>Number of shares</b>		
Number of ordinary shares for the purpose of basic earnings per share	<b>1,179,157</b>	1,179,157

For the years ended 31 March 2016 and 2015, no diluted earnings per share has been presented as there were no potential ordinary shares in issue during the years ended 31 March 2016 and 2015.

## 10. FINANCIAL ASSETS AT FVTPL

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Financial assets at FVTPL comprise:		
Non-current:		
8% perpetual subordinated capital securities listed overseas ( <i>Note</i> )	<b>20,290</b>	20,444
Current:		
Equity securities listed in Hong Kong	<u>–</u>	<u>54,750</u>
Total	<u><b>20,290</b></u>	<u>75,194</u>

The equity securities listed in Hong Kong are financial assets held for trading and the others are financial assets designated as at FVTPL at initial recognition.

*Note:* The issuer of the perpetual subordinated capital securities may redeem the perpetual subordinated 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 perpetual subordinated capital securities in whole (but not in part) for perpetual non-cumulative dollar preference shares.

## 11. TRADE RECEIVABLES

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	<b>24,828</b>	29,081
Less: Allowance for doubtful debts for trade receivables	<u>(4,617)</u>	<u>(3,149)</u>
	<u><b>20,211</b></u>	<u>25,932</u>

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

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Aged:		
0–30 days	<b>18,850</b>	22,994
31–60 days	<b>1,123</b>	2,064
61–90 days	<b>238</b>	145
Over 90 days	<u>–</u>	<u>729</u>
	<u><b>20,211</b></u>	<u>25,932</u>

## 12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

Trade payables, other payables and accrued charges comprise amounts outstanding for the purchase, ongoing costs and contingent consideration provision.

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

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Aged:		
0–30 days	<b>3,248</b>	3,877
31–60 days	<b>1,098</b>	16
61–90 days	<b>278</b>	209
Over 90 days	<b>1,470</b>	1,814
	<u><b>6,094</b></u>	<u>5,916</u>

The average credit period on purchase of goods is 90 days.

At 31 March 2015, other payables and accrued charges included an amount of approximately HK\$16,600,000 which represented the fair value of the contingent consideration provision in relation to the tax indemnity provided to the purchaser of a subsidiary of the Company disposed of by the Group during the year ended 31 March 2011. The tax indemnity was for a period of 5 years commencing from 5 November 2010. Amount was credited to profit or loss upon expiration of the tax indemnity during the year ended 31 March 2016.

## 13. CONTINGENT LIABILITIES

At 31 March 2016, the Group had (a) contingent liabilities of approximately HK\$460,182,000 (2015: approximately HK\$311,593,000) relating to the tax disputes between a subsidiary of the Company principally engaging in the business of leasing of properties in the Philippines and Bureau of Internal Revenue in the Philippines (“BIR”) for the calendar years of 2008 and 2012, as well as the potential income tax (but not taking into account any possible additional penalties or interest liability) that may be assessed by BIR for the taxable years which are not yet barred by prescription under the relevant laws, rules and regulations in the Philippines; and (b) contingent liabilities of approximately HK\$8,773,000 (2015: approximately HK\$17,336,000) relating to the tax disputes between another subsidiary of the Company principally engaging in the hotel operations in the Philippines and BIR for the calendar year of 2011 (2015: for the calendar year of 2010) (but not taking into account any possible additional penalties or interest liability).



Details of the contingent liabilities are set out below:

**(a) Tax disputes between Marina Square Properties, Inc. (“MSPI”) and BIR for the calendar years of 2008 and 2012, and potential income tax**

At 31 March 2016, the Group had contingent liabilities of approximately HK\$460,182,000 relating to the tax disputes between MSPI, a subsidiary of the Company principally engaging in the business of leasing of properties in the Philippines, and BIR for the calendar years of 2008 and 2012 as well as the potential income tax (but not taking into account any possible additional penalties or interest liability) that may be assessed by BIR for the taxable years which are not yet barred by prescription under the relevant laws, rules and regulations in the Philippines.

MSPI as lessor had entered into a lease agreement with Philippine Amusement and Gaming Corporation (“PAGCOR”), a company controlled and owned by the Philippine government, as lessee, for the lease of certain premises in the Philippines in March 2003.

On 29 February 2012, BIR issued a formal letter of demand to MSPI for alleged deficiency taxes for the calendar year of 2008 arising mainly from the imposition of income tax inclusive of penalties and interest on the rental income of MSPI from the lease of certain premises to PAGCOR in accordance with such lease agreement. On 29 March 2012, MSPI filed a protest with BIR on the ground that MSPI is exempt from Philippine corporate income tax pursuant to Section 13(2) of the Presidential Decree No. 1869, as amended.

On 2 November 2015, MSPI received the final decision on disputed deficiency tax assessment from BIR (the “MSPI-Final Decision on Disputed Assessment for 2008”) for the alleged deficiency taxes for the calendar year of 2008 amounting to approximately Peso1,156,803,000 (equivalent to approximately HK\$194,802,000) (inclusive of surcharge and interest).

On 1 December 2015, MSPI filed with BIR its application for reconsideration of the MSPI-Final Decision on Disputed Assessment for 2008 by the Commissioner of Internal Revenue in the Philippines. It is anticipated that the final outcome of the tax dispute for the calendar year of 2008 will not be known for quite some time.

On 23 February 2016, MSPI received another formal letter of demand from BIR (the “MSPI-Formal Letter of Demand for 2012”) for the alleged deficiency taxes for the calendar year of 2012 amounting to approximately Peso671,266,000 (equivalent to approximately HK\$113,039,000) (inclusive of penalties, surcharge and interest) arising mainly from the imposition of income tax on the rental income of MSPI from the lease of certain premises to PAGCOR.

On 21 March 2016, MSPI filed with BIR a request for reconsideration of the MSPI-Formal Letter of Demand for 2012 on the ground that MSPI is exempt from Philippine corporate income tax pursuant to Section 13(2) of the Presidential Decree No. 1869, as amended. It is anticipated that the final outcome of the tax dispute for the calendar year of 2012 will not be known for quite some time.

Based on the advice of the independent legal adviser of MSPI, the Directors believe that MSPI has valid legal arguments to defend the tax disputes. Accordingly, no provision has been made for the tax disputes in the consolidated financial statements of the Group for the years ended 31 March 2016 and 2015. However, as 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 that as at 31 March 2016, the contingent liabilities in respect of the alleged deficiency taxes covering the calendar year of 2008 as stated in the MSPI-Final Decision on Disputed Assessment for 2008, the contingent liabilities in respect of the alleged deficiency taxes covering the calendar year of 2012 as stated in the MSPI-Formal Letter of Demand for 2012, and the contingent liabilities in respect of the potential income tax arising from the rental income of MSPI from the lease of certain premises to PAGCOR (but not taking into account any possible additional penalties or interest liability) that may be assessed by BIR for the taxable years which are not yet barred by prescription under the relevant laws, rules and regulations in the Philippines as being a total of approximately Peso2,732,725,000 (equivalent to approximately HK\$460,182,000) as a possible outflow of resources.

At 31 March 2015, the contingent liabilities in respect of the alleged deficiency taxes covering the calendar year of 2008 and the contingent liabilities in respect of the potential income tax arising from the rental income of MSPI from the lease of certain premises to PAGCOR that may be assessed by BIR for the taxable years which were not yet barred by prescription under the relevant laws, rules and regulations in the Philippines was approximately Peso1,801,321,000 (equivalent to approximately HK\$311,593,000) in total.

**(b) Tax disputes between New Coast Hotel Inc. (“NCHI”) and BIR for the calendar years of 2010 and 2011**

*(i) For the calendar year of 2010*

At 31 March 2016, the contingent liabilities relating to the tax dispute between NCHI, a subsidiary of the Company principally engaging in the hotel operations in the Philippines, and BIR for the calendar year of 2010 became nil (2015: HK\$17,336,000) as such tax dispute was settled with BIR during the year ended 31 March 2016.

On 29 May 2015, BIR issued a formal letter of demand to NCHI for alleged deficiency taxes covering the calendar year of 2010 amounting to approximately Peso100,219,000 (equivalent to approximately HK\$16,877,000) inclusive of penalties and interest.

On 26 June 2015, NCHI filed a protest with BIR against the formal letter of demand in accordance with the relevant laws, rules and regulations in the Philippines.

As advised by the independent legal adviser of NCHI, BIR subsequently agreed to reduce the deficiency taxes to approximately Peso3,255,000 (equivalent to approximately HK\$548,000) inclusive of penalties and interest, in which approximately Peso93,000 (equivalent to approximately HK\$15,000) related to income tax for the calendar year of 2010. After NCHI paid the agreed deficiency taxes of approximately Peso3,255,000 (equivalent to approximately HK\$548,000) which has been reflected in profit or loss for the year ended 31 March 2016, BIR issued a certification to NCHI confirming the payment of deficiency taxes for the calendar of year 2010 and the independent legal adviser of NCHI advised that the case might already be deemed closed and terminated.

*(ii) For the calendar year of 2011*

At 31 March 2016, the Group had contingent liabilities of approximately HK\$8,773,000 (2015: nil) relating to the tax dispute between NCHI and BIR for the calendar year of 2011 (but not taking into account any possible additional penalties or interest liability).

On 16 December 2015, NCHI received a formal letter of demand from BIR (“NCHI -Formal Letter of Demand for 2011”) for alleged deficiency taxes covering the calendar year of 2011 amounting to approximately Peso52,096,000 (equivalent to approximately HK\$8,773,000) inclusive of penalties and interest.

On 15 January 2016, NCHI filed a protest with BIR against the NCHI-Formal Letter of Demand for 2011 in accordance with the relevant laws, rules and regulations in the Philippines. It is anticipated that the final outcome of the tax dispute will not be known for quite some time.

Based on the advice of the independent legal adviser of NCHI, the Directors believe that NCHI has valid arguments to defend the tax dispute. Accordingly, no provision has been made for the tax dispute in the consolidated financial statements of the Group for the year ended 31 March 2016. However, as 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 that as at 31 March 2016, the contingent liabilities in respect of the alleged deficiency taxes of NCHI covering the calendar year of 2011 as stated in the NCHI-Formal Letter of Demand for 2011 (but not taking into account any possible additional penalties or interest liability) as being a total of approximately Peso52,096,000 (equivalent to approximately HK\$8,773,000) as a possible outflow of resources.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

The Group's revenue for the year ended 31 March 2016 was approximately HK\$330.9 million, representing a decrease of approximately 9.8%, as compared with approximately HK\$366.8 million in the last year. All of the Group's revenue for the year under review was generated from the business operations in the Philippines. Both the revenue from the leasing of properties and the hotel operations for the year decreased as compared with the last year. The Group reported a gross profit of approximately HK\$154.4 million for the year under review, representing a decrease of approximately 3.5%, as compared with approximately HK\$160.0 million in the last year.

Other income of the Group for the year ended 31 March 2016 was approximately HK\$12.6 million, representing a decrease of approximately 46.4%, as compared with approximately HK\$23.5 million in the last year. The decrease was mainly due to the decrease in interest income during the year.

The Group recorded a loss of approximately HK\$21.2 million on change in fair value of financial assets at fair value through profit or loss for the year ended 31 March 2016, while a gain on change in fair value of financial assets at fair value through profit or loss of approximately HK\$51.4 million was recognised for the last year.

Other gains and losses of the Group represented the net foreign exchange gain or loss, a gain on change in fair value of contingent consideration provision in relation to a tax indemnity provided to the purchaser of a subsidiary of the Company disposed of by the Group during the year ended 31 March 2011 and the reversal of allowance for loan receivable recognised during the year under review. The Group recorded a net foreign exchange gain of approximately HK\$34.2 million for the year ended 31 March 2016, representing an increase of approximately HK\$30.4 million, as compared with a net foreign exchange gain of approximately HK\$3.8 million in the last year. There was no allowance or reversal of allowance for loan receivable recognised for the year ended 31 March 2016, while an allowance for loan receivable of HK\$6.0 million was reversed for the year ended 31 March 2015. During the year ended 31 March 2016, the Group recognised a gain of approximately HK\$16.6 million on change in fair value of contingent consideration provision in relation to a tax indemnity provided to the purchaser of a subsidiary of the Company disposed of by the Group during the year ended 31 March 2011.

Selling and marketing expenses, and general and administrative expenses of the Group decreased by approximately 12.6% to approximately HK\$138.8 million for the year ended 31 March 2016 from approximately HK\$158.9 million in the last year. Included in these expenses for the year ended 31 March 2016, approximately 42.3% and 13.5% were the staff costs and the utilities expenses respectively. The staff costs for the year ended 31 March 2016 was approximately HK\$58.7 million, representing an increase of approximately 1.4%, as compared with approximately HK\$57.9 million in the last year. The utilities expenses for the year ended 31 March 2016 was approximately HK\$18.7 million, representing a decrease of approximately 7.4%, as compared with approximately HK\$20.2 million in the last year.

Income tax charge of the Group decreased by approximately 49.4% to approximately HK\$12.5 million for the year ended 31 March 2016 from approximately HK\$24.7 million in the last year.

The profit of the Group decreased by approximately 26.0% to approximately HK\$45.2 million for the year ended 31 March 2016 from approximately HK\$61.1 million for the year ended 31 March 2015.

Earnings per share for the year ended 31 March 2016 amounted to approximately 2.69 HK cents, as compared with earnings per share of approximately 3.90 HK cents for the year ended 31 March 2015.

## **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 represents the rental income from the premises of the Group leased to PAGCOR. The monthly rental income is based on an agreed percentage of net gaming revenue generated from the local gaming area of the casino operated by PAGCOR as lessee of the Group's premises or a fixed rental amount, whichever is higher.

The revenue derived from the leasing of properties for the year ended 31 March 2016 was approximately HK\$222.2 million, representing a decrease of approximately 5.3%, as compared with approximately HK\$234.6 million in the last year. The decrease was mainly due to the decrease in the net gaming revenue from the local gaming area of the casino operated by PAGCOR as lessee of the Group's premises during the year, which was due to the new independent casinos coming into operation in the vicinity. It contributed approximately 67.2% of the Group's total revenue during the year under review while it contributed approximately 64.0% of the Group's total revenue in the last year.

As announced by the Company on 18 December 2015, MSPI, an indirect non-wholly owned subsidiary of the Company operating in the Philippines, as lessor entered into a lease agreement (the "Lease Agreement") with PAGCOR as lessee for the renewal of the lease of certain premises of the Group. The term of the Lease Agreement commences from 1 April 2016 and will expire on the earlier of 31 March 2031 or upon the total rent accruing against and/or payable by PAGCOR to MSPI under the Lease Agreement reaching an aggregate of Peso24.5 billion (equivalent to approximately HK\$4.1 billion).

## 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 hotel of the Group is located in Manila City which is a tourist spot with churches and historical sites as well as various night spots catered for tourists and is one of the major tourist destinations in the Philippines.

The revenue derived from the hotel operations for the year ended 31 March 2016 was approximately HK\$108.8 million, representing a decrease of approximately 17.7%, as compared with approximately HK\$132.2 million in the last year. The decrease was mainly due to the decrease in both the room revenue and the food and beverage sales for the year.

Included in the revenue derived from the hotel operations, approximately 62.7% of the revenue was contributed by room revenue for the year under review while it was approximately 63.7% in the last year. The room revenue for the year ended 31 March 2016 was approximately HK\$68.2 million, representing a decrease of approximately 19.0%, as compared with approximately HK\$84.2 million in the last year.

## **FUTURE OUTLOOK**

The Group will continue to focus on its existing business operations and investments in the Philippines, and will prudently explore new opportunities. The management of the Group will consider a renovation plan to improve the properties of the Group as well as the facilities therein so as to attract more guests and enhance their experience during their stays. The Group will also strive to make good use of available cash on hand for investment for better return to the Shareholders.

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 business operations in the Philippines will continue to contribute significantly towards the Group's revenue and results.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2016, the Group's net current assets amounted to approximately HK\$1,182.5 million (as at 31 March 2015: approximately HK\$1,588.5 million). Current assets amounted to approximately HK\$1,218.3 million (as at 31 March 2015: approximately HK\$1,695.5 million), of which approximately HK\$1,179.5 million (as at 31 March 2015: approximately HK\$1,591.5 million) was bank balances and cash, approximately HK\$20.2 million (as at 31 March 2015: approximately HK\$25.9 million) was trade receivables, approximately HK\$16.1 million (as at 31 March 2015: approximately HK\$20.2 million) was other receivables, deposits and prepayments, financial assets at fair value through profit or loss became nil (as at 31 March 2015: approximately HK\$54.8 million), and approximately HK\$2.5 million (as at 31 March 2015: approximately HK\$3.1 million) was inventories.

As at 31 March 2016, the Group had current liabilities amounted to approximately HK\$35.8 million (as at 31 March 2015: approximately HK\$107.1 million), of which approximately HK\$6.1 million (as at 31 March 2015: approximately HK\$5.9 million) was trade payables, approximately HK\$28.0 million (as at 31 March 2015: approximately HK\$42.7 million) was other payables and accrued charges, and approximately HK\$1.7 million (as at 31 March 2015: approximately HK\$58.5 million) was tax liabilities.

The bank balances and cash of the Group as at 31 March 2016 was mainly denominated in Peso, HK\$ and United States Dollars ("USD").

During the year ended 31 March 2016, the Company had paid a final dividend of HK\$0.01 per share and a special dividend of HK\$0.45 per share in respect of the year ended 31 March 2015, amounting to an aggregate of approximately HK\$542.4 million, to the Shareholders, and the Group had paid the withholding tax amounted to approximately HK\$57.6 million in respect of the dividend distributed by a subsidiary of the Company in the Philippines to its overseas immediate holding company.

Net cash generated by the operations of the Group for the year under review was approximately HK\$138.1 million, representing a decrease of approximately 17.9%, as compared with approximately HK\$168.2 million for the year ended 31 March 2015. Net assets attributable to the Shareholders as at 31 March 2016 amounted to approximately HK\$1,314.0 million, representing a decrease of approximately 29.9%, as compared with approximately HK\$1,875.1 million as at 31 March 2015.

The gearing ratio, measured in terms of total borrowings divided by total assets, was zero as at 31 March 2016 and 31 March 2015 respectively.

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



## **CHARGES ON GROUP ASSETS**

As at 31 March 2016 and 31 March 2015 respectively, 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 Listing Rules, for the year ended 31 March 2016.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

The Group will continue to explore the market and identify any business opportunities, and will consider enlarging the Group's existing investment portfolio in the Philippines which may provide its growth and development potential, enhance the profitability, and strive for better return to the Shareholders. The Group will also consider a renovation plan to improve the properties of the Group as well as the facilities therein so as to attract more guests and enhance their experience during their stays.

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES**

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

The Group's assets and liabilities are 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. Therefore, the Group may be exposed to currency risk.

The Group has not implemented any foreign currency hedging policy. However, the management of the Group will monitor foreign currency exposure for each business segment and review the needs of individual geographical area, and consider appropriate hedging policy in future when necessary.



## **CONTINGENT LIABILITIES**

As at 31 March 2016, the Group had (a) contingent liabilities of approximately HK\$460.2 million (31 March 2015: approximately HK\$311.6 million) relating to the tax disputes between a subsidiary of the Company principally engaging in the business of leasing of properties in the Philippines and BIR for the calendar years of 2008 and 2012, as well as the potential income tax (but not taking into account any possible additional penalties or interest liability) that may be assessed by BIR for the taxable years which are not yet barred by prescription under the relevant laws, rules and regulations in the Philippines; and (b) contingent liabilities of approximately HK\$8.8 million (31 March 2015: approximately HK\$17.3 million) relating to the tax disputes between another subsidiary of the Company principally engaging in the hotel operations in the Philippines and BIR for the calendar year of 2011 (31 March 2015: for the calendar year of 2010) (but not taking into account any possible additional penalties or interest liability).

Details of the aforesaid contingent liabilities are set out in note 13 to this announcement.

## **EMPLOYEES AND REMUNERATION POLICIES**

The total number of employees of the Group was 299 as at 31 March 2016 (as at 31 March 2015: 308). The staff costs for the year ended 31 March 2016 was approximately HK\$58.7 million (for the year ended 31 March 2015: approximately HK\$57.9 million). The remuneration policy of the Company is recommended by the remuneration committee of the Company (the “Remuneration Committee”). The remuneration of the Directors and the employees of the Group is based on the performance and experience of the individuals and is 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, insurance and retirement benefits. Besides, the Group regularly provides internal and external training courses for the employees of the Group to meet their needs.

## **REVIEW OF ANNUAL RESULTS**

The audit committee of the Company has reviewed the annual results of the Group for the year ended 31 March 2016.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of financial position as at 31 March 2016, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and related notes thereto for the year ended 31 March 2016 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

During the year ended 31 March 2016, the Company has complied with the code provisions of the Corporate Governance Code (the "Corporate Governance Code") as set out in Appendix 14 to the Listing Rules, except for the following deviation:

Code Provision A.6.7 of the Corporate Governance Code stipulates that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

Mr. Lau Wai Piu, an independent non-executive Director and the chairman of the Remuneration Committee, was unable to attend the annual general meeting of the Company held on 21 August 2015 as he had another business engagement at the time of such meeting.

## **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 of 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 year ended 31 March 2016.

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

During the year ended 31 March 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **PROPOSED ADOPTION OF THE AMENDED AND RESTATED ARTICLES OF ASSOCIATION**

The Board proposes certain amendments to be made to the existing articles of association of the Company (the “Articles of Association”) for housekeeping purposes and for the purpose of conforming with certain amendments to the Listing Rules which have become effective since the last amendment of the Articles of Association by way of adoption of the amended and restated articles of association of the Company (the “Amended and Restated Articles of Association”).

The proposed adoption of the Amended and Restated Articles of Association will be subject to the approval by the Shareholders at the annual general meeting (the “AGM”) of the Company to be held on Wednesday, 17 August 2016 by way of a special resolution, which resolution will be included in the notice of the AGM. A circular containing, among other things, a summary of the principal amendments to the Articles of Association, together with the notice of the AGM, will be despatched to the Shareholders in due course.

## **DIVIDENDS**

The Board does not recommend the payment of any dividend for the year ended 31 March 2016 (2015: final dividend of HK\$0.01 per share and special dividend of HK\$0.45 per share).

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 16 August 2016 to Wednesday, 17 August 2016 (both dates inclusive) during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, for registration no later than 4:30p.m. on Monday, 15 August 2016.

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

Hong Kong, 24 June 2016

*As at the date of this announcement, 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, Dr. 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.*