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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 2015

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 2015, together with the comparative unaudited figures for the corresponding period in 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2015

		Six months ended	
		30 September	
		2015	2014
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>	(Unaudited)	(Unaudited)
Revenue	3	167,177	190,588
Cost of sales		(98,839)	(104,051)
Gross profit		68,338	86,537
Other income	5	6,587	13,789
Other gain and loss		48,861	9,978
Change in fair value of financial assets at fair value through profit or loss		(21,546)	13,030
Selling and distribution costs		(2,789)	(2,580)
General and administrative expenses		(60,871)	(73,423)
Profit before taxation	6	38,580	47,331
Income tax charge	7	(2,567)	(7,566)
Profit for the period		36,013	39,765

		Six months ended	
		30 September	
		2015	2014
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note</i>	(Unaudited)	(Unaudited)
Profit for the period attributable to:			
Owners of the Company		30,528	26,584
Non-controlling interests		5,485	13,181
		<u>36,013</u>	<u>39,765</u>
		<i>HK cent</i>	<i>HK cent</i>
Earnings per share			
Basic	9	<u>2.59</u>	<u>2.25</u>

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

For the six months ended 30 September 2015

	Six months ended	
	30 September	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	<u>36,013</u>	<u>39,765</u>
Other comprehensive (expense) income for the period:		
Items that will not be reclassified to profit or loss		
— remeasurement of defined benefit obligations	(799)	(38)
— exchange differences arising on translation to presentation currency	<u>(106,865)</u>	<u>(10,399)</u>
	(107,664)	(10,437)
Item that may be subsequently reclassified to profit or loss		
— exchange differences arising on translation of foreign operations	<u>5,254</u>	<u>861</u>
Other comprehensive expense for the period, net of income tax	<u>(102,410)</u>	<u>(9,576)</u>
Total comprehensive (expense) income for the period	<u>(66,397)</u>	<u>30,189</u>
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	(45,377)	20,503
Non-controlling interests	<u>(21,020)</u>	<u>9,686</u>
	<u>(66,397)</u>	<u>30,189</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2015

		30 September 2015 <i>HK\$'000</i> (Unaudited)	31 March 2015 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	<i>10</i>	361,162	398,645
Investment properties	<i>11</i>	473,363	555,412
Financial assets at fair value through profit or loss	<i>12</i>	19,770	20,444
Other assets		746	892
		<hr/> 855,041	<hr/> 975,393
Current assets			
Inventories		2,591	3,067
Financial assets at fair value through profit or loss	<i>12</i>	–	54,750
Trade receivables	<i>13</i>	25,486	25,932
Other receivables, deposits and prepayments		24,118	20,258
Bank balances and cash		1,093,553	1,591,533
		<hr/> 1,145,748	<hr/> 1,695,540
Current liabilities			
Trade payables	<i>14</i>	4,594	5,916
Other payables and accrued charges		42,731	42,640
Tax liabilities		2,383	58,516
		<hr/> 49,708	<hr/> 107,072
Net current assets		<hr/> 1,096,040	<hr/> 1,588,468
Total assets less current liabilities		<hr/> 1,951,081	<hr/> 2,563,861

		30 September 2015	31 March 2015
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note</i>	(Unaudited)	(Audited)
Capital and reserves			
Share capital	15	1,179,157	1,179,157
Share premium and reserves		108,188	695,977
		<hr/>	<hr/>
Equity attributable to owners of the Company		1,287,345	1,875,134
Non-controlling interests		546,526	567,546
		<hr/>	<hr/>
Total equity		1,833,871	2,442,680
		<hr/>	<hr/>
Non-current liabilities			
Deferred tax liabilities		112,043	117,001
Other liabilities		5,167	4,180
		<hr/>	<hr/>
		117,210	121,181
		<hr/>	<hr/>
		1,951,081	2,563,861
		<hr/> <hr/>	<hr/> <hr/>

NOTES:

1. GENERAL

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

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

The Company is an investment holding company.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2015.

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

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

3. REVENUE

Six months ended	
30 September	
2015	2014
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

The Group's revenue comprises:

Hotel

Room revenue	31,171	44,010
Food and beverages	16,883	21,653
Other hotel service income	1,332	2,183
	<hr/>	<hr/>
	49,386	67,846
Leasing of investment properties equipped with entertainment equipment	117,791	122,742
	<hr/>	<hr/>
	167,177	190,588
	<hr/> <hr/>	<hr/> <hr/>

4. SEGMENT INFORMATION

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

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

Information regarding the above segments is presented below.

Segment revenue and results

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

For the six months ended 30 September 2015

	Hotel <i>HK\$'000</i> (Unaudited)	Leasing <i>HK\$'000</i> (Unaudited)	Reportable segment total <i>HK\$'000</i> (Unaudited)	Elimination <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
REVENUE					
External sales	49,386	117,791	167,177	-	167,177
Inter-segment sales	109	327	436	(436)	-
Total	<u>49,495</u>	<u>118,118</u>	<u>167,613</u>	<u>(436)</u>	<u>167,177</u>
RESULTS					
Segment (loss) profit	<u>(15,079)</u>	<u>21,917</u>	<u>6,838</u>		6,838
Unallocated other income					4,798
Other gain and loss					48,861
Change in fair value of financial assets at fair value through profit or loss					(21,546)
Unallocated expenses					(6,713)
Unallocated income tax credit					<u>3,775</u>
Profit for the period					<u>36,013</u>

For the six months ended 30 September 2014

	Hotel <i>HK\$'000</i> (Unaudited)	Leasing <i>HK\$'000</i> (Unaudited)	Reportable segment total <i>HK\$'000</i> (Unaudited)	Elimination <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
REVENUE					
External sales	67,846	122,742	190,588	–	190,588
Inter-segment sales	<u>134</u>	<u>338</u>	<u>472</u>	<u>(472)</u>	<u>–</u>
Total	<u><u>67,980</u></u>	<u><u>123,080</u></u>	<u><u>191,060</u></u>	<u><u>(472)</u></u>	<u><u>190,588</u></u>
RESULTS					
Segment (loss) profit	<u><u>(1,073)</u></u>	<u><u>23,408</u></u>	<u><u>22,335</u></u>		22,335
Unallocated other income					10,390
Other gain and loss					9,978
Change in fair value of financial assets at fair value through profit or loss					13,030
Unallocated expenses					<u><u>(15,968)</u></u>
Profit for the period					<u><u>39,765</u></u>

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

5. OTHER INCOME

	Six months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Interest income from bank balances	5,554	5,415
Interest income from financial assets at fair value through profit or loss	–	4,582
Interest income from loan receivable	–	2,606
Dividend income from financial assets at fair value through profit or loss	780	780
Sundry income	253	406
	6,587	13,789

6. PROFIT BEFORE TAXATION

	Six months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Allowance for bad and doubtful debts for trade and other receivables	346	1,099
Reversal of allowance for loan receivable (included in other gain and loss)	–	(6,000)
Cost of inventories recognised as an expense	6,555	7,383
Change in fair value of financial assets at fair value through profit and loss	21,546	(13,030)
Legal and professional expenses (included in general and administrative expenses)	2,513	11,932
Depreciation of property, plant and equipment	22,434	24,194
Depreciation of investment properties	58,525	60,418
Net foreign exchange gain (included in other gain and loss)	(48,861)	(3,978)
Rental expenses under operating leases on premises and land	3,029	3,102
Gross revenue from leasing of investment properties equipped with entertainment equipment	(117,791)	(122,742)
Less: Direct operating expenses that generated revenue from leasing of investment properties equipped with entertainment equipment (<i>Note</i>)	88,561	91,850
	(29,230)	(30,892)

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

7. INCOME TAX CHARGE

	Six months ended 30 September	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong	2,248	–
Deferred taxation – current period	<u>319</u>	<u>7,566</u>
	<u><u>2,567</u></u>	<u><u>7,566</u></u>

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

The corporate income tax rate in the Republic of the Philippines (the “Philippines”) is 30% for both periods.

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

Under the relevant tax law in the Philippines, withholding tax is imposed on dividends distributed in respect of profits earned by the subsidiaries of the Company operating in the Philippines to its overseas immediate holding company. Deferred tax liability on the undistributed profits earned have been accrued at the tax rate of 15% on the expected dividend stream. No deferred tax liability has been recognised in respect of the remaining undistributed earnings retained by the subsidiaries of the Company operating in the Philippines because the Group is in a position to control the timing of the reversal of the temporary differences and it is possible that such differences will not be reversed in the foreseeable future. For the six months ended 30 September 2015, deferred tax on undistributed earnings arising from the subsidiaries of the Company operating in the Philippines amounting to approximately HK\$9,549,000 (for the six months ended 30 September 2014: approximately HK\$8,492,000) was charged to condensed consolidated statement of profit or loss.

A subsidiary of the Company operating in the Philippines as lessor had entered into a lease agreement (the “Lease Agreement”) with Philippine Amusement and Gaming Corporation (“PAGCOR”), a company solely owned by the Philippine government, as lessee, for the lease of certain premises in the Philippines. On 29 February 2012, Bureau of Internal Revenue in the Philippines (“BIR”) issued a formal letter of demand to such subsidiary for alleged deficiency taxes covering the taxable year of 2008 arising mainly from the imposition of income tax inclusive of penalties and interest on the rental income of such subsidiary from the lease of certain premises to PAGCOR pursuant to the Lease Agreement. On 29 March 2012, such subsidiary filed a protest with BIR on the ground that it is exempt from Philippine corporate income tax pursuant to Section 13(2) of the Presidential Decree No. 1869, as amended (“PAGCOR Charter”).

In April 2013, BIR issued Revenue Memorandum Circular (“RMC”) No. 33–2013 dated 17 April 2013 which, *inter alia*, provided that PAGCOR and its contractees and licensees would be considered by BIR as being subject to corporate income tax under National Internal Revenue Code of the Philippines, as amended.

On 2 November 2015, such subsidiary received the final decision on disputed deficiency tax assessment from BIR (the “Final Decision on Disputed Assessment”) for the alleged deficiency income tax and documentary stamp tax for taxable year 2008 amounting to approximately Peso1,156,803,000 (equivalent to approximately HK\$190,955,000) (inclusive of surcharge and interest).

Notwithstanding the issuance of the RMC and the Final Decision on Disputed Assessment, the independent legal adviser of such subsidiary had advised that there are valid legal arguments to appeal against the Final Decision on Disputed Assessment with the Court of Tax Appeals in the Philippines and accordingly, the Directors believe that no provision should be made for the tax dispute and/or the potential deferred tax liabilities arising from the investment properties in the condensed consolidated financial statements for the six months ended 30 September 2015. It is anticipated that such subsidiary will file its application for reconsideration by the Commissioner of Internal Revenue in the Philippines or directly appeal against the Final Decision on Disputed Assessment with the Court of Tax Appeals in the Philippines but it is not anticipated that the final outcome of the tax dispute will be known for quite some time. The independent legal adviser of such subsidiary had also advised that based on the terms of the Lease Agreement, there is strong legal basis for such subsidiary to claim full indemnity from PAGCOR in respect of any such tax payment, together with any interest, penalties and expenses payable or incurred in connection therewith. However, as there is at present a possible obligation (existence of which can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of such subsidiary) which may or may not require an initial outflow of resources, the Directors consider it prudent to estimate as at 30 September 2015, the contingent liabilities in respect of the alleged deficiency taxes covering the taxable year of 2008 as stated in the Final Decision on Disputed Assessment and the contingent liabilities in respect of the potential income taxes (but without taking into account any possible additional penalty or interest liability) that may be assessed by BIR for the taxable years that are not yet barred by prescription under the relevant laws, rules and regulations in the Philippines as being approximate total of Peso2,297,050,000 (equivalent to approximately HK\$379,176,000) as a possible outflow of resources but subject to such subsidiary's claim against PAGCOR for full indemnity thereof. As at 31 March 2015, the contingent liabilities in respect of the alleged deficiency taxes covering the taxable year of 2008 and the contingent liabilities in respect of the potential income taxes that may be assessed by BIR for the taxable years that were not yet barred by prescription under the relevant laws, rules and regulations in the Philippines was approximately Peso1,801,321,000 (equivalent to approximately HK\$311,593,000) in total.

8. DIVIDENDS

	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Dividends recognised as distribution to owners of the Company during the period:		
Final dividend for 2014/15 — HK\$0.01 per share (2014: Final dividend for 2013/14 — nil)	11,792	—
Special dividend for 2014/15 — HK\$0.45 per share (2014: Special dividend for 2013/14 — nil)	530,620	—
	542,412	—

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2015 (for the six months ended 30 September 2014: nil).

9. EARNINGS PER SHARE

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

	Six months ended	
	30 September	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	<u>30,528</u>	<u>26,584</u>
	<i>In thousand</i>	<i>In thousand</i>
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	<u>1,179,157</u>	<u>1,179,157</u>

For the six months ended 30 September 2015 and 2014, no diluted earnings per share have been presented as there were no potential ordinary shares in issue during both periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2015, total additions to property, plant and equipment were approximately HK\$2,621,000 (for the six months ended 30 September 2014: approximately HK\$7,114,000). The additions comprised entertainment equipment of approximately HK\$1,983,000 (for the six months ended 30 September 2014: approximately HK\$6,875,000).

11. INVESTMENT PROPERTIES

There was no addition to investment properties during the six months ended 30 September 2015. During the six months ended 30 September 2014, total additions to investment properties were approximately HK\$652,000.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Financial assets at fair value through profit or loss comprise:		
Non-current:		
8% perpetual subordinated capital securities listed overseas (<i>Note</i>)	19,770	20,444
Current:		
Equity securities listed in Hong Kong	<u>–</u>	<u>54,750</u>
Total	<u>19,770</u>	<u>75,194</u>

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

Note: The issuer of the capital securities may redeem the capital securities at any time on or after 15 December 2015 or at any time upon the occurrence of certain events at a redemption price equal to the principal plus accrued interest. Subject to certain conditions, on any coupon payment date, the issuer may exchange the capital securities in whole (but not in part) for perpetual non-cumulative dollar preference shares.

13. TRADE RECEIVABLES

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

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Aged:		
0–30 days	24,300	22,994
31–60 days	593	2,064
61–90 days	113	145
Over 90 days	480	729
	<u>25,486</u>	<u>25,932</u>

14. TRADE PAYABLES

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

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Aged:		
0–30 days	3,137	3,877
31–60 days	1	16
61–90 days	–	209
Over 90 days	1,456	1,814
	<u>4,594</u>	<u>5,916</u>

15. SHARE CAPITAL

	Par value of shares HK\$	Number of shares	Value HK\$'000
Authorised:			
Ordinary shares			
At 1 April 2014 (audited), 31 March 2015 (audited) and 30 September 2015 (unaudited)	1 each	2,000,000,000	2,000,000
Issued and fully paid:			
Ordinary shares			
At 1 April 2014 (audited), 31 March 2015 (audited) and 30 September 2015 (unaudited)	1 each	1,179,157,235	1,179,157

16. OPERATING LEASE COMMITMENTS

The Group as lessor

An indirect subsidiary of the Company operating in the Philippines as lessor entered into the Lease Agreement with PAGCOR as lessee to lease equipped gaming premises and office premises for a period of twelve years commencing from 31 March 2004. 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\$17,000 (as at 30 September 2014: equivalent to approximately HK\$18,000)), whichever is higher.

PAGCOR is chartered under PAGCOR Charter to operate casino in the Philippines. Casino rental income earned by the Group during the six months ended 30 September 2015 was approximately HK\$117,791,000 (for the six months ended 30 September 2014: approximately HK\$122,742,000), including contingent rental charges amounting to approximately HK\$117,689,000 (for the six months ended 30 September 2014: approximately HK\$122,634,000).

The Group as lessee

At 30 September 2015, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fell due as follows:

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Within one year	4,586	5,555
In the second to fifth year inclusive	17,585	18,428
Over five years	40,683	41,324
	<u>62,854</u>	<u>65,307</u>

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

17. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Accommodation and beverages income (<i>Note i</i>)	77	152
Rental expenses (<i>Note ii</i>)	825	822
Expenses incurred under the hotel management agreement and the sales and marketing agreement (<i>Note iii</i>)	<u>2,275</u>	<u>–</u>

Notes:

- (i) Accommodation and beverages income were received from a subsidiary indirectly controlled by Chow Tai Fook Enterprises Limited (“CTF”), an intermediate parent of the Company.
- (ii) A company, which was an associate of CTF, leased office premises to the Group.
- (iii) The amount represented the expenses incurred under the hotel management agreement and sales and marketing agreement entered into with associates of CTF.

(b) Compensation of key management personnel for the period is as follows:

	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries and other benefits	1,963	1,920
Contributions to retirement benefit scheme	<u>18</u>	<u>15</u>
	<u>1,981</u>	<u>1,935</u>

18. CONTINGENT LIABILITIES

As at 30 September 2015, the Group had contingent liabilities of approximately HK\$379,176,000 (31 March 2015: HK\$311,593,000) relating to the tax dispute between a subsidiary of the Company operating in the Philippines and BIR for the taxable year of 2008 as well as the potential income taxes (but without taking into account any possible additional penalties or interest liability) that may be assessed by BIR for the taxable years that are not yet barred by prescription under the relevant laws, rules and regulations in the Philippines. The details of which are set out in note 7.

On 29 May 2015, BIR issued a formal letter of demand to another subsidiary of the Company (the “Hotel Subsidiary”) which operates a hotel in the Philippines for alleged deficiency taxes covering the taxable year of 2010 amounting to approximately Peso100,219,000 (equivalent to approximately HK\$16,543,000) inclusive of penalties and interest.

Based on the advice of the independent legal adviser, the Directors believe that the Hotel Subsidiary has valid arguments to defend the tax dispute. Accordingly, no provision has been made for the tax dispute in the condensed consolidated financial statements for the six months ended 30 September 2015. The Hotel Subsidiary filed a protest with BIR against the formal letter of demand in accordance with the relevant laws, rules and regulations in the Philippines but it is not anticipated that the final outcome of the tax dispute will be known for quite some time. 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 the Hotel Subsidiary) which may or may not require an initial outflow of resources, the Directors consider it prudent to estimate as at 30 September 2015, the contingent liabilities in respect of the alleged deficiency taxes of the Hotel Subsidiary covering the taxable year of 2010 as stated in the formal letter of demand (but without taking into account of any possible additional penalties or interest liability) as being approximate total of Peso100,219,000 (31 March 2015: Peso100,219,000) (equivalent to approximately HK\$16,543,000 (31 March 2015: HK\$17,336,000)) as a possible outflow of resources.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's revenue for the six months ended 30 September 2015 was approximately HK\$167.2 million, representing a decrease of approximately 12.3%, as compared with approximately HK\$190.6 million for the corresponding period in 2014. The revenue from the leasing of properties and hotel operations for the period decreased as compared with the last corresponding period. The Group reported a gross profit of approximately HK\$68.3 million for the period under review, representing a decrease of approximately 21.0%, as compared with approximately HK\$86.5 million in the last corresponding period. The decrease in gross profit for the period was mainly due to the decrease in revenue from hotel operations.

Other income of the Group for the six months ended 30 September 2015 was approximately HK\$6.6 million, representing a decrease of approximately 52.2%, as compared with approximately HK\$13.8 million in the last corresponding period. The decrease was mainly due to the decrease in interest income during the period.

The Group recorded a loss of approximately HK\$21.5 million on change in fair value of financial assets at fair value through profit or loss for the six months ended 30 September 2015, while it was a gain on change in fair value of financial assets at fair value through profit or loss of approximately HK\$13.0 million for the last corresponding period.

Other gain and loss of the Group represented the net foreign exchange gain or loss and the allowance or reversal of allowance for loan receivable recognised during the period under review. The Group recorded a net foreign exchange gain of approximately HK\$48.9 million for the six months ended 30 September 2015, representing an increase of approximately HK\$44.9 million, as compared with approximately HK\$4.0 million in the last corresponding period. There was no allowance or reversal of allowance for loan receivable recognised for the six months ended 30 September 2015, while an allowance for loan receivable of HK\$6.0 million was reversed for the six months ended 30 September 2014.

Selling and distribution costs, and general and administrative expenses of the Group decreased by approximately 16.2% to approximately HK\$63.7 million for the six months ended 30 September 2015 from approximately HK\$76.0 million in the last corresponding period. Included in the expenses for the six months ended 30 September 2015, approximately 42.5% and 16.0% were the staff costs and the utilities expenses respectively. The staff costs for the six months ended 30 September 2015 was approximately HK\$27.1 million, representing an increase of approximately 1.9%, as compared with approximately HK\$26.6 million in the last corresponding period and the utilities expenses for the six months ended 30 September 2015 was approximately HK\$10.2 million, representing a decrease of approximately 1.0%, as compared with approximately HK\$10.3 million the last corresponding period.

Income tax charge of the Group decreased by approximately 65.8% to approximately HK\$2.6 million for the six months ended 30 September 2015 from approximately HK\$7.6 million in the last corresponding period. The decrease in income tax charge for the period was mainly due to the decrease in deferred tax charge recognised for the period.

As a result, the profit of the Group decreased by approximately 9.5% to approximately HK\$36.0 million for the six months ended 30 September 2015 from approximately HK\$39.8 million for the six months ended 30 September 2014.

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, a corporation incorporated in the Philippines and controlled and owned by the government of the Philippines. The monthly rental income is based on a certain percentage of net gaming revenue 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 2015 was approximately HK\$117.8 million, representing a decrease of approximately 4.0%, as compared with approximately HK\$122.7 million in the last corresponding period. The decrease was mainly due to the decrease in the net gaming revenue from the local gaming area of the casino operated by PAGCOR as lessee of the Group's premises during the period. It contributed approximately 70.5% of the Group's total revenue during the period under review. In the last corresponding period, it contributed approximately 64.4% of the Group's total revenue.

Although the term of the Lease Agreement will expire on 31 March 2016, it is expected that the leasing of properties will continue to contribute significantly towards the Group's revenue and results.

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 2015 was approximately HK\$49.4 million, representing a decrease of approximately 27.1%, as compared with approximately HK\$67.8 million in the last corresponding period. The decrease was mainly due to the decrease in both the room revenue and the food and beverage sales for the period.

Included in the revenue derived from the hotel operations, approximately 63.2% of the revenue was contributed by room revenue for the period under review. In the last corresponding period, it was approximately 64.9% of the revenue derived from the hotel operations. The room revenue for the six months ended 30 September 2015 was approximately HK\$31.2 million, representing a decrease of approximately 29.1%, as compared with approximately HK\$44.0 million in the last corresponding period. The decrease was mainly due to the decrease in both the average occupancy rate and average room rate during the period under review.

FUTURE OUTLOOK

The Group will continue to focus on its existing business operations and investments in the Philippines and will strive to make good use of available cash on hand for investment into other business opportunities for better return to the Shareholders.

The Directors will continue to review the Group's financial structure and the composition of its assets and liabilities periodically. The Directors consider that the existing business operations in the Philippines will continue to contribute significantly towards the Group's revenue and results.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2015, the Group's net current assets amounted to approximately HK\$1,096.0 million (as at 31 March 2015: approximately HK\$1,588.5 million). Current assets amounted to approximately HK\$1,145.7 million (as at 31 March 2015: approximately HK\$1,695.5 million), of which approximately HK\$1,093.6 million (as at 31 March 2015: approximately HK\$1,591.5 million) was cash and bank deposits, approximately HK\$25.4 million (as at 31 March 2015: approximately HK\$25.9 million) was trade receivables, approximately HK\$24.1 million (as at 31 March 2015: approximately HK\$20.2 million) was other receivables, deposits and prepayments, financial assets at fair value through profit or loss became nil (as at 31 March 2015: approximately HK\$54.8 million), and approximately HK\$2.6 million (as at 31 March 2015: approximately HK\$3.1 million) was inventories.

The Group had current liabilities amounted to approximately HK\$49.7 million (as at 31 March 2015: approximately HK\$107.1 million), of which approximately HK\$4.6 million (as at 31 March 2015: approximately HK\$5.9 million) was trade payables, approximately HK\$42.7 million (as at 31 March 2015: approximately HK\$42.7 million) was other payables and accrued charges, and approximately HK\$2.4 million (as at 31 March 2015: approximately HK\$58.5 million) was tax liabilities.

The bank balance and cash of the Group as at 30 September 2015 was mainly denominated in Peso, HK\$ and United States Dollars ("USD").

During the six months ended 30 September 2015, the Company had paid a final dividend of HK\$0.01 per share and a special dividend of HK\$0.45 per share, amounting to approximately HK\$542.4 million, to the Shareholders and the Group had paid the withholding tax amounted to approximately HK\$57.6 million in respect of the dividend distributed by a subsidiary of the Company in the Philippines to its overseas immediate holding company.

The gearing ratio, measured in terms of total borrowings divided by total assets, was zero as at 30 September 2015 and 31 March 2015 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 2015 and 31 March 2015 respectively, there were no charges over any of the Group's assets.

MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

There was no acquisition or disposal of subsidiary and associated company or significant investments of the Group, which would have been required to be disclosed under the Listing Rules, for the six months ended 30 September 2015.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

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

The Group's assets and liabilities were mainly denominated in HK\$, USD and Peso. The Group primarily earns its revenue and income in HK\$, USD and Peso while the Group primarily incurs costs and expenses mainly in HK\$ and Peso. 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 2015, the Group had (i) contingent liabilities of approximately HK\$379.2 million (as at 31 March 2015: approximately HK\$311.6 million) relating to the tax dispute between a subsidiary of the Company operating in the Philippines and BIR for the taxable year of 2008 as well as the potential income taxes (but without taking into account any possible additional penalties or interest liability) that may be assessed by BIR for the taxable years that are not yet barred by prescription under the relevant laws, rules and regulations in the Philippines; and (ii) contingent liabilities of approximately HK\$16.5 million (as at 31 March 2015: approximately HK\$17.3 million) relating to the tax dispute between another subsidiary of the Company operating in the Philippines and BIR for the taxable year of 2010 (but without taking into account any possible additional penalties or interest liability).

Details of the aforesaid contingent liabilities are set out in notes 7 and 18 respectively to this announcement.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees of the Group was 305 as at 30 September 2015 (as at 30 September 2014: 301). The staff costs for the six months ended 30 September 2015 was approximately HK\$27.1 million (for the six months ended 30 September 2014: approximately HK\$26.6 million). The remuneration of the Directors and employees of the Group was based on the performance and experience of the individuals and was determined with reference to the Group's performance, the remuneration benchmark in the industry and the prevailing market conditions. In addition to the salaries, the employees of the Group are entitled to benefits including medical, 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 three independent non-executive Directors, namely Mr. Cheung Hon Kit (Chairman of the Audit Committee), Mr. Lau Wai Piu and Mr. Tsui Hing Chuen, William 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, 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 results of the Group for the six months ended 30 September 2015. The Company's auditor, Deloitte Touche Tohmatsu, has reviewed the condensed consolidated financial statements for the six months ended 30 September 2015 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance practices and procedures and to complying with the statutory and regulatory requirements 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 2015, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

The Company, having made specific enquiries with all of the Directors, was not aware of any non-compliance with the required standard provided in the Model Code and the Code on Securities Transactions throughout the six months ended 30 September 2015.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 September 2015 (2014: nil).

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

During the six months ended 30 September 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 20 November 2015

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