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INTERNATIONAL ENTERTAINMENT CORPORATION
國 際 娛 樂 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01009)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2014

FINANCIAL HIGHLIGHTS

	Year ended 31 March 2014	Year ended 31 March 2013
Revenue *(HK$'000)*	**389,711**	450,408
Profit before taxation *(HK$'000)*	**172,633**	123,013
Profit (loss) for the year *(HK$'000)*	**161,373**	(25,956)
Profit (loss) attributable to owners of the Company *(HK$'000)*	**114,694**	(23,367)
Earnings (loss) per share — Basic *(HK cent)*	**9.73**	(1.98)

The Board does not recommend the payment of a final dividend for the year ended 31 March 2014.

RESULTS

The board of directors (the "Board") of International Entertainment Corporation (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2014, together with the comparative figures for the year ended 31 March 2013, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2014

		2014	2013
	NOTES	***HK$'000***	*HK$'000*
Revenue	*3*	**389,711**	450,408
Cost of sales		**(216,530)**	(221,786)
Gross profit		**173,181**	228,622
Other income	*5*	**36,016**	51,726
Other gain and loss		**99,623**	(34,545)
Change in fair value of financial assets at fair value through profit or loss		**3,469**	23,545
Selling and distribution costs		**(4,792)**	(5,550)
General and administrative expenses		**(134,864)**	(140,785)
Profit before taxation	*6*	**172,633**	123,013
Income tax charge	*7*	**(11,260)**	(148,969)
Profit (loss) for the year		**161,373**	(25,956)
Profit (loss) for the year attributable to:			
Owners of the Company		**114,694**	(23,367)
Non-controlling interests		**46,679**	(2,589)
		161,373	(25,956)
		HK cent	*HK cent*
Earnings (loss) per share	*9*		
Basic		**9.73**	(1.98)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

	2014	2013
	HK$'000	*HK$'000*
Profit (loss) for the year	**161,373**	(25,956)
Other comprehensive (expense) income for the year		
Items that will not be reclassified to profit or loss		
— remeasurement of defined benefit obligations	**694**	–
— exchange differences arising on translation to presentation currency	**(250,647)**	136,805
	(249,953)	136,805
Item that may be subsequently reclassified to profit or loss		
— exchange differences arising on translation of foreign operations	**21,404**	–
Other comprehensive (expense) income for the year, net of income tax	**(228,549)**	136,805
Total comprehensive (expense) income for the year	**(67,176)**	110,849
Total comprehensive (expense) income for the year attributable to:		
Owners of the Company	**(29,296)**	66,745
Non-controlling interests	**(37,880)**	44,104
	(67,176)	110,849

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	NOTES	**2014** **HK$'000**	2013 *HK$'000*
Non-current assets			
Property, plant and equipment		**431,476**	508,232
Investment properties		**673,027**	867,932
Financial assets at fair value through profit or loss	*10*	**79,474**	77,745
Other assets		**916**	1,513
		1,184,893	1,455,422
Current assets			
Inventories		**2,585**	2,908
Financial assets at fair value through profit or loss	*10*	**13,600**	201,237
Loan receivable		**37,000**	44,000
Trade receivables	*11*	**26,557**	30,167
Other receivables, deposits and prepayments	*11*	**30,502**	26,220
Bank balances and cash		**1,645,872**	1,378,965
		1,756,116	1,683,497
Current liabilities			
Trade payables	*12*	**2,435**	4,954
Other payables and accrued charges	*12*	**45,359**	49,869
Tax liabilities		**426**	123,286
		48,220	178,109
Net current assets		**1,707,896**	1,505,388
Total assets less current liabilities		**2,892,789**	2,960,810

	2014	2013
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**1,179,157**	1,179,157
Share premium and reserves	**648,704**	678,000
Equity attributable to owners of the Company	**1,827,861**	1,857,157
Non-controlling interests	**909,371**	947,251
Total equity	**2,737,232**	2,804,408
Non-current liabilities		
Deferred tax liabilities	**152,209**	152,821
Other liabilities	**3,348**	3,581
	155,557	156,402
	2,892,789	2,960,810

Notes:

1. BASIS OF PREPARATION

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES AND APPLICATION OF NEW AND REVISED HKFRSs

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

In the current year, the Group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Annual improvements to HKFRSs 2009–2011 cycle
Amendments to HKFRS 7	Disclosures — Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to HKAS 1	Presentation of items of other comprehensive income
HK(IFRIC)-INT 20	Stripping costs in the production phase of a surface mine

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated financial statements", HKFRS 11 "Joint arrangements", HKFRS 12 "Disclosure of interests in other entities", HKAS 27 (as revised in 2011) "Separate financial statements" and HKAS 28 (as revised in 2011) "Investments in associates and joint ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transition guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

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

Impact of the application of HKFRS 10 "Consolidated financial statements"

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

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

Impact of the application of HKFRS 12 "Disclosure of interests in other entities"

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the Group's consolidated financial statements.

HKFRS 13 "Fair value measurement"

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 1 "Presentation of items of other comprehensive income"

The Group has applied the amendments to HKAS 1 "Presentation of items of other comprehensive income". Upon the adoption of the amendments to HKAS 1, the Group's 'consolidated statement of comprehensive income' is renamed as the 'consolidated statement of profit or loss and other comprehensive income' and the 'consolidated income statement' is renamed as the 'consolidated statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle[2]
HKFRS 9	Financial instruments[3]
HKFRS 14	Regulatory deferral accounts[5]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[6]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[6]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
HK(IFRIC)-INT 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
6 Effective for annual periods beginning on or after 1 January 2016

The Directors are in the process of assessing the impact on application of the new and revised HKFRSs issued but not yet effective.

3. REVENUE

	2014 *HK$'000*	2013 *HK$'000*
The Group's revenue comprises:		
Hotel		
Room revenue	**86,569**	89,151
Food and beverages	**49,214**	51,758
Other hotel service income	**4,562**	6,759
	140,345	147,668
Leasing of investment properties equipped with entertainment equipment	**249,366**	302,740
	389,711	450,408

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 year ended 31 March 2014

	Hotel *HK$'000*	**Leasing** *HK$'000*	**Reportable segment total** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
REVENUE					
External sales	**140,345**	**249,366**	**389,711**	**–**	**389,711**
Inter-segment sales	**243**	**684**	**927**	**(927)**	**–**
Total	**140,588**	**250,050**	**390,638**	**(927)**	**389,711**
RESULTS					
Segment profit	**326**	**42,258**	**42,584**		**42,584**
Unallocated other income					**29,664**
Other gain and loss					**99,623**
Change in fair value of financial assets at fair value through profit or loss ("FVTPL")					**3,469**
Unallocated expenses					**(15,967)**
Unallocated income tax credit					**2,000**
Profit for the year					**161,373**

For the year ended 31 March 2013

	Hotel *HK$'000*	Leasing *HK$'000*	Reportable segment total *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
REVENUE					
External sales	147,668	302,740	450,408	–	450,408
Inter-segment sales	267	713	980	(980)	–
Total	147,935	303,453	451,388	(980)	450,408
RESULTS					
Segment loss	(1,623)	(18,623)	(20,246)		(20,246)
Unallocated other income					25,832
Other gain and loss					(34,545)
Change in fair value of financial assets at FVTPL					23,545
Unallocated expenses					(18,116)
Unallocated income tax charge					(2,426)
Loss for the year					(25,956)

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

Segment assets and liabilities

At 31 March 2014

	Hotel	**Leasing**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***
ASSETS			
Segment assets	**565,884**	**1,060,038**	**1,625,922**
Unallocated assets			
Bank balances and cash			**1,172,934**
Financial assets at FVTPL			**93,074**
Loan receivable			**37,000**
Others			**12,079**
Consolidated total assets			**2,941,009**
LIABILITIES			
Segment liabilities	**64,629**	**119,322**	**183,951**
Unallocated liabilities			
Tax liabilities			**426**
Contingent consideration provision			**16,600**
Others			**2,800**
Consolidated total liabilities			**203,777**

At 31 March 2013

	Hotel *HK$'000*	Leasing *HK$'000*	Consolidated *HK$'000*
ASSETS			
Segment assets	620,916	1,211,614	1,832,530
Unallocated assets			
Bank balances and cash			978,847
Financial assets at FVTPL			278,982
Loan receivable			44,000
Others			4,560
Consolidated total assets			3,138,919
LIABILITIES			
Segment liabilities	77,646	235,825	313,471
Unallocated liabilities			
Tax liabilities			2,426
Contingent consideration provision			16,600
Others			2,014
Consolidated total liabilities			334,511

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

- all assets are allocated to operating segments, other than unallocated assets (including plant and equipment for corporate use, financial assets at FVTPL, loan receivable, other receivables, deposits and prepayments for the corporate, and bank balances and cash for the corporate).

- all liabilities are allocated to operating segments, other than unallocated liabilities (including corporate tax liabilities, contingent consideration provision, and other payables and accrued charges for the corporate).

Other segment information

For the year ended 31 March 2014

	Hotel *HK$'000*	**Leasing** *HK$'000*	**Segment total** *HK$'000*	**Unallocated** *HK$'000*	**Consolidated total** *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to property, plant and equipment and investment properties	**2,513**	**21,301**	**23,814**	**11**	**23,825**
Loss on write-off of property, plant and equipment	**–**	**25**	**25**	**–**	**25**
(Reversal of allowance) allowance for bad and doubtful debts for trade and other receivables	**(47)**	**1,440**	**1,393**	**(832)**	**561**
Allowance for loan receivable (included in other gain and loss)	**–**	**–**	**–**	**2,000**	**2,000**
Depreciation	**28,721**	**147,767**	**176,488**	**25**	**176,513**
Interest income	**1,890**	**4,463**	**6,353**	**24,887**	**31,240**
Income tax credit (charge)	**4,175**	**(17,435)**	**(13,260)**	**2,000**	**(11,260)**

For the year ended 31 March 2013

	Hotel *HK$'000*	Leasing *HK$'000*	Segment total *HK$'000*	Unallocated *HK$'000*	Consolidated total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to property, plant and equipment and investment properties	3,205	20,544	23,749	–	23,749
Gain on disposal of property, plant and equipment	–	–	–	(1)	(1)
Reversal of allowance for bad and doubtful debts for trade and other receivables	(104)	–	(104)	–	(104)
Allowance for loan receivable (included in other gain and loss)	–	–	–	4,000	4,000
Depreciation	30,767	153,702	184,469	70	184,539
Interest income	3,511	22,383	25,894	22,235	48,129
Income tax credit (charge)	1,260	(147,803)	(146,543)	(2,426)	(148,969)

Geographical segments

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

All of the Group's revenue is generated from external customers in the Philippines. At 31 March 2014 and 2013, the non-current assets excluded financial instruments were mainly located in the Philippines.

Revenue from major services

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

Information about major customer

Included in the revenue generated from hotel segment and leasing segment of approximately HK$2,448,000 (2013: HK$2,692,000) and HK$249,366,000 (2013: HK$302,740,000) respectively were contributed by the Group's largest customer and the aggregate revenue from this customer represented approximately 65% (2013: 68%) of the total revenue of the Group. There are no other single customers contributing over 10% of the Group's total revenue.

5. OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Interest income from bank balances	**9,628**	28,257
Interest income from financial assets at FVTPL	**9,165**	9,165
Interest income from loan receivable	**12,447**	10,707
Dividend income from financial assets at FVTPL	**2,460**	1,560
Sundry income	**2,316**	2,037
	36,016	51,726

Included above is income from listed investments of approximately HK$11,625,000 (2013: HK$10,725,000).

6. PROFIT BEFORE TAXATION

	2014	2013
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Allowance (reversal of allowance) for bad and doubtful debts for trade and other receivables	**561**	(104)
Allowance for loan receivable (included in other gain and loss)	**2,000**	4,000
Auditor's remuneration	**1,920**	1,800
Cost of inventories recognised as an expense	**15,650**	15,961
Depreciation of property, plant and equipment	**54,608**	57,448
Depreciation of investment properties	**121,905**	127,091
Loss (gain) on write-off/disposal of property, plant and equipment	**25**	(1)
Net foreign exchange (gain) loss (included in other gain and loss)	**(101,623)**	30,545
Rental expenses under operating leases on premises and land	**6,259**	6,171
Gross revenue from leasing of investment properties equipped with entertainment equipment	**(249,366)**	(302,740)
Less: Direct operating expenses that generated revenue from leasing of investment properties equipped with entertainment equipment *(Note)*	**196,218**	194,365
	(53,148)	(108,375)
Staff costs, including Directors' emoluments		
— salaries and allowances	**54,136**	55,198
— retirement benefit costs	**1,232**	1,166
	55,368	56,364

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

7. INCOME TAX CHARGE

	2014	2013
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**–**	(2,426)
The Philippines	**–**	(118,356)
	–	(120,782)
Overprovision in prior years		
Hong Kong	**2,000**	–
Deferred taxation		
Current year	**(13,260)**	(28,187)
	(11,260)	(148,969)

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

The corporate income tax rate in the Philippines is 30% for both years. No provision for Philippine corporate income tax has been made as there was no assessable profits in the Philippines for both years. For the year ended 31 March 2013, withholding tax was provided at 15% in respect of the dividend distributed during the year ended 31 March 2013 by a subsidiary of the Company operating in the Philippines to its overseas immediate holding company.

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

A subsidiary of the Company operating in the Philippines as lessor had entered into a lease agreement (the "Lease Agreement") with Philippine Amusement and Gaming Corporation ("PAGCOR"), a company solely owned by the Philippine government, as lessee, for the lease of certain premises in the Philippines. On 29 February 2012, Bureau of Internal Revenue in the Philippines ("BIR") issued a formal letter of demand to such subsidiary for alleged deficiency taxes covering the taxable year of 2008 amounting to approximately Peso807,000,000 (equivalent to approximately HK$139,496,000) arising mainly from the imposition of income tax inclusive of penalties and interest on the rental income of such subsidiary from the lease of certain premises to PAGCOR 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.

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

The independent legal adviser to such subsidiary advised that notwithstanding the issuance of the RMC, there were still valid legal arguments against the deficiency tax assessments. Based on the advice from the independent legal adviser, the Directors believe that such subsidiary has valid legal arguments to defend the tax dispute. Accordingly, no provision has been made for the tax dispute and/or the potential deferred tax liabilities arising from the investment properties in the consolidated financial statements for the years ended 31 March 2014 and 2013. However, since there is at present a possible obligation (existence of which can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of such subsidiary) which may or may not require an initial outflow of resources, the Directors consider it prudent to estimate as at 31 March 2014, the contingent liabilities in respect of the alleged deficiency taxes covering the taxable year of 2008 as stated in the formal letter of demand and the contingent liabilities in respect of the potential income taxes (but without taking into account any possible penalty or interest liability) that may be assessed by BIR for the taxable years that are not yet barred by prescription under the relevant laws, rules and regulations in the Philippines as being approximate total of Peso1,737,371,000 (2013: Peso1,959,940,000) (equivalent to approximately HK$300,318,000 (2013: HK$371,574,000)) as a possible outflow of resources but subject to such subsidiary's claim for full indemnity thereof.

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

8. DIVIDEND

No dividend was paid or proposed during the years ended 31 March 2014 and 2013. The Board does not recommend the payment of a final dividend for the year ended 31 March 2014 (2013: nil).

9. EARNINGS (LOSS) PER SHARE

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

	2014	2013
	HK$'000	*HK$'000*
Earnings (loss)		
Earnings (loss) for the purpose of basic earnings (loss) per share (profit (loss) for the year attributable to owners of the Company)	**114,694**	(23,367)
	In thousand	*In thousand*
Number of shares		
Number of ordinary shares for the purpose of basic earnings (loss) per share	**1,179,157**	1,179,157

For the years ended 31 March 2014 and 2013, no diluted earnings (loss) per share has been presented as there were no potential ordinary shares in issue during the years ended 31 March 2014 and 2013.

10. FINANCIAL ASSETS AT FVTPL

	2014	2013
	HK$'000	*HK$'000*
Financial assets at FVTPL comprise:		
Non-current:		
— Debt securities notes listed overseas with fixed interest of 11.75% per annum and maturity date on 18 May 2015 *(Note i)*	**58,500**	55,780
— 8% perpetual subordinated capital securities listed overseas *(Note ii)*	**20,974**	21,965
	79,474	77,745
Current:		
— Index-linked investments *(Note iii)*	**–**	131,037
— Equity securities listed in Hong Kong	**13,600**	70,200
	13,600	201,237
Total	**93,074**	278,982

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

Notes:

(i) Issuer of the notes has an option to redeem the notes at a specified range of premium over the principal amount plus accrued interest at different time periods before maturity date, subject to certain conditions.

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

(iii) The index-linked investments matured during the year ended 31 March 2014. The return of the investments was determined based on the higher of the performance of certain market indices or at a fixed rate of return of ranging from 5.0% to 11.0%.

11. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**27,982**	30,332
Less: Allowance for doubtful debts for trade receivables	**(1,425)**	(165)
	26,557	30,167
Other receivables, deposits and prepayments	**30,502**	27,718
Less: Allowance for doubtful debts for other receivables	**–**	(1,498)
	30,502	26,220
Total trade receivables, other receivables, deposits and prepayments	**57,059**	56,387

The average credit terms for trade receivables granted by the Group range from 0 to 90 days. A longer period is granted to customers with whom the Group has a good business relationship.

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on invoice date which approximate the respective revenue recognition date at the end of the reporting period.

	2014	2013
	HK$'000	*HK$'000*
Aged:		
0–30 days	**23,549**	26,722
31–60 days	**1,411**	1,814
61–90 days	**181**	457
Over 90 days	**1,416**	1,174
	26,557	30,167

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

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

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

	2014	2013
	HK$'000	*HK$'000*
Aged:		
0–30 days	**666**	1,645
31–60 days	**44**	678
61–90 days	**11**	30
Over 90 days	**1,714**	2,601
	2,435	4,954

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

As at 31 March 2014, other payables and accrued charges included an amount of approximately HK$16,600,000 (2013: HK$16,600,000) which represented the fair value of the contingent consideration provision in relation to the tax indemnity provided to the purchaser of a subsidiary of the Company disposed of by the Group during the year ended 31 March 2011. The tax indemnity is provided for a period of 5 years commencing from 5 November 2010.

13. CONTINGENT LIABILITIES

As at 31 March 2014, the Group has contingent liabilities of approximately HK$300,318,000 (31 March 2013: HK$371,574,000) 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 penalty or interest liability) that may be assessed by BIR for the taxable years that are not yet barred by prescription under the relevant laws, rules and regulations in the Philippines. The details of which are set out in note 7.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group's revenue for the year ended 31 March 2014 was approximately HK$389.7 million, representing a decrease of approximately 13.5%, as compared with approximately HK$450.4 million in the last year. Both the revenue from the leasing of properties and the hotel operations for the year decreased as compared with the last year. The Group reported a gross profit of approximately HK$173.2 million for the year under review, representing a decrease of approximately 24.2%, as compared with approximately HK$228.6 million in the last year. The decrease in gross profit for the year was mainly due to the decrease in the revenue from the leasing of properties.

Other income of the Group for the year ended 31 March 2014 was approximately HK$36.0 million, representing a decrease of approximately 30.4%, as compared with approximately HK$51.7 million in the last year. The decrease was mainly due to the decrease in interest income from bank balances during the year.

The Group recorded a gain of approximately HK$3.5 million on change in fair value of financial assets at fair value through profit or loss for the year ended 31 March 2014, representing a decrease of approximately 85.1%, as compared with a gain of approximately HK$23.5 million in the last year.

Other gain and loss of the Group represented the net foreign exchange gain or loss and the allowance for loan receivable recognised during the year under review. The net foreign exchange gain or loss mainly arises from the retranslation of monetary items denominated in currencies other than the functional currency of the Company at the end of the reporting period. The Group recorded a net foreign exchange gain of approximately HK$101.6 million for the year ended 31 March 2014 principally resulting from the depreciation of the closing exchange rate of Peso against HK$, while it was a net foreign exchange loss of approximately HK$30.5 million in the last year. The allowance for loan receivable recognised for the year ended 31 March 2014 was approximately HK$2.0 million, representing a decrease of approximately 50.0%, as compared with approximately HK$4.0 million recognised for the year ended 31 March 2013.

Selling and distribution costs, and general and administrative expenses of the Group decreased by approximately 4.5% to approximately HK$139.7 million for the year ended 31 March 2014 from approximately HK$146.3 million in the last year. Included in the expenses for the year ended 31 March 2014, approximately 39.7% was the staff costs. The staff costs for the year ended 31 March 2014 was approximately HK$55.4 million, representing a decrease of approximately 1.8%, as compared with approximately HK$56.4 million in the last year.

Income tax charge of the Group decreased by approximately 92.4% to approximately HK$11.3 million for the year ended 31 March 2014 from approximately HK$149.0 million in the last year. The decrease in income tax charge for the year was mainly due to a significant decrease in withholding tax in respect of the dividend distributed by a subsidiary of the Company in the Philippines to its overseas immediate holding company.

As a result of the recognition of a significant net exchange gain for the year ended 31 March 2014 and a significant decrease in income tax charge for the year ended 31 March 2014 as compared to the year ended 31 March 2013, the Group made a turnaround from a loss of approximately HK$26.0 million in the last year to a profit of approximately HK$161.4 million for the year ended 31 March 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 wholly-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 year ended 31 March 2014 was approximately HK$249.4 million, representing a decrease of approximately 17.6%, as compared with approximately HK$302.7 million in the last year. The decrease was mainly due to the decrease in the net gaming revenue from the local gaming area of the casino operated by PAGCOR as lessee of the Group's premises during the year. It contributed approximately 64.0% of the Group's total revenue during the year under review. In the last year, it contributed approximately 67.2% 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 (the "Hotel") is located in Manila City which is a tourist spot with churches and historical sites as well as various night spots catered for tourists and is one of the major tourist destinations in the Philippines.

   The revenue derived from the hotel operations for the year ended 31 March 2014 was approximately HK$140.3 million, representing a decrease of approximately 5.0%, as compared with approximately HK$147.7 million in the last year. The decrease was mainly due to the decrease in both the room revenue and the food and beverage sales for the year.

   Included in the revenue derived from the hotel operations, approximately 61.7% of the revenue was contributed by room revenue for the year under review. The room revenue for the year ended 31 March 2014 was approximately HK$86.6 million, representing a decrease of approximately 2.9%, as compared with approximately HK$89.2 million in the last year.

As mentioned in the announcement of the Company dated 14 March 2014, Hotel Project Systems, Pte. Limited and Hyatt International-SEA (Pte) Limited will cease to provide New Coast Hotel, Inc., a subsidiary of the Company, the relevant licence, technical systems and services as well as the sales and marketing services to the Hotel at midnight on 31 December 2014. In this connection, the Group will likely secure a replacement hotel management company to provide the hotel management, relevant sales and marketing services and other related services for the Hotel commencing from 1 January 2015.

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 cash on hand for investment into other business opportunities for better return to the Shareholders.

As mentioned in the announcement of the Company dated 9 January 2014, the Group is considering business opportunities in the gaming industry in Macau by entering into a term sheet in relation to a possible acquisition (the “Possible Acquisition”) of a 70% economic interest of the businesses of gaming promotion (including activities undertaken to promote casino games by way of offering transportation, accommodation, food and beverage and entertainment in exchange for a commission or other compensation paid by such casino operators) at the designated areas in the relevant casinos premises, and related businesses. As at the date of this announcement, the Company is still in the process of negotiation with the relevant parties on (among other matters) the detailed terms of the Possible Acquisition and no definitive agreement in relation to the Possible Acquisition has been entered into by the Company or any of its subsidiaries with any party.

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2014, the Group’s net current assets amounted to approximately HK$1,707.9 million (as at 31 March 2013: approximately HK$1,505.4 million). Current assets amounted to approximately HK$1,756.1 million (as at 31 March 2013: approximately HK$1,683.5 million), of which approximately HK$1,645.9 million (as at 31 March 2013: approximately HK$1,379.0 million) was cash and bank deposits, approximately HK$26.6 million (as at 31 March 2013: approximately HK$30.2 million) was trade receivables, approximately HK$30.5 million (as at 31 March 2013: approximately HK$26.2 million) was other receivables, deposits and prepayments, approximately HK$13.6 million (as at 31 March 2013: approximately HK$201.2 million) was financial assets at fair value through profit or loss, approximately HK$37.0 million (as at 31 March 2013: approximately HK$44.0 million) was loan receivable, and approximately HK$2.6 million (as at 31 March 2013: approximately HK$2.9 million) was inventories.

The Group had current liabilities amounted to approximately HK$48.2 million (as at 31 March 2013: approximately HK$178.1 million), of which approximately HK$2.4 million (as at 31 March 2013: approximately HK$5.0 million) was trade payables, approximately HK$45.4 million (as at 31 March 2013: approximately HK$49.9 million) was other payables and accrued charges, and approximately HK$0.4 million (as at 31 March 2013: approximately HK$123.3 million) was tax liabilities.

The bank balances and cash of the Group as at 31 March 2014 was mainly denominated in HK$ and United States Dollars ("USD"). During the year ended 31 March 2014, the Group has paid the withholding tax amounted to approximately HK$115.5 million in respect of the dividend distributed by a subsidiary of the Company in the Philippines to its overseas immediate holding company, and received the proceeds on maturity of the index-linked investments and disposal of equity securities amounted to approximately HK$143.9 million and HK$45.5 million respectively.

The gearing ratio, measured in terms of total borrowings divided by total assets, was zero as at 31 March 2014 and 31 March 2013.

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

CHARGES ON GROUP ASSETS

As at 31 March 2014 and 31 March 2013, there were no charges over any of the Group's assets.

MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

There was no acquisition or disposal of subsidiary and associated company or significant investments of the Group, which would have been required to be disclosed under the Listing Rules, for the year ended 31 March 2014.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As mentioned in the announcement of the Company dated 9 January 2014, the Group is considering business opportunities in gaming industry in Macau by entering into a term sheet in relation to the Possible Acquisition. As at the date of this announcement, no definitive agreement in relation to the Possible Acquisition has been entered into by the Company or any of its subsidiaries with any party. In addition, 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 consolidated financial statements of the Group are presented in HK$ as the Directors consider that it is an appropriate presentation for a company listed in Hong Kong and for the convenience of the Shareholders.

The Group's assets and liabilities 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 net foreign exchange gain of the Group recognised for the year ended 31 March 2014 arose mainly from the retranslation of monetary items denominated in currencies other than the functional currency of the Company at the end of the reporting period.

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

CONTINGENT LIABILITIES

As at 31 March 2014, the Group had contingent liabilities of approximately HK$300,318,000 (31 March 2013: approximately HK$371,574,000) relating to the tax dispute between a subsidiary of the Company operating in the Philippines and BIR for the taxable year of 2008 as well as the potential income taxes (but without taking into account any possible penalty and 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 to this announcement.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees of the Group was 310 as at 31 March 2014 (as at 31 March 2013: 316). The staff costs for the year ended 31 March 2014 was approximately HK$55.4 million (for the year ended 31 March 2013: approximately HK$56.4 million). The remuneration of the Directors and the employees of the Group was based on the performance and experience of 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.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed the annual results for the year ended 31 March 2014.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position as at 31 March 2014, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and related notes thereto for the year ended 31 March 2014 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the year ended 31 March 2014, the Company has complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules, except for the following deviation:

Code Provision E.1.2 of the Code stipulates that the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval.

The chairman of the Board did not attend the annual general meeting of the Company held on 23 August 2013 as he had another business engagement at the time of such meeting. One of the executive Directors was elected as the chairman of the aforesaid annual general meeting of the Company and responded to the questions raised by the Shareholders. The management of the Group considers that the Board has endeavored to maintain an on-going dialogue with the Shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

The Company, having made specific enquiries of all the Directors, was not aware of any non-compliance with the required standard provided in the Model Code and the Code on Securities Transactions throughout the year ended 31 March 2014.

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

During the year ended 31 March 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 18 August 2014 to Tuesday, 19 August 2014 (both dates inclusive) during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the annual general meeting of the Company to be held on Tuesday, 19 August 2014, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30p.m. on Friday, 15 August 2014.

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

Hong Kong, 20 June 2014

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, Mr. Cheng Chi Kong and Mr. Cheng Chi Him, and four independent non-executive Directors, namely Mr. Cheung Hon Kit, Mr. Kwee Chong Kok, Michael, Mr. Lau Wai Piu and Mr. Tsui Hing Chuen, William JP.