



International Entertainment Corporation

國際娛樂有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 01009



INTERIM REPORT
2017/18

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Dr. CHOI Chiu Fai Stanley (*Chairman*)
Mr. LAM Yat Ming
Mr. ZHANG Yan Min

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. REN Yunan
Ms. LU Gloria Yi
Mr. SUN Jiong
Mr. HA Kee Choy Eugene

EXECUTIVE COMMITTEE

Dr. CHOI Chiu Fai Stanley
(*Committee Chairman*)
Mr. LAM Yat Ming

AUDIT COMMITTEE

Mr. HA Kee Choy Eugene
(*Committee Chairman*)
Mr. REN Yunan
Ms. LU Gloria Yi
Mr. SUN Jiong

NOMINATION COMMITTEE

Ms. LU Gloria Yi (*Committee Chairman*)
Mr. REN Yunan
Mr. HA Kee Choy Eugene

REMUNERATION COMMITTEE

Mr. REN Yunan (*Committee Chairman*)
Ms. LU Gloria Yi
Mr. HA Kee Choy Eugene

COMPANY SECRETARY

Mr. WONG Chun Kit

AUTHORISED REPRESENTATIVES

Dr. CHOI Chiu Fai Stanley
Mr. WONG Chun Kit

REGISTERED OFFICE

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Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

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



This interim report is printed on environmentally friendly paper.

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House — 3rd Floor
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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
Wan Chai
Hong Kong

PRINCIPAL BANKERS

BDO Unibank, Inc.
Chong Hing Bank Limited
Hang Seng Bank Limited
Maybank Philippines Inc.
Public Bank (Hong Kong) Limited

AUDITOR

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

STOCK CODE

01009

COMPANY WEBSITE

<http://www.ientcorp.com>

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



Report on review of interim financial information
To the board of directors of International Entertainment Corporation
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 5 to 35, which comprises the condensed consolidated statement of financial position of International Entertainment Corporation (the "Company") and its subsidiaries as of 30 September 2017 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The 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 ("HKICPA").

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made 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 HKICPA. A review of interim financial information 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 interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants

22/F CITIC Tower

1 Tim Mei Avenue

Central

Hong Kong

28 November 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2017

	Notes	Six months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited) (Restated)
REVENUE	5	148,580	145,849
Cost of sales		(34,100)	(43,616)
Gross profit		114,480	102,233
Other income and gains	5	7,264	47,294
Change in fair value of financial assets at fair value through profit or loss		591	(31)
Change in fair value of investment properties		(45,456)	(57,756)
Selling and marketing expenses		(2,691)	(3,073)
Operating and administrative expenses		(69,182)	(64,246)
Finance costs		(8,373)	–
(LOSS)/PROFIT BEFORE TAX	6	(3,367)	24,421
Income tax expenses	7	(3,072)	(17,737)
(LOSS)/PROFIT FOR THE PERIOD		(6,439)	6,684
Attributable to:			
Owners of the Company		(6,439)	17,692
Non-controlling interests		–	(11,008)
		(6,439)	6,684
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents per share)	9	(0.52)	1.50

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited) (Restated)
(LOSS)/PROFIT FOR THE PERIOD	(6,439)	6,684
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	–	1,171
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:		
Remeasurement of defined benefit obligations	63	(688)
Exchange differences on translation to presentation currency	(18,501)	(160,469)
	(18,438)	(161,157)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(18,438)	(159,986)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(24,877)	(153,302)
Attributable to:		
Owners of the Company	(24,877)	(82,040)
Non-controlling interests	–	(71,262)
	(24,877)	(153,302)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Notes	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited) (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	10	309,637	317,127
Investment properties	11	1,637,000	1,699,000
Financial assets at fair value through profit or loss		2,997	20,521
Prepayments, deposits and other receivables		63,230	6,200
Total non-current assets		2,012,864	2,042,848
CURRENT ASSETS			
Inventories		2,334	2,206
Financial assets at fair value through profit or loss		14,233	–
Trade receivables	12	21,056	21,943
Prepayments, deposits and other receivables		19,024	15,726
Cash and cash equivalents		642,269	303,711
Total current assets		698,916	343,586
CURRENT LIABILITIES			
Trade payables	13	4,456	4,062
Other payables and accruals		26,261	38,247
Tax payable		1,221	–
Total current liabilities		31,938	42,309
NET CURRENT ASSETS		666,978	301,277
TOTAL ASSETS LESS CURRENT LIABILITIES		2,679,842	2,344,125

		30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited) (Restated)
NON-CURRENT LIABILITIES			
Deferred tax liabilities		166,760	166,843
Other liabilities		5,741	5,506
Promissory note	14	337,769	336,416
Total non-current liabilities		510,270	508,765
Net assets		2,169,572	1,835,360
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	1,369,157	1,179,157
Reserves		800,412	656,122
Non-controlling interests		2,169,569	1,835,279
		3	81
Total equity		2,169,572	1,835,360

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Attributable to owners of the Company									
	Note	Share					Retained profits	Total	Non-controlling interests	Total equity
		Share capital	premium account	Merger reserve	Other reserve	Exchange reserve				
(Unaudited)										
At 1 April 2017										
As previously reported		1,179,157	1,122	53,022	(112,683)	(141,402)	(382,515)	596,701	81	596,782
Prior year adjustment (Note c)		-	-	-	(8,318)	(103,213)	1,350,109	1,238,578	-	1,238,578
As restated		1,179,157	1,122*	53,022*	(121,001)*	(244,615)*	967,594*	1,835,279	81	1,835,360
Loss for the period		-	-	-	-	-	(6,439)	(6,439)	-	(6,439)
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:										
Remeasurement of defined benefit obligations		-	-	-	-	-	63	63	-	63
Exchange differences on translation to presentation currency		-	-	-	-	(18,501)	-	(18,501)	-	(18,501)
Total comprehensive loss for the period		-	-	-	-	(18,501)	(6,376)	(24,877)	-	(24,877)
Issue of new shares	15	190,000	171,000	-	-	-	-	361,000	-	361,000
Share issue expenses		-	(1,833)	-	-	-	-	(1,833)	-	(1,833)
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	-	(78)	(78)
At 30 September 2017		1,369,157	170,289*	53,022*	(121,001)*	(263,116)*	961,218*	2,169,569	3	2,169,572

For the six months ended 30 September 2016

	Attributable to owners of the Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium account	Merger reserve	Other reserve	Exchange reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)									
At 1 April 2016									
As previously reported	1,179,157	1,122	53,022	362,982	(70,066)	(212,245)	1,313,972	565,945	1,879,917
Prior year adjustment (Note c)	-	-	-	-	2,029	743,030	745,059	717,656	1,462,715
As restated	1,179,157	1,122	53,022	362,982	(68,037)	530,785	2,059,031	1,283,601	3,342,632
Profit for the period (restated)	-	-	-	-	-	17,692	17,692	(11,008)	6,684
Other comprehensive income to be reclassified to profit or loss in subsequent periods:	-	-	-	-	1,171	-	1,171	-	1,171
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:									
Remeasurement of defined benefit obligations	-	-	-	-	-	(351)	(351)	(337)	(688)
Exchange differences on translation to presentation currency (restated)	-	-	-	-	(100,552)	-	(100,552)	(59,917)	(160,469)
Total comprehensive loss for the period (restated)	-	-	-	-	(99,381)	17,341	(82,040)	(71,262)	(153,302)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	(120,050)	(120,050)
At 30 September 2016	1,179,157	1,122	53,022	362,982	(167,418)	548,126	1,976,991	1,092,289	3,069,280

Notes:

- 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.*
 - The other reserve represents the effect of discount on acquisition of subsidiaries and additional interest in subsidiaries from a subsidiary of the then intermediate parent arising during the years ended 31 March 2008 and 31 March 2017, respectively.*
 - The prior year adjustment is due to the change in an accounting policy in the measurement of investment properties from cost model to fair value model. Further details are set out in note 3 to the interim financial information.*
- * *These reserve accounts comprise the consolidated reserves of HK\$800,412,000 (31 March 2017: HK\$656,122,000 (restated)) in the condensed consolidated statement of financial position as at 30 September 2017.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited) (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	43,522	55,281
Income tax paid	(144)	(45,923)
Net cash flows generated from operating activities	43,378	9,358
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(9,970)	(6,976)
Interest received	1,890	4,444
Dividend income received from financial assets at fair value through profit or loss	781	776
Increase in other receivable	(51,726)	–
Other cash flows from investing activities	5,110	1,229
Net cash flows used in investing activities	(53,915)	(527)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of new shares	361,000	–
Share issues expenses	(1,833)	–
Dividends paid to non-controlling shareholders	(78)	(120,050)
Interest paid	(7,020)	–
Net cash flows generated from/(used in) financing activities	352,069	(120,050)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	341,532	(111,219)
Cash and cash equivalents at beginning of period	303,711	1,179,500
Effect of foreign exchange rate changes	(2,974)	(13,397)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	642,269	1,054,884
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	642,269	1,054,884

NOTES TO INTERIM FINANCIAL INFORMATION

30 SEPTEMBER 2017

1. CORPORATE AND GROUP INFORMATION

International Entertainment Corporation (the "Company") is a public company incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of the Cayman Islands 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 registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the period, the Company and its subsidiaries (collectively referred to as the "Group") were principally involved in hotel operations and leasing of properties for casino and ancillary leisure and entertainment operations at the hotel complex of the Group in Metro Manila in the Republic of the Philippines (the "Philippines").

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 interim financial information is 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").

In the opinion of the Directors, the holding company of the Company is Brighten Path Limited, which is incorporated in the British Virgin Islands, and the ultimate holding company of the Company is Head and Shoulders Direct Investment Limited.

2.1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2.2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial information are consistent with those of the Group as set out in the Group's annual financial statements for the year ended 31 March 2017, except for the change in an accounting policy as further detailed in note 3 below and the following revised Hong Kong Financial Reporting Standards (the "HKFRSs") that have been adopted by the Group for the first time for the current period's interim financial information.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
<i>Annual improvements 2014–2016 Cycle</i>	<i>Amendments in relation to HKFRS 12 — Disclosure of Interests in Other Entities</i>

The above revised standards have had no significant financial effect on the unaudited condensed consolidated interim financial information.

2.3 IMPACT OF ISSUED BUT NOT EFFECTIVE HKFRS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the unaudited condensed consolidated interim financial information.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions¹</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts¹</i>
HKFRS 9	<i>Financial Instruments¹</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
HKFRS 15	<i>Revenue from Contracts with Customers¹</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers¹</i>
HKFRS 16	<i>Leases²</i>
Amendments to HKAS 40	<i>Transfer of Investment Property¹</i>
HK (IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration¹</i>
HK (IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments²</i>
<i>Annual Improvements 2014–2016 Cycle</i>	<i>Amendments to the following two HKFRSs:</i> <ul style="list-style-type: none">— <i>HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards¹</i>— <i>HKAS 28 Investment in Associates and Joint Ventures¹</i>

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ No mandatory effective date yet determined but available for early adoption

The Group is in the process of making an assessment of the impact of the new and revised HKFRSs upon initial application, certain of which may be relevant to the Group's operation and may result in changes in the Group's accounting policies, and changes in presentation and measurement of certain items of the Group's unaudited condensed consolidated interim financial information.

3. CHANGE IN AN ACCOUNTING POLICY

In accordance with HKAS 40 "*Investment Property*", investment properties can either be accounted for using the cost model or the fair value model after their initial recognition. In previous years, the Group accounted for its investment properties using the cost model, under which investment properties were stated at cost less accumulated depreciation and any impairment loss.

Given the fact that most of the investment properties held by listed companies in Hong Kong are accounted for using the fair value model, during the period, the Group aligned its accounting policy with the market practice and stated its investment properties using fair value model, under which investment properties are stated at fair value and fair value changes are recognised in the consolidated statement of profit or loss in the period in which they arise. In the opinion of the Directors, this change in the accounting policy enables the Group to provide reliable and more relevant information in the interim financial information about its performance and financial position. This change has been applied retrospectively and the comparative amounts have been restated accordingly.

The effect of the change in accounting policy is summarised below:

	Six months ended 30 September 2016 HK\$'000
Profit for the period:	
Decrease in depreciation in cost of sales	9,098
Fair value loss of investment properties	(57,756)
Increase in income tax expenses	(2,862)
	<hr/>
Decrease in profit for the period	(51,520)
	<hr/>
Other comprehensive loss for the period:	
Increase in exchange differences on translation to presentation currency	(70,347)
	<hr/>
Increase in other comprehensive loss for the period	(70,347)
	<hr/>
Increase in total comprehensive loss for the period	(121,867)
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Decrease in profit for the period attributable to:	
Owners of the Company	(26,276)
Non-controlling interests	(25,244)
	<hr/>
	(51,520)
	<hr/>
Decrease in earnings per share attributable to ordinary equity holders of the Company:	
Basic and diluted (HK cents per share)	(2.23)
	<hr/>
Increase in total comprehensive loss for the period attributable to:	
Owners of the Company	(62,294)
Non-controlling interests	(59,573)
	<hr/>
	(121,867)
	<hr/>

31 March
2017
HK\$'000

Assets and liabilities:	
Increase in investment properties	1,308,128
Increase in deferred tax liabilities	(69,550)
	<hr/>
	1,238,578
	<hr/>
Equity attributable to owners of the Company:	
Decrease in other reserve	(8,318)
Decrease in exchange reserve	(103,213)
Increase in retained profits	1,350,109
	<hr/>
	1,238,578
	<hr/>

4. OPERATING 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:

- (a) Hotel — Operation of hotel business; and
- (b) Leasing — Leasing of properties for casino and ancillary leisure and entertainment operations.

Segment profit/(loss) represents the profit before tax earned by or loss before tax generated from each segment without allocation of corporate and other unallocated income and expenses, change in fair value of financial assets at fair value through profit or loss and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Information regarding the above segments is presented below:

For the six months ended 30 September 2017

(Unaudited)	Hotel HK\$'000	Leasing HK\$'000	Reportable segment total HK\$'000	Elimination HK\$'000	Total HK\$'000
Segment revenue:					
Sales to external customers	52,273	96,307	148,580	–	148,580
Intersegment sales	1,416	298	1,714	(1,714)	–
	53,689	96,605	150,294	(1,714)	148,580
Segment results	(9,164)	25,009	15,845		15,845
<i>Reconciliation:</i>					
Corporate and other unallocated income					2,044
Change in fair value of financial assets at fair value through profit or loss					591
Corporate and other unallocated expenses					(13,474)
Finance costs					(8,373)
Loss before tax					(3,367)
Income tax expenses					(3,072)
Loss for the period					(6,439)

For the six months ended 30 September 2016 (Restated)

(Unaudited)	Hotel HK\$'000	Leasing HK\$'000	Reportable segment total HK\$'000	Elimination HK\$'000	Total HK\$'000
Segment revenue:					
Sales to external customers	51,033	94,816	145,849	–	145,849
Intersegment sales	1,535	318	1,853	(1,853)	–
	52,568	95,134	147,702	(1,853)	145,849
Segment results	(16,727)	668	(16,059)		(16,059)
<i>Reconciliation:</i>					
Corporate and other unallocated income					51,288
Change in fair value of financial assets at fair value through profit or loss					(31)
Corporate and other unallocated expenses					(10,777)
Profit before tax					24,421
Income tax expenses					(17,737)
Profit for the period					6,684

5. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue, other income and gains is as follows:

	For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue		
Hotel:		
Room revenue	33,637	32,626
Food and beverages	17,510	17,060
Other hotel service income	1,126	1,347
	52,273	51,033
Leasing of properties for casino and ancillary leisure and entertainment operations	96,307	94,816
	148,580	145,849
Other income and gains		
Interest income	1,890	4,312
Dividend income from financial assets at fair value through profit or loss	781	776
Foreign exchange differences, net	–	41,927
Others	4,593	279
	7,264	47,294

6. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	For the six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Restated)
Cost of inventories sold	6,623	6,165
Depreciation	12,933	21,295
Provision/(reversal of provision) for impairment of trade receivables	41	(7)
Fair value (gains)/losses of financial assets at fair value through profit or loss	(591)	31
Interest expenses on promissory note (included in finance costs)	8,373	–
Gross revenue from leasing of investment properties for casino and ancillary leisure and entertainment operations	(96,307)	(94,816)
Less: Direct operating expenses (including repairs and maintenance) arising from leasing of investment properties for casino and ancillary leisure and entertainment operations	28,966	35,009
	(67,341)	(59,807)
Minimum lease payments under operating leases	2,853	2,917
Foreign exchange differences, net	2,780	(41,927)

7. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the six months ended 30 September 2017 and 2016.

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

No provision for taxation in other jurisdictions was made in the unaudited condensed consolidated interim financial information 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.

For the six months ended 30 September 2016, the Group has provided deferred tax in an amount of approximately HK\$17,777,000 in relation to the withholding tax of undistributed earnings arising from the subsidiaries of the Company in the Philippines, and has utilised deferred tax liability in an amount of approximately of HK\$45,923,000 as a result of dividend distributed by a subsidiary of the Company in the Philippines to its overseas immediate holding company.

An analysis of the income tax expenses for the period is as follows:

	For the six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
Current:		
Hong Kong	(165)	–
The Philippines	(1,216)	(45,923)
Deferred	(1,691)	28,186
Total income tax expenses for the period	(3,072)	(17,737)

8. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of loss per share amount for the six months ended 30 September 2017 is based on the loss for the period attributable to the ordinary equity holders of the Company of HK\$6,439,000 (six months ended 30 September 2016: profit of HK\$17,692,000 (restated)), and the weighted average number of ordinary shares of 1,233,146,306 (six months ended 30 September 2016: 1,179,157,235) in issue during the period.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the six months ended 30 September 2017 and 2016 as the Group had no potentially dilutive ordinary shares in issue during those periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group acquired property, plant and equipment of HK\$9,970,000 (six months ended 30 September 2016: HK\$6,314,000).

11. INVESTMENT PROPERTIES

	HK\$'000 (Unaudited)
As at 1 April 2017 (restated)	1,699,000
Change in fair value of investment properties	(45,456)
Exchange realignment	(16,544)
<hr/>	
As at 30 September 2017	1,637,000
<hr/>	
	HK\$'000 (Unaudited)
As at 1 April 2016 (restated)	1,977,000
Change in fair value of investment properties	(57,756)
Exchange realignment	(95,244)
<hr/>	
As at 30 September 2016 (restated)	1,824,000

The Group's investment properties are located in the Philippines and leased to third parties under operating leases, further summary details of which are included in note 17(a) to the interim financial information.

The Group's investment properties were stated at fair value and were revalued on 30 September 2017 and 31 March 2017 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent professionally qualified valuers, at HK\$1,637,000,000 and HK\$1,699,000,000, respectively.

The valuations were based on the income approach by capitalising the net rental income derived from the existing tenancies with due allowance for the reversionary income potential of the properties.

In the opinion of the Directors, the current use of the investment properties is their highest and best use. The fair value of the investment properties is categorised as Level 3 of the fair value hierarchy.

Description of valuation techniques used and key inputs to valuation on investment properties:

	Valuation technique	Significant unobservable inputs	Range (weighted average)	
			30 September 2017	31 March 2017
Commercial properties	Income approach	Estimated annual net rental value per square metre (HK\$)	6,782	7,030
		Capitalisation rate	7.5%	7.5%
		Discount rate	12.5%	12.5%

A significant increase/(decrease) in estimated annual net rental value per square metre in isolation would result in a significantly higher/(lower) fair value of the investment properties. A significant increase/(decrease) in the capitalisation rate in isolation would result in a significantly lower/(higher) fair value of the investment properties.

12. TRADE RECEIVABLES

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Trade receivables	25,287	26,177
Provision	(4,231)	(4,234)
	21,056	21,943

The average credit terms for trade receivables granted by the Group range from 0 to 90 days.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
0–30 days	17,900	21,044
31–60 days	1,244	760
61–90 days	790	139
Over 90 days	1,122	–
	21,056	21,943

Before accepting any new customer, the Group will assess the potential customer's credit quality and define credit limits by customer. The Group has provided fully for all trade receivables past due over 1 year because those receivables are generally not recoverable based on historical experience.

The movements in provision for impairment of trade receivables are as follows:

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
At beginning of period/year	4,234	4,617
Exchange realignment	(44)	(379)
Provision/(reversal of provision) for impairment	41	(2)
Amount written off as uncollectible	–	(2)
	4,231	4,234

As at 30 September 2017, included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK\$4,231,000 (31 March 2017: HK\$4,234,000) with a carrying amount before provision of HK\$4,231,000 (31 March 2017: HK\$4,234,000).

13. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
0–30 days	2,726	2,132
31–60 days	171	555
61–90 days	213	53
Over 90 days	1,346	1,322
	4,456	4,062

The trade payables are non-interest-bearing, unsecured and have an average credit period on purchase of goods of 90 days.

14. PROMISSORY NOTE

The promissory note was issued on 3 October 2016 by Fortune Growth Overseas Limited, a wholly-owned subsidiary of the Company, to a subsidiary of Chow Tai Fook (Holding) Limited (“CTFHL”), the then intermediate parent of the Company, for the acquisition of additional interest in a subsidiary of the Company, and this was a non-cash transaction. The promissory note carries interest which accrues on the outstanding principal amount of HK\$350,000,000 from its issue date until repayment in full of the principal amount at the fixed rate of 4% per annum. The promissory note shall become due and payable in full on the business day immediately preceding the fifth anniversary of its issue date and is unsecured and guaranteed by the Company.

The promissory note is denominated in HK\$ which is a foreign currency to the relevant Group entity (with functional currency in Peso).

15. SHARE CAPITAL

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Authorised: 2,000,000,000 shares of HK\$1 each	2,000,000	2,000,000
Issued and fully paid: 1,369,157,235 (31 March 2017: 1,179,157,235) ordinary shares of HK\$1 each	1,369,157	1,179,157

A summary of movements of the Company's share capital is as follows:

	Number of ordinary shares	Nominal value of ordinary shares HK\$'000
As at 1 April 2016, 31 March 2017 and 1 April 2017	1,179,157,235	1,179,157
Issue of new shares (<i>Note</i>)	190,000,000	190,000
As at 30 September 2017	1,369,157,235	1,369,157

Note:

On 27 July 2017, the Company entered into a placing agreement with Head & Shoulders Securities Limited (the "Placing Agent"), pursuant to which, the Placing Agent agreed to procure certain independent placees to subscribe an aggregate of 190,000,000 ordinary shares of the Company at a price of HK\$1.9 per share. The placing was completed on 10 August 2017 and the Group raised a total of approximately HK\$361 million, before expenses. Dr. Choi Chiu Fai Stanley, being the chairman and a director of the Company and a controlling shareholder of the Company (through Head and Shoulders Direct Investment Limited), indirectly holds 50% of the issued share capital of the Placing Agent and is also a director of the Placing Agent.

16. CONTINGENT LIABILITIES

At 30 September 2017, the Group had (a) contingent liabilities of approximately HK\$481,896,000 (31 March 2017: HK\$408,466,000) 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, 2012 and 2014, as well as the potential income tax (but not taking into account any possible additional penalties or interest liability, of which existence 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) that may be assessed by BIR for the taxable years which are not yet barred by prescription under the relevant laws, rules and regulations of the Philippines; and (b) contingent liabilities of approximately HK\$2,719,000 (31 March 2017: HK\$2,748,000) 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 (but not taking into account any possible additional penalties or interest liability, of which existence 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).

(a) **Tax disputes between Marina Square Properties, Inc. (“MSPI”) and BIR for the calendar years of 2008, 2012 and 2014, and potential income tax**

At 30 September 2017, the Group had contingent liabilities of approximately HK\$481,896,000 (31 March 2017: HK\$408,466,000) 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, 2012 and 2014 as well as the potential income tax (but not taking into account any possible additional penalties or interest liability, of which existence 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) that may be assessed by BIR for the taxable years which are not yet barred by prescription under the relevant laws, rules and regulations of 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 2 March 2012, MSPI received a formal letter of demand from BIR 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 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\$176,900,000) (inclusive of surcharge and interest).

On 1 December 2015, MSPI filed with BIR its request for reconsideration of the MSPI-Final Decision on Disputed Assessment for 2008 by the Commissioner of Internal Revenue in the Philippines. On 16 September 2016, MSPI filed with BIR a supplement to the request for reconsideration of the MSPI-Final Decision on Disputed Assessment for 2008. 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\$102,651,000) (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. On 16 September 2016, MSPI filed with BIR a supplement to the request for reconsideration of the MSPI-Formal Letter of Demand for 2012. 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.

On 11 July 2017, MSPI received a preliminary assessment notice from BIR (the "MSPI-Preliminary Assessment Notice for 2014") for the alleged deficiency taxes for the calendar year of 2014 amounting to approximately Peso660,004,000 (equivalent to approximately HK\$100,929,000) arising mainly from the imposition of tax on the rental income of MSPI.

On 26 July 2017, MSPI filed with BIR its position paper of the MSPI-Preliminary Assessment Notice for 2014. It is anticipated that the final outcome of the tax dispute for the calendar year of 2014 will not be known for quite some time.

Subsequent to the end of the reporting period, on 26 October 2017, MSPI received another formal letter of demand from BIR (the "MSPI-Formal Letter of Demand for 2014") for the alleged deficiency taxes for the calendar year of 2014 amounting to approximately Peso686,962,000 (equivalent to approximately HK\$105,051,000) (inclusive of 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 23 November 2017, MSPI filed with BIR a request for reinvestigation on the MSPI-Formal Letter of Demand for 2014.

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 interim financial information of the Group for the six months ended 30 September 2017 and 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 estimate that as at 30 September 2017, 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, the contingent liabilities in respect of the alleged deficiency taxes covering the calendar year of 2014 as stated in the MSPI-Preliminary Assessment Notice for 2014, 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, of which existence 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) that may be assessed by BIR for the taxable years which are not yet barred by prescription under the relevant laws, rules and regulations of the Philippines as being a total of approximately Peso3,151,271,000 (equivalent to approximately HK\$481,896,000) as a possible outflow of resources.

(b) Tax dispute between New Coast Hotel, Inc. (“NCHI”) and BIR for the calendar year of 2011

At 30 September 2017, the Group had contingent liabilities of approximately HK\$2,719,000 (31 March 2017: HK\$2,748,000) 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, of which existence 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).

On 16 December 2015, NCHI received a formal letter of demand from BIR (the “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\$7,967,000) 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 of the Philippines.

On 20 September 2016, NCHI received the final decision on disputed assessment from BIR (the "NCHI-Final Decision on Disputed Assessment for 2011") for the alleged deficiency taxes for the calendar year of 2011. BIR reduced the alleged deficiency taxes to approximately Peso17,781,000 (equivalent to approximately HK\$2,719,000) inclusive of penalties and interest.

On 20 October 2016, NCHI filed with BIR its request for reconsideration of the NCHI-Final Decision on Disputed Assessment for 2011 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 2011 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 interim financial information of the Group for the six months ended 30 September 2017 and 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 estimate that as at 30 September 2017, the contingent liabilities in respect of the alleged deficiency taxes of NCHI covering the calendar year of 2011 as stated in the NCHI-Final Decision on Disputed Assessment for 2011 (but not taking into account of any possible additional penalties or interest liability, of which existence 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) as being a total of approximately Peso17,781,000 (equivalent to approximately HK\$2,719,000) as a possible outflow of resources.

17. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 11) to PAGCOR under operating lease arrangements, for a term commencing from 1 April 2016 and expiring on the earlier of 31 March 2031 or upon the total rent accruing against and/or payable by PAGCOR to the Group under the lease agreement reaching an aggregate of Peso24.5 billion (equivalent to approximately HK\$3.8 billion). The monthly rental is based on a certain percentage of net gaming revenue of the casino operated by PAGCOR or a fixed amount of Peso100,000 (equivalent to approximately HK\$16,000 (30 September 2016: HK\$16,000)), whichever is the higher. The rental income arising from such agreement during the six months ended 30 September 2017 was approximately HK\$96,307,000 (six months ended 30 September 2016: HK\$94,816,000), representing contingent rental income.

(b) As lessee

The Group leases certain of the leasehold land, condominium units, office premises and staff quarters under operating lease arrangements. Leases are negotiated for terms ranging from 2 years to 25 years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Within one year	5,567	5,567
In the second to fifth years, inclusive	16,705	17,356
After five years	29,971	31,917
	52,243	54,840

18. COMMITMENTS

In addition to the operating lease commitments detailed in note 17(b) above, the Group had the following capital commitments at the end of the reporting period:

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Contracted, but not provided for: Capital expenditure in respect of the acquisition of property, plant and equipment	4,202	3,452

19. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in the interim financial information, the Group had the following material transactions with related parties during the period:

		For the six months ended 30 September	
	<i>Notes</i>	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Accommodation and beverages income from a company indirectly controlled by CTFHL*	<i>(i)</i>	–	48
Rental expenses to an associate of CTFHL*	<i>(ii)</i>	–	784
Expenses incurred under the hotel management agreement and the sales and marketing agreement to companies indirectly controlled by CTFHL*	<i>(iii)</i>	–	2,191
Placing commission to the Placing Agent	<i>(iv)</i>	1,805	–

Notes:

- (i) *The accommodation and beverages income were received at prices mutually agreed between the relevant parties.*
- (ii) *The rental expenses were determined at rate mutually agreed between the relevant parties.*
- (iii) *The expenses were paid under the hotel management agreement and the sales and marketing agreement entered into with the related parties.*
- (iv) *The placing commission was determined at 0.5% of the gross proceeds from share placement.*

* *CTFHL is not considered to be a related party of the Group since February 2017.*

(b) Compensation of key management personnel of the Group

Compensation of key management personnel of the Group, including directors' remuneration, is as follows:

	For the six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short term employee benefits	2,112	2,001
Post-employment benefits	22	18
	2,134	2,019

20. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts of the Group's financial instruments reasonably approximate to their fair values.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 30 September 2017 (Unaudited)

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets measured at fair value:				
Financial assets at fair value through profit or loss	14,233	2,997	–	17,230

As at 31 March 2017 (Audited)

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets measured at fair value:				
Financial assets at fair value through profit or loss	20,521	–	–	20,521

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for the financial assets.

21. COMPARATIVE AMOUNTS

As further explained in note 3 to the interim financial information, due to the change in an accounting policy, prior period adjustments have been made and certain comparative amounts have been restated to conform with the current period presentation and accounting treatment.

22. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

This interim financial information was approved and authorised for issue by the board of directors on 28 November 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's revenue for the six months ended 30 September 2017 was approximately HK\$148.6 million, representing an increase of approximately 1.9%, as compared with approximately HK\$145.8 million for the corresponding period in 2016. The revenue from the leasing of properties for the period increased as compared with the last corresponding period. The Group reported a gross profit of approximately HK\$114.5 million for the period under review, representing an increase of approximately 12.0%, as compared with approximately HK\$102.2 million (restated) in the last corresponding period. Gross profit margin for the six months ended 30 September 2017 was approximately 77.0%, representing an increase of approximately 6.9% as compared to gross profit margin of approximately 70.1% (restated) for the six months ended 30 September 2016. The increase in gross profit for the period was mainly due to the decrease in depreciation included in cost of sales for the investment properties only.

Other income and gains for the six months ended 30 September 2017 was approximately HK\$7.3 million, representing a decrease of approximately 84.6%, as compared with approximately HK\$47.3 million in the last corresponding period. The decrease was mainly due to decrease in foreign exchange gain.

The Group recorded a gain of approximately HK\$0.6 million on change in fair value of financial assets at fair value through profit or loss for the six months ended 30 September 2017, while a loss on change in fair value of financial assets at fair value through profit or loss of approximately HK\$31,000 was recognised for the last corresponding period.

Selling and marketing expenses, and operating and administrative expenses of the Group increased by approximately 6.8% to approximately HK\$71.9 million for the six months ended 30 September 2017 from approximately HK\$67.3 million in the last corresponding period. Included in the expenses for the six months ended 30 September 2017, approximately 41.7% and 14.2% were the staff costs and the utilities expenses respectively. The staff costs for the six months ended 30 September 2017 was approximately HK\$30.0 million, representing an increase of approximately 8.3%, as compared with approximately HK\$27.7 million in the last corresponding period and the utilities expenses for the six months ended 30 September 2017 was approximately HK\$10.2 million, representing an increase of approximately 15.9%, as compared with approximately HK\$8.8 million in the last corresponding period.

Income tax expenses of the Group decreased by approximately 82.7% to approximately HK\$3.1 million for the six months ended 30 September 2017 from approximately HK\$17.7 million (restated) in the last corresponding period. The decrease in income tax expenses for the period was mainly due to a taxation charged by the Bureau of Internal Revenue in the Philippines relating to the dividend distribution was made in July 2016.

The Group recorded a loss of approximately HK\$6.4 million for the six months ended 30 September 2017 as compared with a profit of approximately HK\$6.7 million (restated) for the six months ended 30 September 2016.

Loss per share for the six months ended 30 September 2017 amounted to approximately 0.52 HK cents, as compared with earnings per share of approximately 1.50 HK cents for the six months ended 30 September 2016.

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 six months ended 30 September 2017 was approximately HK\$96.3 million, representing an increase of approximately 1.6%, as compared with approximately HK\$94.8 million in the last corresponding period. The increase was mainly due to the increase 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 period. It contributed approximately 64.8% of the Group's total revenue during the period under review. In the last corresponding period, it contributed approximately 65.0% 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 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 six months ended 30 September 2017 was approximately HK\$52.3 million, representing an increase of approximately 2.5%, as compared with approximately HK\$51.0 million in the last corresponding period. The increase was mainly due to the increase in both the room revenue and the food and beverage sales for the period.

Included in the revenue derived from the hotel operations, approximately 64.3% of the revenue was contributed by room revenue for the period under review. In the last corresponding period, it was approximately 63.9% of the revenue derived from the hotel operations. The room revenue for the six months ended 30 September 2017 was approximately HK\$33.6 million, representing an increase of approximately 3.1%, as compared with approximately HK\$32.6 million in the last corresponding period. The increase was mainly due to the increase in the average occupancy rate during the period.

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 continue to 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 conduct a review on the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the Directors may look into business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2017, the Group's net current assets amounted to approximately HK\$667.0 million (as at 31 March 2017: HK\$301.3 million (restated)). Current assets amounted to approximately HK\$698.9 million (as at 31 March 2017: HK\$343.6 million), of which approximately HK\$642.3 million (as at 31 March 2017: HK\$303.7 million) was cash and cash equivalents, approximately HK\$21.1 million (as at 31 March 2017: HK\$21.9 million) was trade receivables, approximately HK\$19.0 million (as at 31 March 2017: HK\$15.7 million) was prepayments, deposits and other receivables, and approximately HK\$2.3 million (as at 31 March 2017: HK\$2.2 million) was inventories.

As at 30 September 2017, the Group had current liabilities amounted to approximately HK\$31.9 million (as at 31 March 2017: HK\$42.3 million), of which approximately HK\$4.5 million (as at 31 March 2017: HK\$4.1 million) was trade payables, approximately HK\$26.3 million (as at 31 March 2017: HK\$38.2 million) was other payables and accruals, and approximately HK\$1.2 million (as at 31 March 2017: Nil) was tax payables.

The cash and cash equivalents of the Group as at 30 September 2017 was mainly denominated in Peso, HK\$ and United States Dollars ("USD").

During the six months ended 30 September 2017, a placement of 190,000,000 ordinary shares of the Company at a price of HK\$1.9 per share has been made, and the Group raised a total amount of, after deduction of relevant expenses, approximately HK\$359.2 million.

Net cash generated by the operations of the Group for the period under review was approximately HK\$43.4 million, representing an increase of approximately 361.7%, as compared with approximately HK\$9.4 million in the last corresponding period. Net assets attributable to the owners of the Company as at 30 September 2017 amounted to approximately HK\$2,169.6 million, representing an increase of approximately 18.2%, as compared with approximately HK\$1,835.3 million (restated) as at 31 March 2017.

The gearing ratios, measured in terms of total borrowings divided by total assets, were 12.5% and 14.1% as at 30 September 2017 and 31 March 2017 respectively.

For the period under review, the Group financed its operations generally with internally generated cash flows.

CHARGES ON GROUP ASSETS

As at 30 September 2017 and 31 March 2017 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 the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), for the six months ended 30 September 2017.

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. The Group will also continue to 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 interim financial information of the Group is 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 30 September 2017, the Group had (a) contingent liabilities of approximately HK\$481.9 million (as at 31 March 2017: HK\$408.5 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, 2012 and 2014, as well as the potential income tax (but not taking into account any possible additional penalties or interest liability, of which existence 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) that may be assessed by BIR for the taxable years which are not yet barred by prescription under the relevant laws, rules and regulations of the Philippines; and (b) contingent liabilities of approximately HK\$2.7 million (as at 31 March 2017: HK\$2.7 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 (but without taking into account any possible additional penalties or interest liability, of which existence 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).

Subsequent to the end of the reporting period, on 26 October 2017, MSPI received another formal letter of demand from BIR for the alleged deficiency taxes for the calendar year of 2014 amounting to approximately Peso686,962,000 (equivalent to approximately HK\$105,051,000) (inclusive of 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 23 November 2017, MSPI filed with BIR a request for reinvestigation on the MSPI-Formal Letter of Demand for 2014.

Details of the aforesaid contingent liabilities are set out in note 16 to the interim financial information.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group was 309 as at 30 September 2017 (as at 30 September 2016: 303). The staff costs for the six months ended 30 September 2017 was approximately HK\$30.0 million (for the six months ended 30 September 2016: HK\$27.7 million). The remuneration policy of the Company is recommended by the remuneration committee of the Company. 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.

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 2017, 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			Approximate percentage of the number of issued Shares
	Personal interest	Corporate interest	Total	
Dr. Choi Chiu Fai Stanley ("Dr. Choi")	–	764,223,268 (Note)	764,223,268	55.82%

Note: These Shares were held by Brighten Path Limited ("Brighten Path"), a company wholly-owned by Head and Shoulders Direct Investment Limited ("Head and Shoulders") which in turn is wholly-owned by Dr. Choi, 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 2017, 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.

Long positions in the Shares

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares	Approximate percentage of the number of issued Shares	Note
Brighten Path	Beneficial owner	764,223,268	55.82%	
Head and Shoulders	Interest of a controlled corporation	764,223,268	55.82%	Note 1
Ideal Trader Limited ("Ideal Trader")	Person having a security interest in Shares	764,223,268	55.82%	Note 2
Huarong Investment Stock Corporation Limited ("Huarong Investment")	Person having a security interest in Shares	764,223,268	55.82%	Note 3
Right Select International Limited ("Right Select")	Person having a security interest in Shares	764,223,268	55.82%	Note 4
China Huarong International Holdings Limited ("China Huarong International")	Person having a security interest in Shares	764,223,268	55.82%	Note 5
China Huarong Asset Management Co., Ltd. ("China Huarong Asset")	Person having a security interest in Shares	764,223,268	55.82%	Note 6
Mediastar International Limited ("Mediastar")	Beneficial owner	118,000,000	8.62%	

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares	Approximate percentage of the number of issued Shares	Note
Sky Warrior Investments Limited ("Sky Warrior")	Interest of a controlled corporation	118,000,000	8.62%	Note 7
Chow Tai Fook (Holding) Limited ("CTFHL")	Interest of a controlled corporation	118,000,000	8.62%	Note 8
Chow Tai Fook Capital Limited ("CTFC")	Interest of a controlled corporation	118,000,000	8.62%	Note 9
Cheng Yu Tung Family (Holdings II) Limited ("CYTFH-II")	Interest of a controlled corporation	118,000,000	8.62%	Note 10
Cheng Yu Tung Family (Holdings) Limited ("CYTFH")	Interest of a controlled corporation	118,000,000	8.62%	Note 11

Notes:

- (1) *Brighten Path is wholly-owned by Head and Shoulders which in turn is wholly-owned by Dr. Choi. Accordingly, each of Head and Shoulders and Dr. Choi was deemed to be interested in 764,223,268 Shares held by Brighten Path under the SFO.*
- (2) *Ideal Trader has a security interest in 764,223,268 Shares. Accordingly, Ideal Trader was deemed to be interested in the 764,223,268 Shares representing approximately 55.82% of the total number of issued Shares under the SFO.*
- (3) *Huarong Investment holds 100% indirect interest in Ideal Trader. Accordingly, under the SFO, Huarong Investment was deemed to be interested in 764,223,268 Shares in which Ideal Trader has a security interest.*
- (4) *Right Select holds approximately 50.99% direct interest in Huarong Investment. Accordingly, under the SFO, Right Select was deemed to be interested in 764,223,268 Shares in which Ideal Trader has a security interest.*

- (5) *Right Select is wholly-owned by China Huarong International. Accordingly, under the SFO, China Huarong International was deemed to be interested in 764,223,268 Shares in which Ideal Trader has a security interest.*
- (6) *China Huarong Asset holds 100% indirect interest in China Huarong International. Accordingly, under the SFO, China Huarong Asset was deemed to be interested in 764,223,268 Shares in which Ideal Trader has a security interest.*
- (7) *Mediastar is wholly-owned by Sky Warrior. Accordingly, under the SFO, Sky Warrior was deemed to be interested in 118,000,000 Shares held by Mediastar.*
- (8) *Sky Warrior is wholly-owned by CTFHL. Accordingly, under the SFO, CTFHL was deemed to be interested in 118,000,000 Shares held by Mediastar.*
- (9) *CTFC holds approximately 81.03% direct interest in CTFHL. Accordingly, under the SFO, CTFC was deemed to be interested in 118,000,000 Shares held by Mediastar.*
- (10) *CYTFH-II holds approximately 46.65% direct interest in CTFC. Accordingly, under the SFO, CYTFH-II was deemed to be interested in 118,000,000 Shares held by Mediastar.*
- (11) *CYTFH holds approximately 48.98% direct interest in CTFC. Accordingly, under the SFO, CYTFH was deemed to be interested in 118,000,000 Shares held by Mediastar.*

SHARE OPTION SCHEME

At the extraordinary general meeting of the Company held on 1 November 2017, the Shareholders approved the adoption of the share option scheme of the Company (the "Share Option Scheme"). The relevant listing approval was granted by the Stock Exchange on 2 November 2017. The purpose of the Share Option Scheme is to enable the Company to grant share options to selected eligible participants as incentives or rewards for their contribution or potential contribution to the Group. Details of the Share Option Scheme are set out in the Company's circular dated 13 October 2017. As at the date of this report, no share options have been granted under the Share Option Scheme since its adoption.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises all four independent non-executive Directors, namely Mr. Ha Kee Choy Eugene (Chairman of the Audit Committee), Mr. Ren Yunan, Ms. Lu Gloria Yi and Mr. Sun Jiong 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, *inter alia*, 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 financial information of the Group and the interim report of the Company for the six months ended 30 September 2017. The Company's auditor, Ernst & Young, has reviewed the unaudited interim financial information of the Group for the six months ended 30 September 2017 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

CHANGE IN INFORMATION OF DIRECTORS

The change in the information of Directors since the date of the annual report of the Company for the year ended 31 March 2017, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, is set out below:

Mr. Ren Yunan, an independent non-executive Director, has been appointed as a non-executive director and the chairman of the board of directors of AVIC Joy Holdings (HK) Limited, the issued shares of which are listed on the Main Board of the Stock Exchange, both with effect from 6 November 2017.

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 2017, 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. Sun Jiong, an independent non-executive Director, was unable to attend the annual general meeting of the Company held on 27 September 2017 as he had another business engagement at the time of such meeting.

Ms. Lu Gloria Yi, an independent non-executive Director, was unable to attend the extraordinary general meeting of the Company held on 1 November 2017 as she 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 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 2017.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 September 2017 (2016: nil).

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

During the six months ended 30 September 2017, 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. Choi Chiu Fai Stanley
Chairman

Hong Kong, 28 November 2017

As at the date of this report, the Board comprises three executive Directors, namely Dr. Choi Chiu Fai Stanley, Mr. Lam Yat Ming and Mr. Zhang Yan Min, and four independent non-executive Directors, namely Mr. Ren Yunan, Ms. Lu Gloria Yi, Mr. Sun Jiong and Mr. Ha Kee Choy Eugene.