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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

RESULTS

The board of directors (the "Board") of International Entertainment Corporation (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2017, together with the comparative unaudited figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2017

		Six months ended 30 September	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(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)**	–

	Notes	Six months ended 30 September **2017** *HK$'000* **(Unaudited)**	2016 *HK$'000* (Unaudited) (Restated)
(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
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

	Note	30 September 2017 HK$'000 (Unaudited)	31 March 2017 HK$'000 (Audited) (Restated)
EQUITY			
Equity attributable to owners of the Company			
Share capital	*15*	**1,369,157**	1,179,157
Reserves		**800,412**	656,122
		2,169,569	1,835,279
Non-controlling interests		**3**	81
Total equity		**2,169,572**	1,835,360

NOTES

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

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 HKFRSS

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	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
Amendments to HKAS 40	*Transfer of Investment Property*[1]
HK (IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK (IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014–2016 Cycle	*Amendments to the following two HKFRSs:* *— HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards*[1] *— HKAS 28 Investments in Associates and Joint Ventures*[1]

[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 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)
Decrease in profit for the period	(51,520)
Other comprehensive loss for the period	
Increase in exchange differences on translation to presentation currency	(70,347)
Increase in other comprehensive loss for the period	(70,347)
Increase in total comprehensive loss for the period	(121,867)
Decrease in profit for the period attributable to:	
Owners of the Company	(26,276)
Non-controlling interests	(25,244)
	(51,520)
Decrease in earnings per share attributable to ordinary equity holders of the Company	
Basic and diluted (HK cents per share)	(2.23)
Increase in total comprehensive loss for the period attributable to:	
Owners of the Company	(62,294)
Non-controlling interests	(59,573)
	(121,867)

	31 March 2017 *HK$'000*
Assets and liabilities	
Increase in investment properties	1,308,128
Increase in deferred tax liabilities	(69,550)
	1,238,578
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
	1,238,578

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**	**Leasing**	**Reportable segment total**	**Elimination**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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**
Reconciliation:					
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)
Reconciliation:					
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)**
As at 30 September 2017	**1,637,000**

	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)
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 this announcement.

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:

			Range (weighted average)	
	Valuation technique	**Significant unobservable inputs**	**30 September 2017**	31 March 2017
Commercial properties	Income approach	Estimated annual rental value per square metre (HK$)	**56,331**	57,873
		Capitalisation rate	**7.5%**	7.5%
		Discount rate	**12.5%**	12.5%

A significant increase/(decrease) in estimated annual 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	31 March 2017
	HK$'000	*HK$'000*
	(Unaudited)	(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)
At end of period/year	**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 *(Note)*	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	
	Notes	**2017** ***HK$'000*** **(Unaudited)**	2016 *HK$'000* (Unaudited)
Accommodation and beverages income from a company indirectly controlled by CTFHL*	*(i)*	**–**	48
Rental expenses to an associate of CTFHL*	*(ii)*	**–**	784
Expenses incurred under the hotel management agreement and the sales and marketing agreement to companies indirectly controlled by CTFHL*	*(iii)*	**–**	2,191
Placing commission to the Placing Agent	*(iv)*	**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	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'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	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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 this announcement, 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.

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 Peso 686,962,000 (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 this announcement.

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.

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, as reviewed by the Company's auditor, Ernst & Young, and the interim report of the Company for the six months ended 30 September 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 announcement, 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.