# INTERNATIONAL ENTERTAINMENT CORPORATION
# 國際娛樂有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1009)**

# INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

## 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 2010, together with the comparative unaudited figures for the corresponding period in 2009 as follows:

## Condensed Consolidated Income Statement

*For the six months ended 30 September 2010*

| | *Notes* | **Six months ended 30 September 2010 (Unaudited) HK$'000** | 2009 (Unaudited) HK$'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | *3* | **199,453** | 216,901 |
| Cost of sales | | **(103,095)** | (117,138) |
| Gross profit | | **96,358** | 99,763 |
| Other income | *5* | **11,090** | 7,481 |
| Other gain and loss | | **(15,681)** | (6,103) |
| Change in fair value of conversion option derivative | | **42,000** | 34,000 |
| Selling and distribution costs | | **(2,603)** | (2,209) |
| General and administrative expenses | | **(57,846)** | (52,586) |
| Share of profit (loss) of an associate | | **8,593** | (19,992) |
| Finance costs | | **(23,695)** | (21,386) |
| Profit before taxation | *6* | **58,216** | 38,968 |
| Taxation credit (charge) | *7* | **2,807** | (36) |
| Profit for the period from continuing operations | | **61,023** | 38,932 |
| **Discontinued operations** | | | |
| Loss for the period from discontinued operations | | **–** | (3,826) |
| Profit for the period | | **61,023** | 35,106 |

| | Note | Six months ended 30 September 2010 (Unaudited) HK$'000 | 2009 (Unaudited) HK$'000 |
|---|---|---|---|
| Attributable to: | | | |
| Owners of the Company | | **32,366** | 3,492 |
| Non-controlling interests | | **28,657** | 31,614 |
| | | **61,023** | 35,106 |
| Earnings (loss) per share | 9 | | |
| | | **HK cent** | HK cent |
| **From continuing and discontinued operations** | | | |
| Basic | | **2.74** | 0.30 |
| Diluted | | **1.02** | (0.66) |
| **From continuing operations** | | | |
| Basic | | **2.74** | 0.62 |
| Diluted | | **1.02** | (0.38) |

## Condensed Consolidated Statement of Comprehensive Income

*For the six months ended 30 September 2010*

| | Six months ended 30 September | |
|---|---|---|
| | **2010** | 2009 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| Profit for the period | **61,023** | 35,106 |
| **Other comprehensive income** | | |
| Exchange differences arising on translation | **75,055** | 41,740 |
| Fair value change in available-for-sale financial assets | **375** | 2,353 |
| Other comprehensive income for the period | **75,430** | 44,093 |
| Total comprehensive income for the period | **136,453** | 79,199 |
| Total comprehensive income attributable to: | | |
| Owners of the Company | **83,217** | 33,985 |
| Non-controlling interests | **53,236** | 45,214 |
| | **136,453** | 79,199 |

## Condensed Consolidated Statement of Financial Position

*As at 30 September 2010*

| | Notes | 30 September 2010 (Unaudited) HK$'000 | 31 March 2010 (Audited) HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | *10* | **547,727** | 541,067 |
| Investment properties | *11* | **1,108,732** | 1,133,308 |
| Investment in an associate | | **–** | 789,547 |
| Held-to-maturity investments | | **15,424** | 15,365 |
| Other assets | | **6,380** | 6,401 |
| | | **1,678,263** | 2,485,688 |
| **Current assets** | | | |
| Inventories | | **2,981** | 3,001 |
| Available-for-sale financial assets | | **91,383** | 8,093 |
| Trade receivables | *12* | **29,983** | 33,218 |
| Other receivables, deposits and prepayments | | **30,474** | 23,685 |
| Amount due from an associate | | **–** | 87,907 |
| Bank balances and cash | | **1,618,456** | 1,279,074 |
| | | **1,773,277** | 1,434,978 |
| **Assets classified as held for sale** | *13* | **886,209** | – |
| | | **2,659,486** | 1,434,978 |
| **Current liabilities** | | | |
| Trade payables | *14* | **5,597** | 5,304 |
| Other payables and accrued charges | | **398,649** | 27,647 |
| Tax liabilities | | **1,000** | 1,000 |
| Promissory notes | *15* | **132,008** | 205,185 |
| Conversion option derivative | | **18,000** | 60,000 |
| Convertible note | | **402,705** | 379,010 |
| | | **957,959** | 678,146 |
| **Net current assets** | | **1,701,527** | 756,832 |
| **Total assets less current liabilities** | | **3,379,790** | 3,242,520 |

| | Note | 30 September 2010 (Unaudited) HK$'000 | 31 March 2010 (Audited) HK$'000 |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | *16* | **1,179,157** | 1,179,157 |
| Share premium and reserves | | **1,277,901** | 1,194,684 |
| Equity attributable to owners of the Company | | **2,457,058** | 2,373,841 |
| Non-controlling interests | | **807,085** | 753,849 |
| **Total equity** | | **3,264,143** | 3,127,690 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **114,469** | 113,801 |
| Other liabilities | | **1,178** | 1,029 |
| | | **115,647** | 114,830 |
| | | **3,379,790** | 3,242,520 |

## Condensed Consolidated Statement of Changes in Equity

*For the six months ended 30 September 2010*

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital (Unaudited) HK$'000 | Share premium (Unaudited) HK$'000 | Merger reserve (Unaudited) HK$'000 *(Note 1)* | Investment revaluation reserve (Unaudited) HK$'000 | Other reserve (Unaudited) HK$'000 *(Note 2)* | Exchange reserve (Unaudited) HK$'000 | (Accumulated losses) Retained profits (Unaudited) HK$'000 | Total (Unaudited) HK$'000 | Non-controlling interests (Unaudited) HK$'000 | Total (Unaudited) HK$'000 |
| At 1 April 2009 | 1,179,157 | 720,408 | 53,022 | (529) | 362,982 | (144,455) | (182,135) | 1,988,450 | 637,159 | 2,625,609 |
| Profit for the period | – | – | – | – | – | – | 3,492 | 3,492 | 31,614 | 35,106 |
| Fair value change in available-for-sale financial assets | – | – | – | 2,353 | – | – | – | 2,353 | – | 2,353 |
| Exchange differences arising on translation | – | – | – | – | – | 28,140 | – | 28,140 | 13,600 | 41,740 |
| Total comprehensive income for the period | – | – | – | 2,353 | – | 28,140 | 3,492 | 33,985 | 45,214 | 79,199 |
| At 30 September 2009 | 1,179,157 | 720,408 | 53,022 | 1,824 | 362,982 | (116,315) | (178,643) | 2,022,435 | 682,373 | 2,704,808 |
| At 1 April 2010 | 1,179,157 | 720,408 | 53,022 | 4,613 | 362,982 | (39,866) | 93,525 | 2,373,841 | 753,849 | 3,127,690 |
| Profit for the period | – | – | – | – | – | – | 32,366 | 32,366 | 28,657 | 61,023 |
| Fair value change in available-for-sale financial assets | – | – | – | 375 | – | – | – | 375 | – | 375 |
| Exchange differences arising on translation | – | – | – | – | – | 50,476 | – | 50,476 | 24,579 | 75,055 |
| Total comprehensive income for the period | – | – | – | 375 | – | 50,476 | 32,366 | 83,217 | 53,236 | 136,453 |
| **At 30 September 2010** | **1,179,157** | **720,408** | **53,022** | **4,988** | **362,982** | **10,610** | **125,891** | **2,457,058** | **807,085** | **3,264,143** |

*Notes:*

1. *Merger reserve of the Group represents the difference between the share capital and share premium of Cyber On-Air Multimedia Limited whose shares were exchanged for the Company's shares and the nominal amount of share capital issued by the Company pursuant to the group reorganisation. Cyber On-Air Multimedia Limited was disposed of during the year ended 31 March 2008.*

2. *The other reserve represents discount on acquisition of subsidiaries from a subsidiary of an intermediate parent arising in the year ended 31 March 2008.*

## Condensed Consolidated Statement of Cash Flows

*For the six months ended 30 September 2010*

| | Six months ended 30 September | |
|---|---|---|
| | **2010** | 2009 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| **Net cash from operating activities** | **131,727** | 146,983 |
| **Investing activities** | | |
| Deposit received for disposal of a subsidiary and its investment in an associate | **366,000** | – |
| Advance to an associate | **–** | (344,480) |
| Other investing cash flows | **(90,893)** | (12,635) |
| **Net cash from (used in) investing activities** | **275,107** | (357,115) |
| **Net cash used in financing activities** | **(73,177)** | (35,160) |
| **Net increase (decrease) in cash and cash equivalents** | **333,657** | (245,292) |
| **Cash and cash equivalents at 1 April** | **1,279,074** | 704,644 |
| **Effect of foreign exchange rate changes** | **5,725** | 12,458 |
| **Cash and cash equivalents at 30 September** | **1,618,456** | 471,810 |
| **Analysis of cash and cash equivalents** | | |
| **Bank balances and cash** | **1,618,456** | 471,810 |

*Notes:*

**1. General**

The Company is a public listed company incorporated in the Cayman Islands. Its immediate parent is Mediastar International Limited (incorporated in the British Virgin Islands ("BVI")). Its intermediate parent and ultimate parent are Chow Tai Fook Enterprises Limited ("CTF") (incorporated in Hong Kong) and Cheng Yu Tung Family (Holdings) Limited (incorporated in BVI) respectively.

The Company's issued shares were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 31 July 2000. In September 2010, the transfer of listing of the Company's issued shares from GEM to the Main Board of the Stock Exchange was approved and the Company's issued shares had started to be listed on the Main Board of 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 Company is an investment holding company.

## 2. Basis of Preparation and Significant Accounting Policies

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

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values. Certain comparative figures have been re-presented to include entertainment business classified as discontinued operations for the six months ended 30 September 2009.

Except as described below, the accounting policies used in the preparation of the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2010.

In the current period, the Group has applied the following new and revised standards, amendments and interpretations (the "new and revised HKFRSs") issued by HKICPA.

| | |
|---|---|
| HKFRSs (Amendments) | Amendments to HKFRS 5 as part of improvements to HKFRSs 2008 |
| HKFRSs (Amendments) | Improvements to HKFRSs 2009 |
| HKAS 27 (Revised) | Consolidated and separate financial statements |
| HKAS 32 (Amendment) | Classification of rights issues |
| HKAS 39 (Amendment) | Eligible hedged items |
| HKFRS 1 (Revised) | First-time adoption of HKFRSs |
| HKFRS 1 (Amendment) | Additional exemptions for first-time adopters |
| HKFRS 2 (Amendment) | Group cash-settled share-based payment transactions |
| HKFRS 3 (Revised) | Business combinations |
| HK(IFRIC) – INT 17 | Distributions of non-cash assets to owners |

The adoption of the new and revised HKFRSs had no material effect on the results and financial position of the Group for the current or prior accounting periods.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs 2010[1] |
| HKAS 24 (Revised) | Related party disclosures[3] |
| HKFRS 1 (Amendment) | Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[2] |
| HKFRS 7 | Disclosures – Transfers of financial assets[4] |
| HKFRS 9 | Financial instruments[5] |
| HK(IFRIC) – INT 14 (Amendment) | Prepayments of a minimum funding requirement[3] |
| HK(IFRIC) – INT 19 | Extinguishing financial liabilities with equity instruments[2] |

1 *Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate*

2 *Effective for annual periods beginning on or after 1 July 2010*

3 *Effective for annual periods beginning on or after 1 January 2011*

4 *Effective for annual periods beginning on or after 1 July 2011*

5 *Effective for annual periods beginning on or after 1 January 2013*

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The Directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

## 3. Revenue

| | Six months ended 30 September | |
|---|---|---|
| | **2010** | 2009 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| The Group's revenue from continuing operations comprises: | | |
| Hotel | | |
| Room revenue | **38,726** | 34,802 |
| Food and beverages | **20,671** | 21,641 |
| Other hotel service income | **3,095** | 2,520 |
| | **62,492** | 58,963 |
| Leasing of investment properties equipped with entertainment equipment | **136,961** | 157,938 |
| | **199,453** | 216,901 |

## 4. Segment Information

The Group's operating segments, based on information reported to the chief operating decision maker, for the purposes of resource allocation and performance assessment are as follows:

| | | |
|---|---|---|
| Hotel | – | Operation of hotel business |
| Leasing | – | Leasing of investment properties equipped with entertainment equipment |

The entertainment business carrying the production and licensing of theatrical motion pictures in a variety of genres and investments in production of television series, music concerts and sales of music records was discontinued with effect from 19 March 2010 since the operation of entertainment business had accumulated losses in the past several years, the chief operating decision maker has not reviewed the operation for the purposes of resources allocation and performance assessment.

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

**For the six months ended 30 September 2010**

| | Continuing operations | | | |
|---|---|---|---|---|
| | Hotel (Unaudited) HK$'000 | Leasing (Unaudited) HK$'000 | Elimination (Unaudited) HK$'000 | Total (Unaudited) HK$'000 |
| REVENUE | | | | |
| External sales | **62,492** | **136,961** | **–** | **199,453** |
| Inter-segment sales | **64** | **328** | **(392)** | **–** |
| Total | **62,556** | **137,289** | **(392)** | **199,453** |
| RESULTS | | | | |
| Segment (loss) profit | **(6,002)** | **54,991** | | **48,989** |
| Unallocated other income | | | | **7,296** |
| Change in fair value of conversion option derivative | | | | **42,000** |
| Other gain and loss | | | | **(15,681)** |
| Unallocated expenses | | | | **(6,479)** |
| Share of profit of an associate | | | | **8,593** |
| Finance costs | | | | **(23,695)** |
| Profit for the period | | | | **61,023** |

*Note: Inter-segment sales are charged at prevailing market prices.*

**For the six months ended 30 September 2009**

| | Continuing operations | | | |
|---|---|---|---|---|
| | Hotel (Unaudited) HK$'000 | Leasing (Unaudited) HK$'000 | Elimination (Unaudited) HK$'000 | Total (Unaudited) HK$'000 |
| REVENUE | | | | |
| External sales | 58,963 | 157,938 | – | 216,901 |
| Inter-segment sales | 399 | 309 | (708) | – |
| Total | 59,362 | 158,247 | (708) | 216,901 |
| SEGMENT | | | | |
| Segment (loss) profit | (19,207) | 75,310 | | 56,103 |
| Unallocated other income | | | | 990 |
| Change in fair value of conversion option derivative | | | | 34,000 |
| Other gain and loss | | | | (6,103) |
| Unallocated expenses | | | | (4,680) |
| Share of loss of an associate | | | | (19,992) |
| Finance costs | | | | (21,386) |
| Profit for the period | | | | 38,932 |

*Note: Inter-segment sales are charged at prevailing market prices.*

Segment profit (loss) represents the profit after taxation earned by or loss after taxation suffered from each segment without allocation of unallocated expenses (including corporate expenses), other gain and loss, share of profit (loss) of an associate, change in fair value of conversion option derivative, unallocated other income (i.e. investment income) and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

## 5. Other Income

| | Six months ended 30 September 2010 (Unaudited) HK$'000 | 2009 (Unaudited) HK$'000 |
|---|---|---|
| **Continuing operations:** | | |
| Interest income | **10,750** | 7,304 |
| Sundry income | **340** | 177 |
| | **11,090** | 7,481 |

## 6. Profit Before Taxation

| | Six months ended 30 September 2010 (Unaudited) HK$'000 | 2009 (Unaudited) HK$'000 |
|---|---|---|
| **Continuing operations:** | | |
| Profit before taxation has been arrived at after charging (crediting): | | |
| (Reversal of) allowance for bad and doubtful debts for trade and other receivables | **(205)** | 46 |
| Cost of inventories recognised as an expense | **6,195** | 6,385 |
| Depreciation of property, plant and equipment | **28,250** | 48,279 |
| Depreciation of investment properties | **58,397** | 55,105 |
| Net foreign exchange loss (included in other gain and loss) | **15,681** | 6,103 |
| Rental expenses under operating leases on premises | **3,454** | 3,143 |
| Gross revenue from leasing of investment properties equipped with entertainment equipment | **(136,961)** | (157,938) |
| Less: Direct operating expenses that generated revenue from leasing of investment properties equipped with entertainment equipment *(Note)* | **87,594** | 85,102 |
| | **(49,367)** | (72,836) |
| Staff costs, including directors' emoluments | | |
| – salaries and allowances | **22,839** | 21,467 |
| – retirement benefits schemes contributions | **170** | 145 |
| | **23,009** | 21,612 |

*Note: The amount mainly represents depreciation of leased properties and entertainment equipment.*

## 7. Taxation Credit (Charge)

| | Six months ended 30 September 2010 (Unaudited) HK$'000 | 2009 (Unaudited) HK$'000 |
|---|---|---|
| **Continuing operations:** | | |
| Deferred tax credit (charge) – current period | **2,807** | (36) |

No provision for Hong Kong Profits Tax has been made as the Group's operations in Hong Kong had no assessable profits for the six months ended 30 September 2010 and 30 September 2009.

No provision for taxation in other jurisdictions was made in the unaudited consolidated results for the six months ended 30 September 2010 and 30 September 2009 as the Group's operations outside Hong Kong either had no assessable profits or were exempted from profits tax in respective jurisdictions.

A subsidiary of the Company operating in the Philippines had entered into a lease agreement with Philippine Amusement and Gaming Corporation ("PAGCOR"), a company solely owned by the Philippine government, such that the rental income received or receivable by such subsidiary from PAGCOR is exempted from the Philippine corporate profits tax. In addition, according to the said lease agreement, if the subsidiary is required to make any payment of the Philippine corporate profits tax in relation to any rental income received or receivable from PAGCOR, PAGCOR shall indemnify the subsidiary in respect of such payment.

## 8. Dividends

| | Six months ended 30 September 2010 (Unaudited) HK$'000 | 2009 (Unaudited) HK$'000 |
|---|---|---|
| Interim dividend of HK$0.50 per share declared after the reporting period (2009: nil) | **589,579** | – |

The Directors did not recommend the declaration of interim dividend in respect of the six months ended 30 September 2010 (six months ended 30 September 2009: nil).

At a meeting held on 22 November 2010, the Board has resolved to declare an interim dividend of HK$0.50 per share. Such interim dividend declared after the period ended 30 September 2010 has not been included as a liability in the condensed consolidated statement of financial position as at 30 September 2010.

## 9. Earnings (Loss) Per Share

**From continuing and discontinued operations**

The calculation of basic and diluted earnings (loss) per share attributable to the owners of the Company for the six months ended 30 September 2010 together with the comparative figures for 2009 is based on the following data:

| | Six months ended 30 September | |
|---|---|---|
| | **2010** | 2009 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| **Earnings (loss)** | | |
| Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company) | **32,366** | 3,492 |
| Effect of dilutive potential ordinary shares in respect of convertible note: | | |
| – Change in fair value of conversion option derivative | **(42,000)** | (34,000) |
| – Effective interest expense | **23,695** | 21,386 |
| Earnings (loss) for the purpose of diluted earnings (loss) per share | **14,061** | (9,122) |

| | Six months ended 30 September | |
|---|---|---|
| | **2010** | 2009 |
| | **In thousand** | In thousand |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **1,179,157** | 1,179,157 |
| Effect of dilutive potential ordinary shares from convertible note | **200,000** | 200,000 |
| Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share | **1,379,157** | 1,379,157 |

The calculation of diluted loss per share for the six months ended 30 September 2009 did not assume the exercise of the outstanding share options of M8 Entertainment Inc. ("M8") as the exercise price of M8's share options was higher than the fair value of M8's share since M8 was delisted from Toronto Stock Exchange in March 2007 and had consolidated net total liabilities as at 30 September 2009. In addition, M8 was put into liquidation on 19 March 2010.

**From continuing operations**

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

| | Six months ended 30 September | |
|---|---|---|
| | **2010** | 2009 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| **Earnings (loss) figures are calculated as follows:** | | |
| Profit for the period attributable to owners of the Company | **32,366** | 3,492 |
| Less: Loss for the period from discontinued operations attributable to owners of the Company | **–** | (3,826) |
| Earnings for the purpose of basic earnings per share from continuing operations | **32,366** | 7,318 |
| Effect of dilutive potential ordinary shares in respect of convertible note: | | |
| – Change in fair value of conversion option derivative | **(42,000)** | (34,000) |
| – Effective interest expense | **23,695** | 21,386 |
| Earnings (loss) for the purpose of diluted earnings (loss) per share from continuing operations | **14,061** | (5,296) |

The denominators used are the same as those detailed above for both basic and diluted earnings (loss) per share.

**From discontinued operations**

For the six months ended 30 September 2009, basic and diluted loss per share from discontinued operations was HK$0.003, which is calculated based on the loss from discontinued operations for the six months ended 30 September 2009 attributable to owners of the Company of approximately HK$3,826,000 and the same denominators detailed above for both basic and diluted earnings (loss) per share.

## 10. Property, Plant and Equipment

| | Buildings (Unaudited) HK$'000 | Leasehold improvements (Unaudited) HK$'000 | Machinery (Unaudited) HK$'000 | Furniture, fixtures and equipment (Unaudited) HK$'000 | Entertainment equipment (Unaudited) HK$'000 | Computer hardware (Unaudited) HK$'000 | Motor vehicles (Unaudited) HK$'000 | Total (Unaudited) HK$'000 |
|---|---|---|---|---|---|---|---|---|
| COST | | | | | | | | |
| At 1 April 2009 | 487,025 | 5,062 | 83,686 | 56,942 | 79,166 | 626 | 605 | 713,112 |
| Exchange adjustments | 35,197 | 246 | 6,054 | 3,973 | 6,544 | 1 | 55 | 52,070 |
| Additions | 2,020 | – | 478 | 1,598 | 19,289 | – | 295 | 23,680 |
| Disposals | – | – | – | (1,013) | (73) | (2) | (48) | (1,136) |
| Deconsolidation of subsidiaries | – | (672) | – | (872) | – | – | – | (1,544) |
| Write-off | – | (355) | – | – | – | (4) | – | (359) |
| At 31 March 2010 | 524,242 | 4,281 | 90,218 | 60,628 | 104,926 | 621 | 907 | 785,823 |
| Exchange adjustments | 16,496 | 121 | 2,842 | 1,912 | 3,751 | 1 | 30 | 25,153 |
| Additions | 1,797 | 698 | 408 | 662 | 15,859 | 140 | – | 19,564 |
| Disposals | – | – | – | (9) | (1,890) | (43) | – | (1,942) |
| **At 30 September 2010** | **542,535** | **5,100** | **93,468** | **63,193** | **122,646** | **719** | **937** | **828,598** |
| DEPRECIATION | | | | | | | | |
| At 1 April 2009 | 33,838 | 1,266 | 46,161 | 32,136 | 33,887 | 540 | 107 | 147,935 |
| Exchange adjustments | 3,453 | 25 | 4,452 | 2,807 | 3,341 | – | 11 | 14,089 |
| Provided for the year | 23,263 | 617 | 25,797 | 14,876 | 20,649 | 49 | 90 | 85,341 |
| Eliminated on disposals | – | – | – | (955) | (53) | (2) | (14) | (1,024) |
| Eliminated on deconsolidation of subsidiaries | – | (672) | – | (554) | – | – | – | (1,226) |
| Eliminated on write-off | – | (355) | – | – | – | (4) | – | (359) |
| At 31 March 2010 | 60,554 | 881 | 76,410 | 48,310 | 57,824 | 583 | 194 | 244,756 |
| Exchange adjustments | 2,300 | 18 | 2,532 | 1,597 | 2,086 | 1 | 9 | 8,543 |
| Provided for the period | 12,156 | 193 | 4,145 | 2,734 | 8,900 | 26 | 96 | 28,250 |
| Eliminated on disposals | – | – | – | (8) | (627) | (43) | – | (678) |
| **At 30 September 2010** | **75,010** | **1,092** | **83,087** | **52,633** | **68,183** | **567** | **299** | **280,871** |
| CARRYING VALUES | | | | | | | | |
| **At 30 September 2010** | **467,525** | **4,008** | **10,381** | **10,560** | **54,463** | **152** | **638** | **547,727** |
| At 31 March 2010 | 463,688 | 3,400 | 13,808 | 12,318 | 47,102 | 38 | 713 | 541,067 |

## 11. Investment Properties

| | (Unaudited) HK$'000 |
|---|---|
| COST | |
| At 1 April 2009 | 1,305,847 |
| Exchange adjustments | 94,140 |
| Additions | 68 |
| At 31 March 2010 | 1,400,055 |
| Exchange adjustments | 43,905 |
| Additions | 206 |
| **At 30 September 2010** | **1,444,166** |
| DEPRECIATION | |
| At 1 April 2009 | 139,730 |
| Exchange adjustments | 14,957 |
| Provided for the year | 112,060 |
| At 31 March 2010 | 266,747 |
| Exchange adjustments | 10,290 |
| Provided for the period | 58,397 |
| **At 30 September 2010** | **335,434** |
| CARRYING VALUES | |
| **At 30 September 2010** | **1,108,732** |
| At 31 March 2010 | 1,133,308 |

## 12. 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 and which are in sound financial condition. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

| | **30 September 2010 (Unaudited) HK$'000** | 31 March 2010 (Audited) HK$'000 |
|---|---|---|
| Aged: | | |
| 0 – 30 days | **24,142** | 28,087 |
| 31 – 60 days | **2,845** | 2,491 |
| 61 – 90 days | **2,533** | 1,959 |
| Over 90 days | **463** | 681 |
| | **29,983** | 33,218 |

## 13. Assets Classified as Held for Sale

On 7 May 2010, the Company entered into a conditional sale and purchase agreement (the "Agreement") with Power Link Fortune Limited ("Power Link") pursuant to which the Company conditionally agreed to sell and assign, and Power Link conditionally agreed to purchase and accept the assignment of, the entire issued share capital of Fortune Gate Overseas Limited (the "Sale Share") and the entire amount of the interest-free shareholder's loan owing from Fortune Gate Overseas Limited to the Company as at the completion of the disposal (the "Sale Loan") at an aggregate cash consideration of HK$1,830 million, subject to adjustments as set out in the Agreement. Pursuant to the Agreement, Fortune Gate Overseas Limited has to undergo a reorganisation so that immediately prior to the completion of the disposal of the Sale Share and the Sale Loan, Fortune Gate Overseas Limited would only have the investment in an associate, Arc of Triumph Development Company Limited, and the amount due from an associate and has no other liability except the Sale Loan.

The proceeds of the disposal are expected to exceed the net carrying amount of the relevant assets and liabilities, if any, and, accordingly, no impairment loss has been recognised.

Major classes of assets classified as held for sale as at 30 September 2010 are as follows:

| | (Unaudited) HK$'000 |
|---|---|
| Investment in an associate | 798,302 |
| Amount due from an associate | 87,907 |
| Total assets classified as held for sale | 886,209 |

**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 2010 (Unaudited) HK$'000** | 31 March 2010 (Audited) HK$'000 |
|---|---|---|
| Aged: | | |
| 0 – 30 days | **3,474** | 3,054 |
| 31 – 60 days | **–** | 173 |
| 61 – 90 days | **–** | – |
| Over 90 days | **2,123** | 2,077 |
| | **5,597** | 5,304 |

**15. Promissory Notes**

In October 2007, promissory notes (the "Promissory Notes") with an aggregate amount of approximately HK$642 million were issued by a subsidiary of the Company in favor of two related companies, which are beneficially owned by CTF, to replace the shareholders' loans of HK$642 million assigned by shareholders which arose from the acquisition of Fortune Gate Overseas Limited. Pursuant to the terms of the Promissory Notes, the amounts are unsecured, non-interest bearing and repayable on demand. During the six months ended 30 September 2010, the Group had settled an amount of approximately HK$73.2 million owing under the Promissory Notes.

As at 30 September 2010 and 31 March 2010, the entire amount was denominated in HK$, which is other than the functional currency of respective group entity.

## 16. Share Capital

| | Par value of shares | Number of shares | Value (Unaudited) |
|---|---|---|---|
| | HK$ | | HK$'000 |
| Authorised: | | | |
| Ordinary shares | | | |
| At 1 April 2009, at 31 March 2010 and at 30 September 2010 | 1 each | 2,000,000,000 | 2,000,000 |
| Issued and fully paid: | | | |
| Ordinary shares | | | |
| At 1 April 2009, at 31 March 2010 and at 30 September 2010 | 1 each | 1,179,157,235 | 1,179,157 |

## 17. Operating Lease Commitments

**The Group as lessor**

Marina Square Properties, Inc., an indirect subsidiary of the Company acquired on 11 October 2007, signed a contract with PAGCOR on 14 March 2003 to lease the equipped gaming premises and office premises to PAGCOR for a period of twelve years commencing from 31 March 2004. The monthly rental would be based on a certain percentage of net gaming revenue of the casino operated by PAGCOR at the leased premises or a fixed amount of Peso100,000 (equivalent to approximately HK$17,000 (30 September 2009: equivalent to approximately HK$16,100)), whichever is higher.

PAGCOR is chartered under Presidential Decore No. 1869, as amended ("PAGCOR Charter") to operate casino in the Philippines. The PAGCOR Charter had expired on 10 July 2008 and renewal was granted in June 2007 for 25 years from 11 July 2008. Casino rental income earned by the Group during the six months ended 30 September 2010 was approximately HK$136,961,000 (six months ended 30 September 2009: approximately HK$157,938,000), including contingent rental charges amounting to approximately HK$136,859,000 (six months ended 30 September 2009: approximately HK$157,841,000).

**The Group as lessee**

At 30 September 2010, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | **30 September 2010 (Unaudited) HK$'000** | 31 March 2010 (Audited) HK$'000 |
|---|---|---|
| Within one year | **7,422** | 7,064 |
| In the second to fifth year inclusive | **23,638** | 24,065 |
| Over five years | **75,161** | 75,409 |
| | **106,221** | 106,538 |

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 during the terms are fixed.

## 18. Related Party Transactions

Apart from the related party transactions as disclosed in note 15, the Group had entered into the following material transactions with related parties during the period:

| | **Six months ended 30 September** | |
|---|---|---|
| | **2010 (Unaudited) HK$'000** | 2009 (Unaudited) HK$'000 |
| Accommodation and beverages income *(note a)* | **138** | 369 |
| Financial advisory and professional fee to a related company *(note b)* | **–** | 298 |
| Rental expenses *(note c)* | **817** | 340 |

*Notes:*

(a) *Accommodation and beverages income were received from a subsidiary indirectly owned by CTF during the period.*

(b) *During the six months ended 30 September 2009, a company, in which Dr. Cheng Kar Shun and Mr. Lo Lin Shing, Simon, the Directors, have managerial duties and significant influence in the financial and operating policy, provided financial advisory services to the Group. Dr. Cheng Kar Shun ceased to have managerial duties and significant influence in that related company with effect from 13 January 2010 while Mr. Lo Lin Shing, Simon ceased to have managerial duties and significant influence in that related company with effect from 1 July 2009.*

(c) *A company, in which Dr. Cheng Kar Shun and Mr. Cheng Chi Kong, the Directors, have managerial duties and significant influence in the financial and operating policy, leased office premises to the Group.*

# Management Discussion and Analysis

## Financial Review

The Group's revenue from continuing operations for the six months ended 30 September 2010 was approximately HK$199.5 million, representing a decrease of approximately 8.0%, as compared with approximately HK$216.9 million for the corresponding period in 2009. The decrease in revenue from continuing operations was mainly due to the decrease in revenue from the leasing of properties in the Philippines during the period. The Group reported a gross profit from continuing operations of approximately HK$96.4 million for the period under review, representing a decrease of approximately 3.4%, as compared with approximately HK$99.8 million in the last corresponding period. The decrease in gross profit from continuing operations was mainly due to the decrease in revenue from the leasing of properties in the Philippines during the period.

Other income from continuing operations for the six months ended 30 September 2010 was approximately HK$11.1 million, representing an increase of approximately 48.2%, as compared with approximately HK$7.5 million in the last corresponding period. The increase was mainly due to the increase in interest income during the period.

Other gain and loss from continuing operations represented the net foreign exchange gain or loss recognised during the period under review. The Group recorded a net foreign exchange loss of approximately HK$15.7 million for the six months ended 30 September 2010, representing an increase of approximately 156.9%, as compared with approximately HK$6.1 million in last corresponding period.

Selling and distribution costs, and general and administrative expenses from continuing operations increased by approximately 10.3% to approximately HK$60.4 million for the six months ended 30 September 2010 from approximately HK$54.8 million in the last corresponding period.

The Group recorded a gain of approximately HK$42.0 million on change in fair value of conversion option derivative for the six months ended 30 September 2010, representing an increase of approximately 23.5%, as compared with approximately HK$34.0 million in the last corresponding period.

Share of profit from an associated company for the six months ended 30 September 2010 was approximately HK$8.6 million, while it was a share of loss from an associated company of approximately HK$20.0 million in the last corresponding period. The share of profit from an associated company was mainly due to the inclusion of the operating results arising from the hotel and entertainment operations, and the recognition of sales of residential units during the six months ended 30 September 2010.

Finance costs from continuing operations for the six months ended 30 September 2010 were approximately HK$23.7 million, representing an increase of approximately 10.8%, as compared with approximately HK$21.4 million in the last corresponding period.

The Group recorded a profit from continuing operations for the six months ended 30 September 2010, amounted to approximately HK$61.0 million, representing an increase of approximately 56.7%, as compared with approximately HK$38.9 million in the last corresponding period. The increase in profit from continuing operations was mainly due to the share of profit from an associated company recognised for the six months ended 30 September 2010.

The loss from discontinued operations for the six months ended 30 September 2009, including the entertainment business only, was approximately HK$3.8 million.

## 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 for the six months ended 30 September 2010 was approximately HK$137.0 million, representing a decrease of approximately 13.3%, as compared with approximately HK$157.9 million in the last corresponding period. It contributed approximately 68.7% to the Group's total revenue from continuing operations during the period under review. In the last corresponding period, it contributed approximately 72.8% to the Group's total revenue from continuing operations.

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 revenue derived from the hotel operations for the six months ended 30 September 2010 was approximately HK$62.5 million, representing an increase of approximately 6.0%, as compared with approximately HK$59.0 million in the last corresponding period.

3. **Interest in an associated company**

During the period under review, a wholly-owned subsidiary of the Company held 40% equity interest in Arc of Triumph Development Company Limited ("ATD"), a company incorporated in Macau. The principal activities of ATD are property development and investment, and hotel and entertainment operations in Macau. ATD developed a parcel of land with an area of approximately 7,128 square meters located at Novos Aterros do Porto Exterior (新口岸外港填海區) in Macau into a complex comprising the high-end residential units, a super-deluxe hotel with casino facilities, commercial units and parking. The hotel and casino were opened to guests in September 2009.

The Group's share of profit in the associated company (i.e. ATD) for the six months ended 30 September 2010 was approximately HK$8.6 million, while it was a share of loss of approximately HK$20.0 million in the last corresponding period. The share of profit from an associated company was mainly due to the inclusion of the operating results arising from the hotel and entertainment operations, and the recognition of sales of residential units during the six months ended 30 September 2010.

As mentioned above, the Company entered into the Agreement with Power Link on 7 May 2010 pursuant to which the Company conditionally agreed to sell and assign, and Power Link conditionally agreed to purchase and accept the assignment of, the Sale Share and the Sale Loan at an aggregate cash consideration of HK$1,830 million, subject to adjustments as set out in the Agreement.

On 5 November 2010, the disposal of the Sale Share and the Sale Loan by the Company to Power Link was completed in accordance with the terms of the Agreement. Immediately after such disposal, Fortune Gate Overseas Limited ceased to be a wholly-owned subsidiary of the Company and the Group ceased to have any control over Fortune Gate Overseas Limited anymore. Details of the disposal are set out in the announcements of the Company dated 11 May 2010, 31 May 2010, 27 August 2010 and 5 November 2010; and the circular of the Company dated 30 July 2010.

## Future Outlook

Following the order issued by the Superior Court of Quebec in Canada liquidating M8 Entertainment Inc. and the disposal of the equity interest of Fortune Gate Overseas Limited, which held 40% equity interest in ATD, the Group has been focusing on its existing hotel operations, and the leasing of properties for casino and ancillary leisure and entertainment operations in the Philippines, and will continue to do so as well as exploring other businesses or opportunities to strive for a better return to the shareholders of the Company. In addition, 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 hotel operations and the leasing of properties 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 2010, the Group's net current assets amounted to approximately HK$1,701.5 million (as at 31 March 2010: approximately HK$756.8 million). Current assets amounted to approximately HK$2,659.5 million (as at 31 March 2010: approximately HK$1,435.0 million), of which approximately HK$1,618.5 million (as at 31 March 2010: approximately HK$1,279.1 million) was cash and bank deposits, approximately HK$30.0 million (as at 31 March 2010: approximately HK$33.2 million) was trade receivables, approximately HK$91.4 million (as at 31 March 2010: approximately HK$8.1 million) was available-for-sale financial assets, approximately HK$30.4 million (as at 31 March 2010: approximately HK$23.7 million) was other receivables, deposits and prepayments, approximately HK$3.0 million (as at 31 March 2010: approximately HK$3.0 million) was inventories, and approximately HK$886.2 million (as at 31 March 2010: nil) was assets classified as held for sale. The amount due from an associate of approximately HK$87.9 million (as at 31 March 2010: approximately HK$87.9 million) was included in assets classified as held for sale as at 30 September 2010.

The Group had current liabilities amounted to approximately HK$958.0 million (as at 31 March 2010: approximately HK$678.1 million), of which approximately HK$5.6 million (as at 31 March 2010: approximately HK$5.3 million) was trade payables, approximately HK$398.7 million (as at 31 March 2010: approximately HK$27.6 million) was other payables and accrued charges, approximately HK$132.0 million (as at 31 March 2010: approximately HK$205.2 million) was the Promissory Notes, approximately HK$18.0 million (as at 31 March 2010: approximately HK$60.0 million) was the fair value of conversion option derivative, and approximately HK$402.7 million (as at 31 March 2010: approximately HK$379.0 million) was convertible note.

The Promissory Notes amounted to approximately HK$132.0 million (as at 31 March 2010: approximately HK$205.2 million) were denominated in HK$. The amounts were unsecured, interest-free and repayable on demand. During the six months period ended 30 September 2010, the Group had settled an amount of approximately HK$73.2 million owing under the Promissory Notes.

The convertible note was issued by the Company in October 2007, due in three years, which bears interest at the rate of 1% per annum and convertible into ordinary shares of the Company at an initial conversion price of HK$2 per share, subject to customary adjustments for among other things, subdivision or consolidation of shares, bonus issues, right issues and other events which have diluting effects on the issued share capital of the Company. The principal amount of the convertible note outstanding as at 30 September 2010 and 31 March 2010 was HK$400,000,000. Subsequent to the end of the reporting period, the Company fully repaid the convertible note on 8 October 2010.

The gearing ratio, measured in terms of total borrowings divided by total assets, was approximately 12.3% as at 30 September 2010, compared to approximately 14.9% as at 31 March 2010.

The Group financed its operations generally with internally generated cash flows and the present available credit facilities.

## Charges on Group Assets

As at 30 September 2010 and 31 March 2010, the Group did not have any charges on the Group's assets.

## Material Acquisitions and Disposals and Significant Investments

As mentioned above, the Company entered into the Agreement with Power Link on 7 May 2010 pursuant to which the Company conditionally agreed to sell and assign, and Power Link conditionally agreed to purchase and accept the assignment of the Sale Share and the Sale Loan at an aggregate cash consideration of HK$1,830 million, subject to adjustments as set out in the Agreement.

On 5 November 2010, the disposal of the Sale Share and the Sale Loan by the Company to Power Link was completed. Immediately after such disposal, Fortune Gate Overseas Limited ceased to be a wholly-owned subsidiary of the Company and the Group ceased to have any control over Fortune Gate Overseas Limited anymore. Details of the disposal are set out in the announcements of the Company dated 11 May 2010, 31 May 2010, 27 August 2010 and 5 November 2010; and the circular of the Company dated 30 July 2010.

Save as disclosed above, there was no other acquisition or disposal of subsidiary and affiliated company for the six months ended 30 September 2010, which would require to be disclosed under the Listing Rules.

## 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 of the Company.

## Exposure to Fluctuations in Exchange Rates and Any Related Hedges

As at 30 September 2010, the Group's assets and liabilities were mainly denominated in HK$, United States Dollar and Peso. The Group primarily earns its revenue in HK$ and Peso while the Group primarily incurs costs and expenses mainly in HK$ and Peso. The Group has not implemented any formal hedging policy. However, the management will monitor foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

## Contingent Liabilities

As at 30 September 2010 and 31 March 2010, the Group did not have any significant contingent liabilities.

## Employees and Remuneration Policies

The total number of employees of the Group was 324 as at 30 September 2010 (as at 30 September 2009: 354). The staff costs for the six months ended 30 September 2010 was approximately HK$23.0 million (for the six months ended 30 September 2009: approximately HK$26.9 million). The remuneration of the Directors and 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 Group also has provided employee benefits, including medical scheme, insurance, retirement benefits schemes and share option scheme, if any.

## Interests and Short Positions of Directors and Chief Executives in Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations

Save as disclosed below, as at 30 September 2010, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were taken or deemed to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

### Long positions in the ordinary shares of the Company

| Name of Director | Number of ordinary shares of HK$1.00 each in the share capital of the Company — Personal interest | Corporate interest | Total | Approximate percentage of the issued share capital of the Company |
|---|---|---|---|---|
| Mr. Lo Lin Shing, Simon | – | 364,800 *(Note)* | 364,800 | 0.03% |

*Note: These shares were held by Wellington Equities Inc., which is wholly-owned by Mr. Lo Lin Shing, Simon, an executive Director.*

### Long positions in the ordinary shares of Maxprofit International Limited ("Maxprofit"), a subsidiary of the Company

| Name of Director | Number of ordinary shares of US$1.00 each in the share capital of Maxprofit — Personal interest | Corporate interest | Total | Approximate percentage of shareholding |
|---|---|---|---|---|
| Mr. To Hin Tsun, Gerald | – | 11 *(Note)* | 11 | 11% |

*Note: Ten shares were held by Up-Market Franchise Ltd., and one share was held by Pure Plum Ltd.. Up-Market Franchise Ltd. and Pure Plum Ltd. were wholly-owned by Mr. To Hin Tsun, Gerald, an executive Director.*

## Interests and Short Positions of Shareholders in Shares and Underlying Shares of the Company

Save as disclosed below, as at 30 September 2010, so far as is known to the Directors or chief executives of the Company, the Company had not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO as having an interest in 5% or more of the issued share capital of the Company.

### Long positions in the ordinary shares of the Company

| Name of shareholder | Capacity | Number of ordinary shares of HK$1.00 each in the share capital of the Company | Number of underlying shares | Aggregate interest | Approximate percentage of the issued share capital of the Company |
|---|---|---|---|---|---|
| Mediastar International Limited ("Mediastar") | Beneficial owner | 881,773,550 | - | 881,773,550 | 74.78% |
| Cross-Growth Co., Ltd. ("Cross-Growth") | Beneficial owner | - | 200,000,000 *(Note 2)* | 200,000,000 | 16.96% |
| Chow Tai Fook Enterprises Limited ("CTF") | Interest of a controlled corporation | 881,773,550 *(Note 1)* | 200,000,000 *(Note 2)* | 1,081,773,550 | 91.74% |
| Centennial Success Limited | Interest of a controlled corporation | 881,773,550 *(Notes 1, 3)* | 200,000,000 *(Notes 2, 3)* | 1,081,773,550 | 91.74% |
| Cheng Yu Tung Family (Holdings) Limited | Interest of a controlled corporation | 881,773,550 *(Notes 1, 4)* | 200,000,000 *(Notes 2, 4)* | 1,081,773,550 | 91.74% |

*Notes:*

(1) *Mediastar was wholly-owned by CTF. Accordingly, CTF was deemed to be interested in 881,773,550 shares of the Company held by Mediastar under the SFO.*

(2) *These underlying shares of the Company represented the new shares to be issued upon full conversion at the initial conversion price of HK$2 per share of the convertible note issued by the Company on 11 October 2007 pursuant to the conditional acquisition agreement dated 23 November 2004 entered into among Cross-Growth, the Company and CTF in relation to the acquisition of hotel and entertainment operations in the Philippines and Macau.*

*Cross-Growth was wholly-owned by CTF. Accordingly, CTF was deemed to be interested in 200,000,000 underlying shares of the Company deemed to be held by Cross-Growth under the SFO.*

(3) *CTF was wholly-owned by Centennial Success Limited. Accordingly, Centennial Success Limited was deemed to be interested in 881,773,550 shares of the Company held by Mediastar, and 200,000,000 underlying shares of the Company deemed to be held by Cross-Growth under the SFO.*

(4) *Cheng Yu Tung Family (Holdings) Limited was interested in 51% of the issued share capital of Centennial Success Limited. Accordingly, Cheng Yu Tung Family (Holdings) Limited was deemed to be interested in 881,773,550 shares of the Company held by Mediastar, and 200,000,000 underlying shares of the Company deemed to be held by Cross-Growth under the SFO.*

## Share Option Scheme

### Share option scheme adopted on 20 August 2004

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 20 August 2004, a share option scheme (the "Share Option Scheme") was adopted. The summary of the principal terms of the Share Option Scheme is set out in Appendix II to the circular of the Company dated 27 July 2004.

Upon the transfer of listing of the shares of the Company from GEM to the Main Board of the Stock Exchange on 27 September 2010, the Share Option Scheme was terminated and no further option would be offered or granted thereunder.

No options had been granted, exercised or cancelled during the period from 1 April 2010 to the date of termination of the Share Option Scheme and there were no share options outstanding under the Share Option Scheme as at 30 September 2010.

# Competing Business

## Competing business

As at 30 September 2010, the following Directors/controlling shareholder (as defined in the Listing Rules) of the Company are considered to have interests in the business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules, particulars of which are set out below:

| Name of Director/ controlling shareholder of the Company | Name of entity which business is considered to compete or likely to compete with the business of the Group | Description of business of the entity which is considered to compete or likely to compete with the business of the Group | Nature of interest in the entity |
|---|---|---|---|
| Mr. Cheung Hon Kit | ITC Properties Group Limited | Investment in hotel and residential property in Macau | executive director, optionholder and shareholder *(Note 1)* |
| Dr. Cheng Kar Shun | Many Town Company Limited | A minority investor of Sociedade de Jogos de Macau, S.A. which is principally engaged in casino business in Macau | director and beneficial owner *(Note 2)* |
| Dr. Cheng Kar Shun | New World Development Company Limited ("NWD") and its subsidiaries | Investment in hotel property in Makati, Manila, the Philippines | executive director, optionholder and shareholder *(Notes 3 and 5)* |
| Mr. Cheng Chi Kong | NWD and its subsidiaries | Investment in hotel property in Makati, Manila, the Philippines | executive director and optionholder *(Notes 4 and 5)* |
| CTF | New World Hotel Makati City, Manila | Investment in hotel property in Makati, Manila, the Philippines | CTF through its associate is interested in hotel property in Makati, Manila, the Philippines (the "Makati Hotel") *(Note 5)* |

*Notes:*

(1) *As at 30 September 2010, Mr. Cheung Hon Kit was personally interested in 3,900,000 share options and 14,202,000 shares of ITC Properties Group Limited, together representing approximately 3.20% of the issued share capital of ITC Properties Group Limited.*

(2) *As at 30 September 2010, Many Town Company Limited was owned as to 93.3% by United Worldwide Investment S.A., of which 50% was owned by Dr. Cheng Kar Shun.*

(3) *As at 30 September 2010, Dr. Cheng Kar Shun was personally interested in 36,710,652 share options and his spouse was personally interested in 300,000 shares of NWD respectively, together representing approximately 0.94% of the issued share capital of NWD.*

(4) *As at 30 September 2010, Mr. Cheng Chi Kong was personally interested in 502,885 share options of NWD, representing approximately 0.01% of the issued share capital of NWD.*

(5) *As at 30 September 2010, CTF through its associates was effectively interested in approximately 25.9% of the Makati Hotel.*

## Potential competition

Fortune Holiday Limited ("Fortune"), which is indirectly owned as to 73% by CTF, 11% by Mr. To Hin Tsun, Gerald, an executive Director, and a non-member of the Group, entered into agreements with PAGCOR in June 2002 pursuant to which Fortune, subject to fulfillment of certain conditions precedent, would be entitled to acquire a site of approximately 10.5 hectares ("Fortune Land") within a 60 hectares site at the Manila Bay Reclamation Area in the Philippines proposed to be called "Theme Park Manila". Under those agreements, Fortune would be entitled to build a hotel, residential and entertainment complex including three PAGCOR casino facilities at the Fortune Land. The initial term of the lease of the Fortune Land under the said agreements would be 50 years and Fortune had also been given, *inter alia*, the option to renew the lease for another 25 years.

Fortune had also been given the right, *inter alia*, under a separate agreement entered into in June 2002 to require PAGCOR to lease and operate a casino at no more than two sites at any one time acquired by Fortune in Metro Manila (but outside the Theme Park Manila). Both Dr. Cheng Kar Shun and Mr. To Hin Tsun Gerald are also directors of Fortune. The Directors are not aware of any major progress on potential acquisition by Fortune of the Fortune Land during the period under review. As such, there was no competing business existed between Fortune and the Group. The Group had no intention to exercise the option to acquire Fortune. Should Fortune's potential acquisition of the Fortune Land materialize, an independent board committee of the Company comprising all the independent non-executive Directors would then decide whether the Company should exercise the option to acquire the interests in Fortune.

Save as disclosed above, none of the Directors and the controlling shareholder (as defined in the Listing Rules) of the Company and their respective associates has any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group.

## Audit Committee

The Company has established an audit committee in July 2000. The audit committee has three members, comprising three independent non-executive Directors, namely Mr. Cheung Hon Kit, Mr. Lau Wai Piu and Mr. Tsui Hing Chuen, William *JP*. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls of the Group. The audit committee has reviewed the unaudited interim results for the six months ended 30 September 2010.

## Compliance with Code on Corporate Governance Practices

For the six months ended 30 September 2010, the Company has complied with the Code on Corporate Governance Practices as set out in the Appendix 14 of the Code on Corporate Governance Practices on the Listing Rules, except for the following deviations:

Code Provision E.1.2 of the Code on Appendix 14 of the Code on Corporate Governance Practices on the Listing Rules stipulates that the chairman of the board should attend the annual general meeting and arrange for the chairman of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to 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 is subject to independent shareholders' approval.

The chairman of the Board had not attended the annual general meeting of the Company held on 27 August 2010 as he was having his business commitment at the time of such meeting. One of the executive Directors was elected as the chairman of the said annual general meeting of the Company and responded to the questions raised by the shareholders of the Company. The management considers that the Board has endeavored to maintain an on-going dialogue with the shareholders of the Company.

## Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors (the "Code"), which is no less exacting than the required standard as set out 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 enquiry of all the Directors, was not aware of any non-compliance with the required standard set out in the Model Code and the Code throughout the six months ended 30 September 2010.

## Interim Dividend

The Board has resolved to declare an interim dividend of HK$0.50 per share (2009: nil) to be payable to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on 21 December 2010. The interim dividend will be paid on or about 17 January 2011.

## Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 15 December 2010 to Tuesday, 21 December 2010, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares of the Company 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 Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30p.m. on Tuesday, 14 December 2010.

## Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 September 2010, neither the Company nor any of its subsidiaries had 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, 22 November 2010

*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.*