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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)

ANNOUNCEMENT – UPDATE ON THE TAX DISPUTE

Reference is made to the disclosure on income tax in the annual report of International Entertainment Corporation (the “Company”) for the year ended 31 March 2012 and the interim report of the Company for the six months ended 30 September 2012 (collectively the “Reports”).

As mentioned in the Reports, according to the lease agreement (the “Lease Agreement”) entered into between Marina Square Properties, Inc. (“MSPI”), a subsidiary of the Company operating in the Republic of the Philippines (the “Philippines”), with Philippine Amusement and Gaming Corporation (“PAGCOR”), a company solely owned by the Philippine government for the lease of certain premises in the Philippines by MSPI to PAGCOR, it is, inter alia, provided that if MSPI is required to make any payment of any Philippine corporate income tax in relation to any rental income received or receivable from PAGCOR after expenses, PAGCOR shall indemnify MSPI in respect of such payment or liability, together with any interest, penalties and expenses payable or incurred in connection therewith. On 29 February 2012, Bureau of Internal Revenue in the Philippines (“BIR”) issued a formal letter of demand to MSPI for alleged deficiency taxes covering the taxable year of 2008 amounting to approximately Philippine Pesos 807,000,000 (equivalent to approximately HK\$151,860,000, based on the exchange rate of HK\$1.00 to Philippine Pesos 5.3141) allegedly arising mainly from the imposition of income tax inclusive of penalties and interest on the rental income of the lease of certain premises to PAGCOR in accordance with the Lease Agreement. On 29 March 2012, MSPI filed a protest with BIR on the ground that MSPI is exempt from Philippine corporate income tax pursuant to Section 13(2) of the Presidential Decree No. 1869, as amended. No provision has been made in respect of the tax dispute in both the audited consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2012 and the unaudited consolidated financial statements of the Group for the six months ended 30 September 2012.

The independent legal advisers of MSPI had advised and the directors of the Company (the “Directors”) believed that according to the Lease Agreement, MSPI would legally be entitled to claim for full indemnity from PAGCOR in respect of any such tax payment, together with any interest, penalties and expenses payable or incurred in connection therewith, claimed by BIR and it is therefore expected that there would be no effect on the consolidated net asset value of the Group or the consolidated financial results of the Group, should such tax liability arise.

It has now come to the knowledge of the Directors that BIR has recently issued a Revenue Memorandum Circular No.33-2013 (the “Revenue Memorandum Circular”), which, inter alia, provides that PAGCOR and its contractees and licensees would be considered by BIR as being subject to corporate income tax under the National Internal Revenue Code of the Philippines, as amended.

In consequence of the Revenue Memorandum Circular, the Company and MSPI will further consult their legal advisers, tax consultants and other professional advisers for appropriate steps to be taken by MSPI or otherwise in respect of its tax dispute with BIR and/or any potential impact on the financial position of the Group as well as taking steps to further clarify the Company and/or MSPI’s position with PAGCOR on matters set out in this announcement. The Company will make such further announcement to update its shareholders and potential investors as and when appropriate.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the board of the Directors
International Entertainment Corporation
Kwok Chi Kin
Company Secretary

Hong Kong, 2 May 2013

As at the date of this announcement, the board of the Directors 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.