International Entertainment Corporation
國際娛樂有限公司
(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1009

Annual Report 2010/11

Contents

The English text of this annual report shall prevail over the Chinese text in case of inconsistencies.

Corporate Information

EXECUTIVE DIRECTORS

Dr. CHENG Kar Shun *(Chairman)*
Mr. LO Lin Shing, Simon *(Deputy Chairman)*
Mr. TO Hin Tsun, Gerald
Mr. CHENG Kam Chiu, Stewart
Mr. CHENG Kam Biu, Wilson
Mr. CHENG Chi Kong
Mr. CHENG Chi Him

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHEUNG Hon Kit
Mr. KWEE Chong Kok, Michael
Mr. LAU Wai Piu
Mr. TSUI Hing Chuen, William *JP*

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 1207-8
New World Tower 1
16-18 Queen's Road Central
Hong Kong

STOCK CODE

1009

COMPANY WEBSITE

http://www.ientcorp.com

COMPANY SECRETARY

Mr. KWOK Chi Kin *CPA, FCCA*

AUTHORISED REPRESENTATIVES

Mr. CHENG Kam Chiu, Stewart
Mr. KWOK Chi Kin

COMPLIANCE OFFICER

Mr. TO Hin Tsun, Gerald

AUDIT COMMITTEE

Mr. CHEUNG Hon Kit *(Committee Chairman)*
Mr. LAU Wai Piu
Mr. TSUI Hing Chuen, William *JP*

REMUNERATION COMMITTEE

Mr. LAU Wai Piu *(Committee Chairman)*
Mr. CHEUNG Hon Kit
Mr. KWEE Chong Kok, Michael
Mr. TSUI Hing Chuen, William *JP*

PRINCIPAL BANKERS

Banco de Oro Unibank, Inc.
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Public Bank (Hong Kong) Limited
Rizal Commercial Banking Corporation

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
88 Queensway
Hong Kong

Chairman's Statement

Dear Fellow Shareholders,

I am pleased to report on the financial performance of International Entertainment Corporation (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 March 2011.

The financial results of the Group for the year significantly improved as compared to the last year. The profit of the Group for the year increased to approximately HK$816.0 million, representing an increase of approximately 138.6%, as compared with approximately HK$342.1 million in the last year.

The revenue of the Group from continuing operations for the year was approximately HK$409.7 million, representing a decrease of approximately 3.6%, as compared with the previous year's revenue of approximately HK$425.2 million. The hotel operations contributed approximately 33% of the Group's revenue from continuing operations this year, while approximately 67% of the Group's revenue from continuing operations was contributed by the leasing of properties. Last year, the hotel operations and leasing of properties contributed approximately 29% and 71% of the total revenue from continuing operations respectively.

In May 2010, the Company announced that it conditionally agreed to sell its entire equity interest in Fortune Gate Overseas Limited ("Fortune Gate") and the entire amount of interest free shareholder's loan due to the Company from Fortune Gate. The transaction was completed in November 2010 and the Group recorded a gain of approximately HK$657.9 million from the disposal.

Both the basic and diluted earnings per share for the year ended 31 March 2011 improved as compared to the last year. The basic earnings per share for the year ended 31 March 2011 increased to HK$0.65 from HK$0.23 in the last year, while the diluted earnings per share increased to HK$0.57 from HK$0.23 for the corresponding period in the last year.

The financial position of the Group remained strong. The net assets attributable to the shareholders of the Company as at 31 March 2011 was approximately HK$2,588.3 million (31 March 2010: approximately HK$2,373.8 million). The bank balances and cash of the Group as at 31 March 2011 increased to approximately HK$2,182.2 million from approximately HK$1,279.1 million as at 31 March 2010.

In addition to the interim dividend of HK$0.50 per share declared in November 2010, the board of directors of the Company (the "Board") proposed a final dividend of HK$0.14 per share and a special dividend of HK$0.61 per share. Total dividend for the year is HK$1.25 per share.

During the year, the Company successfully transferred the listing of its shares from the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") to the Main Board of the Stock Exchange. We believe that the listing of the shares of the Company on the Main Board of the Stock Exchange would further enhance the future growth, financial flexibility and business development of the Group.

Hyatt Hotel and Casino Manila, located in Metro Manila, comprises over 370 guest rooms, a casino and entertainment areas. Following the disposal of the entire equity interest of Fortune Gate, the Group has focused on its existing hotel operations in Metro Manila, and the leasing of properties for casino, ancillary leisure and entertainment operations there, and will continue to do so as well as exploring other business opportunities to strive for better return to the shareholders of the Company. The management team will continue to review the Group's financial structure and the composition of assets and liabilities periodically. We consider that the existing hotel operations and leasing of properties in the Philippines will continue to contribute significantly towards the Group's revenue and results.

The management team believes that in the near or medium term, the Group should concentrate on its core business by adopting a prudent approach to containing overheads as well as seeking other investment opportunities for better return to the shareholders of the Company.

I would like to thank the management team and employees for their commitment, energy and hard work, and express my sincere gratitude to our customers, shareholders and suppliers for their support.

Dr. Cheng Kar Shun
Chairman

Hong Kong, 20 June 2011

Management Discussion And Analysis

FINANCIAL REVIEW

The Group's revenue from continuing operations for the year ended 31 March 2011 was approximately HK$409.7 million, representing a decrease of approximately 3.6%, as compared with approximately HK$425.2 million in the last year. 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 year. The Group reported a gross profit from continuing operations of approximately HK$201.7 million for the year under review, representing an increase of approximately 1.5%, as compared with approximately HK$198.8 million in the last year. The increase in gross profit from continuing operations was mainly due to the increase in contribution from the hotel operations during the year.

Other income from continuing operations for the year ended 31 March 2011 was approximately HK$30.3 million, representing a decrease of approximately 21.4%, as compared with approximately HK$38.5 million in the last year. The decrease was mainly due to the decrease in interest income during the year.

The Group recorded a loss of approximately HK$3.2 million on change in fair value of financial assets at fair value through profit or loss for the year ended 31 March 2011.

Other gain and loss from continuing operations represented the net foreign exchange gain or loss recognised during the year under review. The Group recorded a net foreign exchange gain of approximately HK$4.0 million for the year ended 31 March 2011, while it was a net foreign exchange loss of approximately HK$26.2 million for the last year.

Selling and distribution costs, and general and administrative expenses from continuing operations increased by approximately 9.6% to approximately HK$130.4 million for the year ended 31 March 2011 from approximately HK$119.0 million in the last year.

The Group recorded a gain of approximately HK$60.0 million on change in fair value of conversion option derivative for the year ended 31 March 2011, representing an increase of approximately 650.0%, as compared with approximately HK$8.0 million in the last year.

Share of profit from an associated company for the year ended 31 March 2011 was approximately HK$21.3 million, representing a decrease of approximately 91.4%, as compared with approximately HK$248.2 million in the last year. The share of profit from an associated company recognised for the year was mainly due to the contributions from the hotel and entertainment operations, while the profit for the last year was mainly contributed from the recognition of sale of residential units.

The Group recorded a gain of approximately HK$657.9 million on disposal of a subsidiary for the year ended 31 March 2011. It was derived from the disposal of Fortune Gate Overseas Limited ("Fortune Gate"), which held 40% equity interest in Arc of Triumph Development Company Limited ("ATD"). The disposal was completed in November 2010.

Finance costs from continuing operations represented the effective interest expenses on the convertible note issued in October 2007. The Group recognised the finance costs of approximately HK$25.0 million for the year ended 31 March 2011, representing a decrease of approximately 44.3%, as compared with approximately HK$44.8 million in the last year. The convertible note was fully repaid in October 2010.

The Group recorded a profit from continuing operations for the year ended 31 March 2011, amounted to approximately HK$816.0 million, representing an increase of approximately 168.4%, as compared with approximately HK$304.1 million in the last year. The increase in profit from continuing operations was mainly due to the net effect of a significant gain on disposal of a subsidiary recognised for the year ended 31 March 2011, the increase in the gain on change in fair value of conversion option derivative, and the significant decrease in share of profit from an associated company as compared to the year ended 31 March 2010.

The profit from discontinued operations for the year ended 31 March 2010, including the entertainment business only, was approximately HK$38.0 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 year ended 31 March 2011 was approximately HK$275.2 million, representing a decrease of approximately 8.3%, as compared with approximately HK$300.3 million in the last year. It contributed approximately 67.2% of the Group's total revenue from continuing operations during the year under review. In the last year, it contributed approximately 70.6% of 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 year ended 31 March 2011 was approximately HK$134.5 million, representing an increase of approximately 7.6%, as compared with approximately HK$124.9 million in the last year. The increase was mainly due to the increase in average room rate and the occupancy rate during the year.

FUTURE OUTLOOK

Following the disposal of the entire equity interest of Fortune Gate, which held 40% equity interest in ATD, the Group will focus on its existing hotel operations and the leasing of properties for casino and ancillary leisure and entertainment operations in the Philippines, and will also strive to seek other business opportunities for better return to the shareholders of the Company. In addition, the directors of the Company (the "Directors") will continue to review of 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 31 March 2011, the Group's net current assets amounted to approximately HK$1,839.9 million (as at 31 March 2010: approximately HK$756.8 million). Current assets amounted to approximately HK$2,268.5 million (as at 31 March 2010: approximately HK$1,435.0 million), of which approximately HK$2,182.2 million (as at 31 March 2010: approximately HK$1,279.1 million) was cash and bank deposits, approximately HK$39.9 million (as at 31 March 2010: approximately HK$33.2 million) was trade receivables, approximately HK$28.3 million (as at 31 March 2010: approximately HK$23.7 million) was other receivables, deposits and prepayments, approximately HK$2.6 million (as at 31 March 2010: approximately HK$3.0 million) was inventories, and approximately HK$15.5 million was held-to-maturity investments (as at 31 March 2010: approximately HK$15.4 million which was classified as non-current assets).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE *(Continued)*

The Group had current liabilities amounted to approximately HK$428.6 million (as at 31 March 2010: approximately HK$678.1 million), of which approximately HK$7.0 million (as at 31 March 2010: approximately HK$5.3 million) was trade payables, approximately HK$288.6 million (as at 31 March 2010: approximately HK$27.6 million) was other payables and accrued charges, and approximately HK$132.0 million (as at 31 March 2010: approximately HK$205.2 million) was the amounts owing under the promissory notes. Since the convertible note was fully repaid during the year, both the fair value of the conversion option derivative and carrying value of the convertible note became nil as at 31 March 2011 (as at 31 March 2010: approximately HK$60.0 million and approximately HK$379.0 million respectively).

The promissory notes amounted to approximately HK$132.0 million (as at 31 March 2010: approximately HK$205.2 million) were denominated in Hong Kong Dollar. The amounts were unsecured, interest-free and repayable on demand. During the year ended 31 March 2011, the Group has settled part of the amounts owing under the promissory notes.

The convertible note was issued by the Company in October 2007, due in three years, which borne interest at the rate of 1% per annum, 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 had diluting effects on the issued share capital of the Company. The principal amount of the convertible note outstanding as at 31 March 2010 was HK$400,000,000. 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 3.3% as at 31 March 2011, compared to approximately 14.9% as at 31 March 2010.

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

CHARGES ON GROUP ASSETS

As at 31 March 2011 and 31 March 2010, the Group did not have any charges on the Group's assets.

MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

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 the entire issued share capital of Fortune Gate (the "Sale Share") and to accept the assignment of the entire amount of the interest–free shareholder's loan owing from Fortune Gate to the Company as at the completion of the Agreement (the "Sale Loan"). Pursuant to the Agreement, Fortune Gate had to undergo a reorganisation so that immediately prior to completion of the Agreement, Fortune Gate would only have the investment in ATD and the amount due from ATD and had no other liability except the Sale Loan.

On 5 November 2010, the Agreement was completed whereupon Fortune Gate ceased to be a wholly-owned subsidiary of the Company and the Group ceased to have any control on Fortune Gate anymore. Details of the disposal have been 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, which would have been required to be disclosed under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), for the year ended 31 March 2011.

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 (the "Shareholders").

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

As at 31 March 2011, the Group's assets and liabilities were mainly denominated in Hong Kong Dollar, United States Dollar and Philippine Peso. The Group primarily earns its revenue and income in Hong Kong Dollar, United States Dollar and Philippine Peso while the Group primarily incurs costs and expenses mainly in Hong Kong Dollar and Philippine Peso. The Group has not implemented any formal hedging policy. However, the management would monitor foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

CONTINGENT LIABILITIES

As at 31 March 2011 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 31 March 2011 (as at 31 March 2010: 337). The staff costs for the year ended 31 March 2011 was approximately HK$50.0 million (for the year ended 31 March 2010: approximately HK$57.0 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, employee benefits included medical scheme, insurance and retirement benefits schemes.

Board of Directors and Senior Management

EXECUTIVE DIRECTORS

Dr. Cheng Kar Shun, aged 64, was appointed as an executive Director in July 2004 and became the chairman of the Company in November 2004. Dr. Cheng is the managing director of New World Development Company Limited (stock code: 17), the chairman and managing director of New World China Land Limited (stock code: 917), the chairman and executive director of NWS Holdings Limited (stock code: 659), the chairman and non-executive director of New World Department Store China Limited (stock code: 825) and an independent non-executive director of HKR International Limited (stock code: 480) and a non-executive director of Lifestyle International Holdings Limited (stock code: 1212), all of which are companies whose issued shares are listed on the Stock Exchange. He is also a director of Cheng Yu Tung Family (Holdings) Limited, Centennial Success Limited, Chow Tai Fook Enterprises Limited and Mediastar International Limited, which are the substantial shareholders of the Company. He is also a director of various subsidiaries of the Company. Dr. Cheng holds an honorary doctorate degree of law from The University of Western Ontario and an honorary doctorate degree of business administration in hospitality management from Johnson & Wales University. Dr. Cheng is the chairman of the Advisory Council for The Better Hong Kong Foundation and a Standing Committee Member of the Eleventh Chinese People's Political Consultative Conference of the People's Republic of China. In 2001, he was awarded the Gold Bauhinia Star by the Government of Hong Kong.

Dr. Cheng previously held directorship as the chairman and executive director of Haitong International Securities Group Limited (formerly known as Taifook Securities Group Limited) (stock code: 665), a company whose issued shares are listed on the Stock Exchange (resigned on 13 January 2010).

Save as disclosed above, Dr. Cheng did not hold any directorship in other public companies whose securities are listed on any securities market in Hong Kong or overseas during the preceding three years.

Dr. Cheng is the cousin of Mr. Cheng Kam Chiu, Stewart and Mr. Cheng Kam Biu, Wilson, who are the executive Directors, the father of Mr. Cheng Chi Kong, an executive Director, and the uncle of Mr. Cheng Chi Him, an executive Director.

Mr. Lo Lin Shing, Simon, aged 55, joined the Company as a non-executive Director in May 2001 and was re-designated as an executive Director in September 2004. He was appointed as the deputy chairman of the Company in January 2008. Mr. Lo possesses over 20 years of experience in the financial, securities and futures industries, including many trans-border transactions. Mr. Lo holds a Bachelor of Business Administration degree. Mr. Lo is the chairman and executive director of Mongolia Energy Corporation Limited (stock code: 276) and Vision Values Holdings Limited (stock code: 862), all of which are companies whose issued shares are listed on the Stock Exchange. He is also a director of various subsidiaries of the Company.

Mr. Lo previously held directorship as the deputy chairman and executive director of Haitong International Securities Group Limited (formerly known as Taifook Securities Group Limited) (stock code: 665), a company whose issued shares are listed on the Stock Exchange (resigned with effect from 1 July 2009).

Save as disclosed above, Mr. Lo did not hold any directorship in other public companies whose securities are listed on any securities market in Hong Kong or overseas during the preceding three years.

EXECUTIVE DIRECTORS *(Continued)*

Mr. To Hin Tsun, Gerald, aged 62, was appointed as an executive Director in June 2006 and as the compliance officer of the Company in January 2008 respectively. Mr. To has been a practising solicitor in Hong Kong since 1975. He is also qualified as a solicitor in the United Kingdom, as well as an advocate and solicitor in Singapore. Mr. To is also a non-executive director of Mongolia Energy Corporation Limited (stock code: 276) and NWS Holdings Limited (stock code: 659), all of which are companies whose issued shares are listed on the Stock Exchange. He is also a director of various subsidiaries of the Company.

Mr. To previously held directorship as a non-executive director of Haitong International Securities Group Limited (formerly known as Taifook Securities Group Limited) (stock code: 665), a company whose issued shares are listed on the Stock Exchange (resigned on 13 January 2010).

Save as disclosed above, Mr. To did not hold any directorship in other public companies whose securities are listed on any securities market in Hong Kong or overseas during the preceding three years.

Mr. Cheng Kam Chiu, Stewart, aged 56, was appointed as an executive Director in January 2008 and is the authorised representative of the Company. Mr. Cheng holds a Bachelor's Degree in Civil and Environmental Engineering from the University of Wisconsin-Madison; a Master's Degree in Civil Engineering from the University of California, Berkeley, the United States of America; and a degree in Master of Business Administration from the Chinese University of Hong Kong. Being a member of the Hong Kong Institution of Engineers, Mr. Cheng is a professional engineer with extensive experience in property development and construction management. Mr. Cheng is a Member of the Shunde District, Foshan City Committee of the Chinese People's Political Consultative Conference since November 2006.

Mr. Cheng joined Hip Hing Construction Company Limited in 1984 as project manager and had subsequently become a director. From 1993 to 1997, Mr. Cheng was transferred to New World Development (China) Limited as director and assistant general manager, overseeing property development in the People's Republic of China (the "PRC"). He worked for the NWS Holdings Limited and its subsidiaries from 1997 to 2006. Mr. Cheng is now the managing director of Cheung Hung Development (Holdings) Limited, working in property development in both Hong Kong and the PRC. Mr. Cheng is also the chairman and executive director of New Times Energy Corporation Limited (stock code: 166), a company whose issued shares are listed on the Stock Exchange.

Mr. Cheng previously held directorship as an executive director of Grand T G Gold Holdings Limited (stock code: 8299), a company whose issued shares are listed on the Stock Exchange (resigned with effect from 15 May 2009).

Save as disclosed above, Mr. Cheng did not hold any directorship in other public companies whose securities are listed on any securities market in Hong Kong or overseas during the preceding three years.

Mr. Cheng is the cousin of Dr. Cheng Kar Shun, an executive Director, the brother of Mr. Cheng Kam Biu, Wilson, an executive Director, and the uncle of Mr. Cheng Chi Kong and Mr. Cheng Chi Him, who are the executive Directors.

EXECUTIVE DIRECTORS *(Continued)*

Mr. Cheng Kam Biu, Wilson, aged 52, was appointed as an executive Director in January 2008. He graduated from the University of Hawaii, Honolulu with a Bachelor of Arts degree in Economics. He has over 25 years of experience in administration and finance of jewellery retail business. He is also a director of Chow Tai Fook Enterprises Limited and Mediastar International Limited, which are the substantial shareholders of the Company.

Mr. Cheng did not hold any directorship in other public companies whose securities are listed on any securities market in Hong Kong or overseas during the preceding three years.

Mr. Cheng is the cousin of Dr. Cheng Kar Shun, an executive Director, the brother of Mr. Cheng Kam Chiu, Stewart, an executive Director, and the uncle of Mr. Cheng Chi Kong and Mr. Cheng Chi Him, who are the executive Directors.

Mr. Cheng Chi Kong, aged 31, was appointed as an executive Director in January 2008. He is an executive director of New World Development Company Limited (stock code: 17), New World China Land Limited (stock code: 917) and New World Department Store China Limited (stock code: 825), all of which are companies whose issued shares are listed on the Stock Exchange. He is also a director of Centennial Success Limited and Chow Tai Fook Enterprises Limited, which are the substantial shareholders of the Company. Mr. Cheng has worked in a major international bank prior to joining the New World Group in September 2006 and has substantial experience in corporate finance. Mr. Cheng holds a Bachelor of Arts Degree (cum laude) from Harvard University. He is the Vice-chairman of All-China Youth Federation, a Member of the Tianjin Municipal Committee of The Chinese People's Political Consultative Conference, a Consultant of the Beijing Municipal Committee of The Chinese People's Political Consultative Conference, the Chairman of China Young Leaders Foundation and the Honorary Chairman of Fundraising Committee, Wu Zhi Qiao (Bridge to China) Charitable Foundation.

Save as disclosed above, Mr. Cheng did not hold any directorship in other public companies whose securities are listed on any securities market in Hong Kong or overseas during the preceding three years.

Mr. Cheng is the son of Dr. Cheng Kar Shun, an executive Director, the nephew of Mr. Cheng Kam Chiu, Stewart and Mr. Cheng Kam Biu, Wilson, who are the executive Directors, and the cousin of Mr. Cheng Chi Him, an executive Director.

Mr. Cheng Chi Him, aged 32, was appointed as an executive Director in January 2008. Mr. Cheng is an executive director of New World China Land Limited (stock code: 917), a company whose issued shares are listed on the Stock Exchange. He graduated from University of Toronto in Canada with a Bachelor of Arts degree in Statistics.

Mr. Cheng previously held directorship as an executive director of New Times Energy Corporation Limited (stock code: 166), a company whose issued shares are listed on the Stock Exchange (resigned with effect from 19 October 2009).

Save as disclosed above, Mr. Cheng did not hold any directorship in other public companies whose securities are listed on any securities market in Hong Kong or overseas during the preceding three years.

Mr. Cheng is the nephew of Dr. Cheng Kar Shun, Mr. Cheng Kam Chiu, Stewart and Mr. Cheng Kam Biu, Wilson, who are the executive Directors, and the cousin of Mr. Cheng Chi Kong, an executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Hon Kit, aged 57, joined the Company as an independent non-executive Director in May 2001. He is also a member of the audit committee and the remuneration committee of the Company. Mr. Cheung has over 30 years of experience in real estate development, property investment and corporate finance. He has worked in key executive positions in various leading property development companies in Hong Kong. Mr. Cheung graduated from the University of London with a Bachelor of Arts degree. Currently, Mr. Cheung is the chairman and executive director of ITC Properties Group Limited (stock code: 199) and Rosedale Hotel Holdings Limited (stock code: 1189), an executive director of ITC Corporation Limited (stock code: 372) and an independent non-executive director of Future Bright Holdings Limited (stock code: 703), all of which are companies whose issued shares are listed on the Stock Exchange.

Save as disclosed above, Mr. Cheung did not hold any directorship in other public companies whose securities are listed on any securities market in Hong Kong or overseas during the preceding three years.

Mr. Kwee Chong Kok, Michael, aged 64, was appointed as an independent non-executive Director in September 2004. He is also a member of the remuneration committee of the Company. Mr. Kwee graduated with a Bachelor's Degree in Economics from Le Moyne College, Syracuse, New York, a Master's Degree in Science from American Gradate School of International Management in Phoenix, Arizona and completed a Programme for Management Development at the Harvard Business School, all in the United States of America. Mr. Kwee is the chairman and chief executive officer of PAMA Group Inc. He is also the chairman and independent non-executive director of Frasers Property (China) Limited (stock code: 535), a company whose issued shares are listed on the Stock Exchange. He served as a member of the Hong Kong Advisory Committee on Legal Education and Hong Kong Financial Secretary's Economic Advisory Committee from 1995 and 2004.

Mr. Kwee previously held directorship as an independent non-executive director of Loudong General Nice Resources (China) Holdings Limited (stock code: 988), a company whose issued shares are listed on the Stock Exchange (resigned on 30 December 2008).

Save as disclosed above, Mr. Kwee did not hold any directorship in other public companies whose securities are listed on any securities market in Hong Kong or overseas during the preceding three years.

Mr. Lau Wai Piu, aged 47, joined the Company as an independent non-executive Director in July 2008. He is also a member of the audit committee and the remuneration committee of the Company. Mr. Lau possesses over 20 years of extensive experience in accounting and financial management. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. He is also an independent non-executive director of Mongolia Energy Corporation Limited (stock code: 276), Haitong International Securities Group Limited (formerly known as Taifook Securities Group Limited) (stock code: 665) and Vision Values Holdings Limited (stock code: 862), all of which are companies whose issued shares are listed on the Stock Exchange.

Save as disclosed above, Mr. Lau did not hold any directorship in other public companies whose securities are listed on any securities market in Hong Kong or overseas during the preceding three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Tsui Hing Chuen, William *JP*, aged 59, joined the Company as an independent non-executive Director in July 2008. He is also a member of the audit committee and the remuneration committee of the Company. Mr. Tsui is the founding partner of Messrs. Lo, Wong & Tsui, Solicitors & Notaries since 1980. He has been a solicitor of the High Court of Hong Kong since 1977, a solicitor of the Supreme Court of England & Wales since 1980 as well as a barrister and solicitor of the Supreme Court of Victoria, Australia since 1983. He has also been an advocate and solicitor of the Supreme Court of Republic of Singapore since 1985 and a notary public appointed by the Archbishop of Canterbury, England since 1988. Mr. Tsui was appointed as a Justice of the Peace by the Government of Hong Kong in 1997. He is currently an independent non-executive director of Mongolia Energy Corporation Limited (stock code: 276), Haitong International Securities Group Limited (formerly known as Taifook Securities Group Limited) (stock code: 665) and Vision Values Holdings Limited (stock code: 862), all of which are companies whose issued shares are listed on the Stock Exchange.

Save as disclosed above, Mr. Tsui did not hold any directorship in other public companies whose securities are listed on any securities market in Hong Kong or overseas during the preceding three years.

SENIOR MANAGEMENT

Mr. Tse Cho Tseung, aged 57, joined the Group as Chief Operating Officer in November 2005. Mr. Tse is responsible for overall general operation of the Group. He holds a Diploma in Accounting from The Hong Kong Baptist University and has over 29 years of experience in accounting and finance, construction, property development and investment, and trading business.

Mr. Kwok Chi Kin, aged 34, joined the Group as Chief Financial Officer and was appointed as Qualified Accountant and Company Secretary in May 2004. He is responsible for the financial and company secretarial matters of the Group. Mr. Kwok holds a Degree of Bachelor of Business Administration in Finance from Hong Kong University of Science and Technology. He is a Certified Public Accountant of Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. He has over 10 years of auditing experience and accounting experience in listed companies in Hong Kong.

Report of the Directors

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2011.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 39 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2011 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 29 to 30.

An interim dividend of HK$0.50 (2010: nil) per share amounting to approximately HK$589,579,000 was paid to the Shareholders on 17 January 2011. The Board proposes the payment of a final dividend of HK$0.14 (2010: nil) per share and a special dividend of HK$0.61 (2010: nil) per share amounting to approximately HK$884,368,000, such payment of dividends will be subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company to be held on Monday, 22 August 2011 and are payable to the Shareholders whose names appear on the register of members of the Company at the close of business on 30 August 2011.

Subject to the approval by the Shareholders, the final dividend and the special dividend will be paid on or about 9 September 2011.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate percentage of sales attributable to the Group's largest customer and five largest customers accounted for approximately 68% and 72% respectively of the Group's total revenue for the year.

The aggregate percentage of purchases attributable to the Group's largest suppliers and five largest suppliers accounted for approximately 11% and 32% respectively of the Group's total purchases for the year.

At no time during the year did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has an interest in any of the Group's five largest suppliers or customers.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 95.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 17 and 18 respectively to the consolidated financial statements.

PRINCIPAL PROPERTIES OWNED BY THE GROUP

Details of the principal properties of the Group are set out on page 96.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 32 to the consolidated financial statements.

CONVERTIBLE NOTE

Details of the movements in the convertible note of the Company during the year are set out in note 31 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 33.

The reserves of the Company available for distribution will arise mainly from funds available from the share premium account and retained profits of the Company.

Under the Companies Law (as amended) of the Cayman Islands, the share premium account of a company, subject to its memorandum and articles of association, may be applied towards the payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the company is able to pay its debts as they fall due in the ordinary course of business.

In the opinion of the Directors, the reserves of the Company available for distribution to the Shareholders at 31 March 2011 were approximately HK$1,012,181,000 (2010: HK$370,003,000).

DIRECTORS

The Directors during the year and up to the date of this report are:

Executive Directors

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
Mr. Cheng Chi Him

Independent non-executive Directors

Mr. Cheung Hon Kit
Mr. Kwee Chong Kok, Michael
Mr. Lau Wai Piu
Mr. Tsui Hing Chuen, William *JP*

In accordance with article 87A of the Company's articles of association and the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules, Mr. Lo Lin Shing, Simon, Mr. Cheung Hon Kit, Mr. Lau Wai Piu and Mr. Tsui Hing Chuen, William *JP* shall retire from office at the forthcoming annual general meeting of the Company (the "AGM") by rotation. All retiring directors, being eligible, offer themselves for re-election at the AGM.

The terms of office of non-executive directors (including the independent non-executive directors) should be subject to retirement by rotation in accordance with the Company's articles of association and the Listing Rules.

No director proposed for re-election at the AGM has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of Mr. Cheung Hon Kit, Mr. Kwee Chong Kok, Michael, Mr. Lau Wai Piu and Mr. Tsui Hing Chuen, William *JP* an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all the independent non-executive Directors are independent.

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 31 March 2011, 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 (the "SFO"), Chapter 571 of the Laws of Hong Kong), 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 adopted by the Company, 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			Approximate percentage of the issued share capital of the Company
	Personal interest	Corporate interest	Total	
Mr. Lo Lin Shing, Simon	–	364,800 *(Note)*	364,800	0.03%

Note: These shares are 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			Approximate percentage of shareholding
	Personal interest	Corporate interest	Total	
Mr. To Hin Tsun, Gerald	–	11 *(Note)*	11	11%

Note: Ten shares are held by Up-Market Franchise Ltd., and one share is held by Pure Plum Ltd.. Up-Market Franchise Ltd. and Pure Plum Ltd. are 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 31 March 2011, so far as is known to the Directors or chief executives of the Company, the Company has 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	Approximate percentage of the issued share capital of the Company
Mediastar International Limited ("Mediastar")	Beneficial owner	881,773,550	74.78%
Chow Tai Fook Enterprises Limited ("CTF")	Interest of a controlled corporation	881,773,550 *(Note 1)*	74.78%
Centennial Success Limited	Interest of a controlled corporation	881,773,550 *(Notes 1, 2)*	74.78%
Cheng Yu Tung Family (Holdings) Limited	Interest of a controlled corporation	881,773,550 *(Notes 1, 3)*	74.78%

Notes:

(1) Mediastar is 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) CTF is 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, under the SFO.

(3) Cheng Yu Tung Family (Holdings) Limited is 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, under the SFO.

SHARE OPTIONS

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

Upon the transfer of listing of the shares of the Company from the Growth Enterprise Market of the Stock Exchange 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 have 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 31 March 2011.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in the sections headed “Convertible Note” and “Share Options” above, at no time during the year was the Company, its ultimate holding company, any subsidiaries of its ultimate holding company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS’ INTERESTS IN CONTRACTS

Other than as disclosed in note 38 to the consolidated financial statements and the section headed “Connected Transactions” below, no contracts of significance, to which the Company, its ultimate holding company, any subsidiaries of its ultimate holding company or any of its subsidiaries, was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

COMPETING BUSINESS

Competing business

The following Directors/controlling Shareholders 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	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
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 1 and 3)*
Mr. Cheng Chi Kong	NWD and its subsidiaries	Investment in hotel property in Makati, Manila, the Philippines	executive director and optionholder *(Notes 2 and 3)*
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 3)*

Notes:

(1) As at 31 March 2011, Dr. Cheng Kar Shun was personally interested in 36,711,738 share options and his spouse was personally interested in 300,000 shares of NWD respectively, together representing approximately 0.93% of the issued share capital of NWD.

(2) As at 31 March 2011, Mr. Cheng Chi Kong was personally interested in 502,899 share options of NWD, representing approximately 0.01% of the issued share capital of NWD.

(3) As at 31 March 2011, CTF through its associates was effectively interested in approximately 25.9% of the Makati Hotel.

COMPETING BUSINESS *(Continued)*

Potential competition

Fortune Holiday Limited ("Fortune"), which is indirectly owned as to 73% by CTF, 11% by Mr. To Hin Tsun, Gerald and a non-member of the Group, entered into agreements with Philippine Amusement and Gaming Corporation ("PAGCOR") in June 2002 pursuant to which Fortune, subject to fulfillment of certain conditions precedent, is 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 is 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 is 50 years and Fortune has also been given, *inter alia*, the option to renew the lease for another 25 years.

Fortune has 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 is no competing business exists between Fortune and the Group.

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

CONNECTED TRANSACTIONS

The Group has the following continuing connected transactions during the year ended 31 March 2011:

(1) On 3 November 2009, Future Growth Limited ("Future Growth"), a wholly-owned subsidiary of the Company, entered into an offer letter with New World Tower Company Limited ("NWT"), an associate of a substantial Shareholder to renew the lease of office premises at Rooms 1207 – 8, 12th Floor, New World Tower, Nos. 16 – 18 Queen's Road Central, Hong Kong with gross floor area of approximately 1,800 square feet for three years commencing from 15 November 2009 to 14 November 2012 (both dates inclusive) at a monthly rental of HK$77,400 together with monthly air-conditioning charges and management charges of HK$8,100 (subject to adjustment by NWT or the management company of the building).

(2) On 27 January 2010, Future Growth entered into an offer letter with NWT for the lease of office premises at Rooms 1507 – 8, 15th Floor, New World Tower, Nos. 16 – 18 Queen's Road Central, Hong Kong with gross floor area of approximately 1,750 square feet for two years commencing from 1 May 2010 to 30 April 2012 (both dates inclusive) at a monthly rental of HK$75,250 together with monthly air-conditioning charges and management charges of HK$7,875 (subject to adjustment by NWT or the management company of the building).

During the year ended 31 March 2011, the total amount of rental, air-conditioning and management charges in respect of the leases of the aforesaid premises paid and payable by the Group to NWT was approximately HK$1,894,000. Details of the leases of the aforesaid premises have been set out in the announcements of the Company dated 3 November 2009 and 27 January 2010.

CONNECTED TRANSACTIONS *(Continued)*

The independent non-executive Directors confirm that the continuing connected transactions have been entered into by the Group in the ordinary course of its business, on normal commercial terms and in accordance with the terms of the relevant agreements governing such transactions that are fair and reasonable and in the interests of the Shareholders as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the Board engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued its unqualified letter containing its findings and conclusions in respect of the Group's continuing connected transactions as disclosed above in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided to the Stock Exchange.

Save as disclosed above, certain connected transactions entered by the Group during the year are disclosed as related party transactions in note 38 to the consolidated financial statements. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules with respect to the connected transactions.

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

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

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on information available to the Company and within the knowledge of the Directors, the percentage of the Company's shares which are in hands of the public exceeds 25.0% of the Company's total number of issued shares.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

AUDITOR

A resolution will be submitted at the AGM to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Dr. Cheng Kar Shun
Chairman

Hong Kong, 20 June 2011

Corporate Governance Report

The Company is committed to high standards of corporate governance and has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules. This report summarizes the Group's corporate governance practices and explains deviations, if any, from the Code.

BOARD OF DIRECTORS

The principal duty of the Board is to ensure that the Company is properly managed in the interest of the Shareholders.

The Chairman is responsible for the management of the Board. The Company does not have Chief Executive Officer. The Board is primarily responsible for the overall management of the Company and oversight of the management. Management is responsible for the day-to-day operations of the Company.

As at 31 March 2011, the Board comprised eleven Directors, of whom seven are executive Directors and four are independent non-executive Directors. Biographical details of the Directors are set out on pages 9 to 13.

The Board held seven meetings during the year ended 31 March 2011. The attendance records of each Director are set out below:

Directors	**Attendance**
Executive Directors	
Dr. Cheng Kar Shun *(Chairman)*	5/7
Mr. Lo Lin Shing, Simon *(Deputy Chairman)*	2/7
Mr. To Hin Tsun, Gerald	7/7
Mr. Cheng Kam Chiu, Stewart	7/7
Mr. Cheng Kam Biu, Wilson	7/7
Mr. Cheng Chi Kong	1/7
Mr. Cheng Chi Him	6/7
Independent non-executive Directors	
Mr. Cheung Hon Kit	7/7
Mr. Kwee Chong Kok, Michael	5/7
Mr. Lau Wai Piu	6/7
Mr. Tsui Hing Chuen, William *JP*	7/7

The Directors (including the non-executive Directors) are subject to retirement by rotation and re-election at annual general meeting in accordance with the articles of association of the Company and the Listing Rules. This means a Director's term of office cannot exceed three years and the retiring Directors shall be eligible for re-election at the annual general meeting of the Company.

CORPORATE GOVERNANCE

During the year, the Company was in compliance with the Code, 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 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 annual general meeting and responded to the questions of the Shareholders. The management 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 enquiry 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 2011.

REMUNERATION OF DIRECTORS

The Board has established a remuneration committee (the "Remuneration Committee") which comprises all four independent non-executive Directors, Mr. Lau Wai Piu, Mr. Cheung Hon Kit, Mr. Kwee Chong Kok, Michael and Mr. Tsui Hing Chuen, William *JP*. The primary duties of the Remuneration Committee are, *inter alia*, to make recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management of the Group and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

The remuneration of the Directors and senior management of the Group is based on the performance and experience of individuals and is determined with reference to the Group's performance, the remuneration benchmark in the industry and the prevailing market conditions. The Remuneration Committee held one meeting during the year ended 31 March 2011. The attendance records of the members of the Remuneration Committee are set out below:

Committee members	**Attendance**
Mr. Lau Wai Piu *(Chairman)*	1/1
Mr. Cheung Hon Kit	1/1
Mr. Kwee Chong Kok, Michael	1/1
Mr. Tsui Hing Chuen, William *JP*	1/1

NOMINATION OF DIRECTORS

The Board has the power under the articles of association of the Company to appoint any person as a director either to fill a casual vacancy on the Board, or as an additional member to the Board.

AUDITOR'S REMUNERATION

For the year ended 31 March 2011, approximately HK$1,580,000 (2010: HK$2,050,000) was charged to the Group's income statement for the audit service provided by the auditor of the Company. During the year, the auditor of the Company has performed the following non-audit services.

Description of service performed	**Fees paid**
	HK$'000
Assurance engagement on continuing connected transactions	35
Tax consultancy services	53
Preparation of the accountants' report for the disposal of a subsidiary of the Company, review of sufficiency of working capital, pro forma financial information and statement of indebtedness	560
Preparation of independent auditor's report for the consolidated financial statements of Arc of Triumph Development Company Limited	410
Review of sufficiency of working capital for the transfer of listing of the Company's shares to the Main Board of the Stock Exchange	180
	1,238

Note: The auditor of the Company has been appointed as the tax representative of the Company and its certain subsidiaries and the services fee is subject to negotiation.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") in July 2000. The Audit Committee, comprises 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.

During the year, the Audit Committee held three meetings to review the financial reporting process, internal controls of the Group, the Company's reports and accounts including the quarterly, interim and annual results of the Group, and provided advice and recommendations to the Board. The Audit Committee also met with the management and the external auditors once to discuss the financial reporting process and internal controls of the Group during the year and has reviewed the annual report for the year ended 31 March 2011.

The attendance records of the members of Audit Committee are set out below:

Committee members	Attendance
Mr. Cheung Hon Kit *(Chairman)*	3/3
Mr. Lau Wai Piu	3/3
Mr. Tsui Hing Chuen, William *JP*	3/3

INTERNAL CONTROL

The Board conducted the review of the effectiveness of the internal control systems of the Group through the Audit Committee during the year under review. The review covered the controls over the financial, operational and compliance matters of the Group. The Board considered that the existing internal control systems of the Group are effective.

The Board also reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget. The Board satisfied with the resources, qualifications and experience of the personnel who are responsible for the accounting and financial reporting matters of the Company and considered that their training programmes and the budget are adequate.

FINANCIAL REPORTING

The Board acknowledges its responsibility for preparing the consolidated financial statements of the Group for the year ended 31 March 2011. The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include the applicable disclosures required by the Listing Rules and the Hong Kong Companies Ordinance.

The auditor of the Company also sets out their reporting responsibilities on the Independent Auditor's Report on pages 27 to 28 of this report.

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF
INTERNATIONAL ENTERTAINMENT CORPORATION
國際娛樂有限公司
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of International Entertainment Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 94, which comprise the consolidated statement of financial position as at 31 March 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

20 June 2011

Consolidated Income Statement

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Continuing operations			
Revenue	7	**409,684**	425,169
Cost of sales		**(208,030)**	(226,413)
Gross profit		**201,654**	198,756
Other income	9	**30,285**	38,512
Other gain and loss		**4,002**	(26,219)
Change in fair value of conversion option derivative		**60,000**	8,000
Change in fair value of financial assets at fair value through profit or loss		**(3,171)**	–
Gain on disposal of a subsidiary	37(a)	**657,873**	–
Selling and distribution costs		**(5,366)**	(4,628)
General and administrative expenses		**(125,033)**	(114,388)
Share of profit of an associate	19	**21,272**	248,221
Finance costs	10	**(24,957)**	(44,825)
Profit before taxation	11	**816,559**	303,429
Income tax (charge) credit	13	**(510)**	661
Profit for the year from continuing operations		**816,049**	304,090
Discontinued operations			
Profit for the year from discontinued operations	14	**–**	37,992
Profit for the year		**816,049**	342,082
Profit for the year attributable to:			
Owners of the Company			
– profit for the year from continuing operations		**762,197**	237,668
– profit for the year from discontinued operations		**–**	37,992
Profit for the year attributable to owners of the Company		**762,197**	275,660
Non-controlling interests			
– profit for the year from continuing operations		**53,852**	66,422
– profit for the year from discontinued operations		**–**	–
Profit for the year attributable to non-controlling interests		**53,852**	66,422
		816,049	342,082
Earnings per share	16		
From continuing and discontinued operations			
Basic		**HK$0.65**	HK$0.23
Diluted		**HK$0.57**	HK$0.23
From continuing operations			
Basic		**HK$0.65**	HK$0.20
Diluted		**HK$0.57**	HK$0.20

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2011

	2011 HK$'000	2010 HK$'000
Profit for the year	**816,049**	342,082
Other comprehensive income and expenses		
Exchange differences arising on translation	**85,920**	155,989
Reclassification adjustment on exchange differences on deconsolidation of subsidiaries	**–**	(1,132)
Reclassification adjustment on exchange differences on disposal of a subsidiary	**(1,653)**	–
Reclassification adjustment upon disposal on available-for-sale financial assets	**(2,242)**	–
Fair value change in available-for-sale financial assets	**(2,371)**	5,142
Other comprehensive income for the year	**79,654**	159,999
Total comprehensive income for the year	**895,703**	502,081
Total comprehensive income attributable to:		
Owners of the Company	**804,021**	385,391
Non-controlling interests	**91,682**	116,690
	895,703	502,081

Consolidated Statement of Financial Position

At 31 March 2011

	Notes	**2011 HK$'000**	2010 HK$'000
Non-current assets			
Property, plant and equipment	*17*	**547,607**	541,067
Investment properties	*18*	**1,065,538**	1,133,308
Investment in an associate	*19*	**–**	789,547
Held-to-maturity investments	*20*	**–**	15,365
Financial assets at fair value through profit or loss	*23*	**95,339**	–
Other assets	*21*	**6,631**	6,401
		1,715,115	2,485,688
Current assets			
Inventories	*22*	**2,647**	3,001
Available-for-sale financial assets	*24*	**–**	8,093
Held-to-maturity investments	*20*	**15,485**	–
Trade receivables	*25*	**39,942**	33,218
Other receivables, deposits and prepayments	*25*	**28,289**	23,685
Amount due from an associate	*26*	**–**	87,907
Bank balances and cash	*27*	**2,182,155**	1,279,074
		2,268,518	1,434,978
Current liabilities			
Trade payables	*28*	**6,967**	5,304
Other payables and accrued charges	*28*	**288,624**	27,647
Tax liabilities		**1,000**	1,000
Promissory notes	*30*	**132,008**	205,185
Conversion option derivative	*31*	**–**	60,000
Convertible note	*31*	**–**	379,010
		428,599	678,146
Net current assets		**1,839,919**	756,832
Total assets less current liabilities		**3,555,034**	3,242,520

At 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Capital and reserves			
Share capital	32	**1,179,157**	1,179,157
Share premium and reserves		**1,409,126**	1,194,684
Equity attributable to owners of the Company		**2,588,283**	2,373,841
Non-controlling interests		**845,531**	753,849
Total equity		**3,433,814**	3,127,690
Non-current liabilities			
Deferred tax liabilities	29	**119,793**	113,801
Other liabilities		**1,427**	1,029
		121,220	114,830
		3,555,034	3,242,520

The consolidated financial statements on pages 29 to 94 were approved and authorised for issue by the Board of Directors on 20 June 2011 and are signed on its behalf by:

Dr. Cheng Kar Shun	**Mr. Lo Lin Shing, Simon**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 March 2011

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000 *(Note 1)*	Investment revaluation reserve HK$'000	Other reserve HK$'000 *(Note 2)*	Exchange reserve HK$'000	(Accumulated losses) retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'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 year	–	–	–	–	–	–	275,660	275,660	66,422	342,082
Fair value change in available-for-sale financial assets	–	–	–	5,142	–	–	–	5,142	–	5,142
Exchange differences arising on translation	–	–	–	–	–	105,721	–	105,721	50,268	155,989
Reclassification adjustment on exchange differences on deconsolidation of subsidiaries *(note 37(b))*	–	–	–	–	–	(1,132)	–	(1,132)	–	(1,132)
Total comprehensive income for the year	–	–	–	5,142	–	104,589	275,660	385,391	116,690	502,081
At 31 March 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 year	-	-	-	-	-	-	762,197	762,197	53,852	816,049
Reclassification adjustment upon disposal on available-for-sale financial assets	-	-	-	(2,242)	-	-	-	(2,242)	-	(2,242)
Fair value change in available-for-sale financial assets	-	-	-	(2,371)	-	-	-	(2,371)	-	(2,371)
Exchange differences arising on translation	-	-	-	-	-	48,090	-	48,090	37,830	85,920
Reclassification adjustment on exchange differences on disposal of a subsidiary *(note 37(a))*	-	-	-	-	-	(1,653)	-	(1,653)	-	(1,653)
Total comprehensive income and expense for the year	-	-	-	(4,613)	-	46,437	762,197	804,021	91,682	895,703
Dividends recognised as distribution *(note 15)*	-	-	-	-	-	-	(589,579)	(589,579)	-	(589,579)
At 31 March 2011	1,179,157	720,408	53,022	-	362,982	6,571	266,143	2,588,283	845,531	3,433,814

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 during the year ended 31 March 2008.*

Consolidated Statement of Cash Flows

For the year ended 31 March 2011

	Note	**2011** **HK$'000**	2010 HK$'000
OPERATING ACTIVITIES			
Profit for the year		**816,049**	342,082
Adjustments for:			
Interest income		**(23,703)**	(37,160)
Interest expense		**24,957**	44,825
Income tax charge (credit)		**510**	(661)
(Reversal of allowance) allowance for bad and doubtful debts for trade and other receivables		**(292)**	202
Change in fair value of conversion option derivative		**(60,000)**	(8,000)
Change in fair value of financial assets at fair value through profit or loss		**3,171**	–
Depreciation of property, plant and equipment		**55,139**	85,341
Depreciation of investment properties		**119,064**	112,060
Gain on disposal of a subsidiary		**(657,873)**	–
Gain on deconsolidation of subsidiaries	*14*	**–**	(49,458)
Gain on disposal of available-for-sale financial assets		**(2,242)**	–
Amortisation of film costs		**–**	8,121
Share of profit of an associate		**(21,272)**	(248,221)
Gain on disposal of property, plant and equipment		**(1)**	–
Dividend income from financial assets at fair value through profit or loss		**(780)**	–
Dividend income from available-for-sale financial assets		**(2,854)**	–
Operating cash flows before movements in working capital		**249,873**	249,131
(Increase) decrease in other assets		**(230)**	196
Increase in film costs		**–**	(1,791)
Decrease (increase) in inventories		**210**	(548)
Increase in trade receivables		**(8,027)**	(1,740)
Increase in other receivables, deposits and prepayments		**(2,382)**	(4,437)
Decrease in amount due from a related company		**–**	500
Increase in trade payables		**1,918**	2,839
Increase in other payables and accrued charges		**5,308**	5,661
Increase in other liabilities		**398**	314
NET CASH FROM OPERATING ACTIVITIES		**247,068**	250,125

For the year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
INVESTING ACTIVITIES			
Interest received		**20,141**	47,197
Dividends received from financial assets at fair value through profit or loss		**780**	–
Dividends received from available-for-sale financial assets		**64**	–
Disposal of a subsidiary/deconsolidation of subsidiaries	*37*	**1,811,943**	(11,031)
Proceeds on disposal of available-for-sale financial assets		**8,512**	–
Purchase of property, plant and equipment		**(39,272)**	(23,680)
Purchase of investment properties		**(401)**	(68)
Proceeds on disposal of property, plant and equipment		**3,006**	112
Purchase of held-to-maturity investments		**–**	(15,250)
Purchase of available-for-sale investments		**–**	(963)
Purchase of financial assets at fair value through profit or loss		**(98,510)**	–
Advance to an associate		**–**	(400,320)
Repayment from an associate		**–**	799,520
NET CASH FROM INVESTING ACTIVITIES		**1,706,263**	395,517
FINANCING ACTIVITIES			
Interest paid		**(3,967)**	(4,000)
Repayment of promissory notes		**(73,177)**	(88,408)
Repayment of convertible note		**(400,000)**	–
Dividends paid		**(589,579)**	–
NET CASH USED IN FINANCING ACTIVITIES		**(1,066,723)**	(92,408)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**886,608**	553,234
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**1,279,074**	704,644
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**16,473**	21,196
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**2,182,155**	1,279,074
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**2,182,155**	1,279,074

Notes to the Consolidated Financial Statements

1. GENERAL

The Company is a public listed company incorporated in the Cayman Islands. 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 Company transferred the listing of its shares from GEM to the Main Board of the Stock Exchange ("Main Board"). Dealings in the Company's shares on the Main Board commenced on 27 September 2010. 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 address of the registered office and the principal place of business of the Company in Hong Kong are disclosed in the "Corporate Information" section to the annual report.

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 are presented in Hong Kong dollars ("HK$") as the directors of the Company 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 Company is an investment holding company. Details of the principal activities of the principal subsidiaries are set out in note 39 to the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKAS 27 (as revised in 2008)	Consolidated and separate financial statements
HKAS 32 (Amendments)	Classification of rights issues
HKAS 39 (Amendment)	Eligible hedged items
HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (as revised in 2008)	Business combinations
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners
HK – INT 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

The Group applies HKFRS 3 (as revised in 2008) "Business combinations" prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (as revised in 2008) "Consolidated and separate financial statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010.

During the year ended 31 March 2011, the Group has disposed of its entire controlling interest in a subsidiary which was not impacted by HKAS 27 (as revised in 2008). The application of HKFRS 3 (as revised in 2008), HKAS 27 (as revised in 2008) and the consequential amendments to other HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (as revised in 2008), HKAS 27 (as revised in 2008) and the consequential amendments to the other HKFRSs are applicable.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

The application of the other new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements of the Group and/or disclosures set out in these consolidated financial statements.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets[2]
HKFRS 9	Financial instruments[3]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[4]
HKAS 24 (as revised in 2009)	Related party disclosures[5]
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a minimum funding requirement[5]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[6]

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 2011.*
3 *Effective for annual periods beginning on or after 1 January 2013.*
4 *Effective for annual periods beginning on or after 1 January 2012.*
5 *Effective for annual periods beginning on or after 1 January 2011.*
6 *Effective for annual periods beginning on or after 1 July 2010.*

HKFRS 9 "Financial instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

The directors of the Company anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the financial year ending 31 March 2014. Based on the Group's financial assets and liabilities as at 31 March 2011, the directors anticipate that the application of the new standard may affect the classification and measurement of the Group's financial assets at fair value through profit or loss.

The application of the other new and revised standards, amendments or interpretations issued but not yet effective is not expected to have material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 April 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 April 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests (measured based on either the fair value or the non-controlling interests share of recognised identifiable net assets on a transaction-by-transaction basis) are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Where the consideration the Group receives upon disposal of a subsidiary includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its fair value on disposal date and considered as part of the consideration received upon the disposal. Contingent consideration, that is a financial instrument and is within the scope of HKAS 39, is subsequently measured at fair value, changes in the fair value is recognised in profit or loss.

Changes in the Group's ownership interests in existing subsidiaries prior to 1 April 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests (measured based on the non-controlling interests, share of recognised identifiable net assets) was recognised in profit or loss.

Business combinations

Business combinations that took place prior to 1 April 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The minority interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Investment in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

The results and assets and liabilities of associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

From 1 April 2010 onwards, upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment in an associate *(Continued)*

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has been passed.

Service income is recognised when the services are rendered.

Hotel revenue from room rentals, food and beverage sale and other ancillary service is recognised when service is rendered.

Rental income from properties let to Philippine Amusement and Gaming Corporation ("PAGCOR") under operating leases, less franchise tax, is recognised at a certain percentage of net gaming revenue of the casino or a fixed rental amount, whichever is higher. Fixed rental income is recognised in the profit or loss on a straight-line basis over the lease term with PAGCOR. Contingent rental income is recognised in the profit or loss in the periods in which they are earned.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at FVTPL, loans and receivables, available-for-sale financial assets and held-to maturity investments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The accounting policies adopted in respect of each category of financial assets are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets at FVTPL represent financial assets designated as at FVTPL on initial recognition.

A financial asset may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amount due from an associate and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated its equity investments acquired for investments as available-for-sale financial assets.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. The Group designated its investments in bond acquired and intended to hold to maturity as held-to-maturity investments. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis, other than those financial liability designated as at FVTPL, of which the interest expense is included in finance costs.

Financial liabilities at FVTPL

Financial liabilities at FVTPL comprise of either contingent consideration or a derivative that is not designated as effective hedging instrument.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise.

Convertible note

Convertible note issued by the Group that contains both liability and conversion option components is classified separately into respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, both the liability and conversion option components are recognised at fair value.

In subsequent periods, the liability component of the convertible note is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible note is allocated to the liability and conversion option components in proportion to their relative fair values. Transaction costs relating to the conversion option derivative is charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible note using the effective interest method.

Other financial liabilities

Other financial liabilities including trade payables, other payables and accrued charges and promissory notes are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to the share option reserve.

At the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to share premium and share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to accumulated losses or retained profits.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and any identified accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are properties held to earn rentals and for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over the lease term of the lease contract signed with PAGCOR and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

Impairment losses of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Fixed rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease with PAGCOR.

Contingent rental income from operating leases to PAGCOR is calculated with reference to certain percentage of net gaming revenue of the casino when it is higher than the fixed rental amount. The contingent rental income is recognised in profit or loss in the period when the relevant net gaming revenue is earned.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowings costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity (the exchange reserve) and will be reclassified from equity to profit or loss on disposal of the foreign operation.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange reserve). Exchange differences in relation to foreign operations are recognised in consolidated income statement in the period in which the foreign operation is disposed of.

From 1 April 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Retirement benefits costs

Payments to retirement benefits schemes are charged as an expense when the employees have rendered service entitling them to the contribution.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 to the consolidated financial statements, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's estimation. A considerable estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required. As at 31 March 2011, the carrying amount of the trade receivables was approximately HK$39,942,000 (2010: HK$33,218,000).

Deferred income tax assets

At the end of the reporting period, the Group had unused tax losses amounted to approximately HK$186,187,000 (2010: HK$208,593,000) (details disclosed in note 29 to the consolidated financial statements). The unused tax losses not recognised may be crystallised if the actual future profits generated are more than expected. No deferred tax assets has been recognised and offset against deferred tax liabilities due to the unpredictability of future profit streams.

Fair value of conversion option derivative

The directors of the Company engaged an independent valuer who applied appropriate valuation technique for conversion option derivative that is not quoted in an active market. The conversion option derivative was valued using the binomial tree option pricing model that incorporated market data and involved uncertainty in estimates in the assumptions. Because binomial tree option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate. Details of the assumptions used as at 31 March 2010 are disclosed in note 31 to the consolidated financial statements. As at 31 March 2010, the carrying amount of conversion option derivative was approximately HK$60,000,000. The convertible note was fully repaid during the year ended 31 March 2011 and accordingly, no conversion option derivative was held by the Group as at 31 March 2011.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

For the year ended 31 March 2011, the capital structure of the Group consists of debts, which include promissory notes which are disclosed in note 30 to the consolidated financial statements, and equity attributable to owners of the Company, comprising issued share capital and reserves.

For the year ended 31 March 2010, the capital structure of the Group consists of debts, which include promissory notes and convertible note which are disclosed in notes 30 and 31 to the consolidated financial statements respectively, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, share buy-backs, new share issues and the issue of new debt or the redemption of existing debts.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2011 **HK$'000**	2010 HK$'000
Financial assets		
Financial assets at FVTPL	**95,339**	–
Loans and receivables (including cash and cash equivalents)	**2,242,196**	1,414,976
Held-to-maturity investments	**15,485**	15,365
Available-for-sale financial assets	**–**	8,093
Financial liabilities		
Financial liabilities at FVTPL		
• Contingent consideration *(note 37(a)(i))*	**16,600**	–
• Conversion option derivative	**–**	60,000
Other financial liabilities at amortised cost	**401,956**	608,830

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

As at 31 March 2011, the Group's major financial instruments include held-to-maturity investments, financial assets at FVTPL, trade receivables, other receivables, bank balances and cash, trade payables, other payables and accrued charges, and promissory notes.

As at 31 March 2010, the Group's major financial instruments include held-to-maturity investments, available-for-sale financial assets, trade receivables, other receivables, amount due from an associate, bank balances and cash, trade payables, other payables and accrued charges, convertible note and promissory notes.

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

As at 31 March 2011, currency risk exists with respect to the held-to-maturity investments, financial assets at FVTPL, other receivables, bank balances and cash, other payables and promissory notes denominated in currencies other than the functional currency of respective group entities as disclosed in notes 20, 23, 25, 27, 28 and 30 to the consolidated financial statements respectively.

As at 31 March 2010, currency risk exists with respect to the held-to-maturity investments, amount due from an associate, bank balances and cash, other payables, promissory notes and convertible note denominated in currencies other than the functional currency of respective group entities as disclosed in notes 20, 26, 27, 28, 30 and 31 to the consolidated financial statements respectively.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States dollars ("USD")	**260,079**	281,528	**–**	–
HK$	**1,631,782**	915,808	**391,526**	584,195

Other than above, several subsidiaries of the Group have the following intra-group receivables/payables denominated in HK$ and USD, which are other than the functional currency of respective group entities.

	Amounts due from group entities		Amounts due to group entities	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**1,968,210**	1,174,264	**1,968,210**	1,174,264
HK$	**405,836**	963,397	**405,836**	963,397

The Group currently does not have foreign currency hedging policy. However, the management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Currency risk (Continued)

Sensitivity analysis

The currency risk is mainly arising from exchange rate of Peso against USD and HK$.

The following table details the Group's sensitivity to a 10% (2010: 10%) increase and decrease in Peso against USD and HK$. 10% (2010: 10%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as well as intra-group receivables/payables and adjusts their translation at the year end for a 10% (2010: 10%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit for the year where the foreign currencies strengthen 10% (2010: 10%) against Peso, and vice versa. For a 10% (2010: 10%) weakening of the foreign currencies against Peso, there would be an equal and opposite impact on the post-tax profit for the year.

	HK$ Impact		**USD Impact**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Increase in post-tax profit for the year	**136,199**	45,232	**18,875**	22,338

As at 31 March 2011, this is mainly attributable to the exposure on held-to-maturity investments, financial assets at FVTPL, other receivables, bank balances and cash, intra-group receivables/payables, other payables and promissory notes denominated in either USD or HK$ at the end of the reporting period.

As at 31 March 2010, this is mainly attributable to the exposure on held-to-maturity investments, bank balances and cash, intra-group receivables/payables, amount due from an associate, promissory notes and convertible note denominated in either USD or HK$ at the end of the reporting period.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

For the year ended 31 March 2011, the Group is exposed to the fair value interest rate risk in relation to its fixed-rate held-to-maturity investments (see note 20 for details) and financial assets at FVTPL (see note 23 for details).

For the year ended 31 March 2010, the Group is exposed to the fair value interest rate risk in relation to its fixed-rate held-to-maturity investments (see note 20 for details) and liability component of convertible note issued at fixed-rate (see note 31 for details).

The Group is also exposed to cash flow interest rate risk in relation to its variable-rate bank balances (details disclosed in note 27). The Group does not have interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Interest rate risk (Continued)

Sensitivity analysis

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances including bank balances deposits in the banks in Hong Kong and in the Philippines. As the directors of the Company consider the interest rate risk relates to bank balances deposits in the bank in Hong Kong is insignificant, the sensitivity analysis below have been determined solely based on the exposure to interest rates for variable-rate bank balances deposited in the banks in the Philippines at the end of the reporting period. The analysis is prepared assuming these bank balances outstanding at the end of the reporting period is outstanding for the whole year. A 50 basis point (2010: 50 basis point) is used in estimating the potential change in interest rate and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit would increase/decrease by approximately HK$1,859,000 (2010: HK$1,463,000).

Management considers that the impact on the Group's result in respect of the change in interest rate on the Group's bank balances deposited in the banks located outside the Philippines is minimal as the prevailing interest rates of these bank balances are already at a low level.

Other price risk

The Group is exposed to price risk through its financial assets at FVTPL in respect of debt securities and perpetual subordinated capital securities listed in overseas (2010: available-for-sale financial assets in respect of equity securities listed in Hong Kong). The management has performed analysis of the nature of market risk associated with the investments, including discussion with the investment advisors, and concluded that the price risk is more prominent in evaluating the market risk of this kind of investments. The management monitors this exposure and will consider hedging the price risk exposure should the need arise.

In addition, the Group was required to estimate the fair value of the conversion option embedded in the convertible note at 31 March 2010 with changes in fair value to be recognised in profit or loss. The fair value adjustment would be affected either positively or negatively, amongst others, by the changes in market interest rate, the Company's share market price, share price volatility and foreign currency rate. Details of the conversion option derivative are set out in note 31 to the consolidated financial statements.

Sensitivity analysis on financial assets/liabilities at FVTPL

The sensitivity analysis below have been determined based on the exposure to debt securities and perpetual subordinated capital securities price risk (including fair value interest rate risk) arising from financial assets at FVTPL as at 31 March 2011. If the prices of respective financial instruments had been 10% higher/lower, the Group's post-tax profit would increase/decrease by approximately HK$9,534,000 as a result of the changes in fair value of financial assets at FVTPL for the year ended 31 March 2011. Sensitivity analysis for contingent consideration is not performed as the directors considered that the fair value measurement of the contingent consideration is unlikely to change in view of the weighted average of all possible outcomes.

Sensitivity analysis on available-for-sale financial assets

The sensitivity analysis below have been determined based on the exposure to equity price risk arising from available-for-sale financial assets at 31 March 2010. If the prices of respective equity instruments had been 10% higher/lower, the Group's investment revaluation reserve would increase/decrease by approximately HK$809,000 as a result of the changes in fair value of available-for-sale financial assets for the year ended 31 March 2010.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Other price risk (Continued)

Sensitivity analysis on conversion option derivative

The sensitivity analysis below has been determined based on the exposure to the Company's share price and volatility risk as at 31 March 2010 only as the management considered that the change in risk-free interest rate might not be significant through the expected remaining life of conversion option derivative. For sensitivity analysis purpose, the sensitivity rates for share price, volatility and foreign currency rate were adjusted to 20%, 15% and 10% respectively, as a result of volatile financial market.

(i) Changes in share price

If the Company's share price had been 20% higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2010 (as a result of change in fair value of conversion option derivative) would decrease/increase by approximately HK$48,000,000/HK$35,000,000.

(ii) Changes in volatility

If the volatility to the valuation model had been 15% higher/lower while all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2010 (as a result of changes in fair value of conversion option derivative) would decrease/increase by approximately HK$10,000,000.

(iii) Changes in foreign currency rate

For HK$ strengthen/weakening 10% against Peso while all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by approximately HK$6,000,000 as a result of the exposure on HK$ denominated conversion option derivative for the year ended 31 March 2010.

In management's opinion, the sensitivity analysis is unrepresentative as certain variables input into the option pricing model are not independent, hence, change in one variable may affect the other.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2011 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management of the Group reviews the recoverable amount of each individual trade receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

At 31 March 2011, the Group had concentration of credit risk in respect of trade receivable from PAGCOR of approximately HK$31,612,000 (2010: HK$26,029,000). At 31 March 2010, the Group also had concentration of credit risk in respect of amount due from an associate of approximately HK$87,907,000. The amount due from an associate was assigned upon disposal of a wholly-owned subsidiary during the year ended 31 March 2011, details of which are set out in note 37(a) to the consolidated financial statements. The credit risk on trade receivable from PAGCOR is limited as PAGCOR is solely owned by the Philippine government and with a good repayment history. The directors of the Company do not expect these counterparties would fail to meet their obligations and the credit risk is significantly reduced. Other than above, the Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity tables

	Weighted average interest rate %	Less than 1 month/ repayable on demand HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts at 31 March 2011 HK$'000
2011						
Non-derivative financial liabilities						
Trade payables	–	4,617	–	2,350	6,967	6,967
Other payables and accrued charges	–	266,783	6,444	6,354	279,581	279,581
Promissory notes	–	132,008	–	–	132,008	132,008
		403,408	6,444	8,704	418,556	418,556

	Weighted average interest rate %	Less than 1 month/ repayable on demand HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts at 31 March 2010 HK$'000
2010						
Non-derivative financial liabilities						
Trade payables	–	3,091	173	2,040	5,304	5,304
Other payables and accrued charges	–	8,103	5,138	6,090	19,331	19,331
Promissory notes	–	205,185	–	–	205,185	205,185
Convertible note *(Note)* – fixed rate	1.00	–	–	404,000	404,000	439,010
		216,379	5,311	412,130	633,820	668,830

Note: *As at 31 March 2010, the carrying amount represents the total carrying amounts of the convertible note and conversion option derivative of approximately HK$379,010,000 and HK$60,000,000 respectively.*

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Fair value

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices.

- the fair values of other financial assets and financial liabilities (excluding conversion option derivative) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

- the fair value of conversion option derivative is estimated using binomial tree option pricing model which requires the input of highly subjective assumptions, including the volatility of the Company's share price.

Except for the held-to-maturity investments and the liability component of the convertible note as set out in notes 20 and 31 to the consolidated financial statements respectively, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

As at 31 March 2011, the Group's financial instruments that are measured subsequent to initial recognition at fair value include financial assets at FVTPL and contingent consideration (2010: available-for-sale financial assets and conversion option derivative).

As at 31 March 2011, financial assets at FVTPL of approximately HK$95,339,000 are grouped as level 1, the fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

As at 31 March 2011, contingent consideration of approximately HK$16,600,000 is grouped as level 3, the fair value measurement is based on discounted cash flow analysis and takes into account the weighted average of all possible outcomes.

As at 31 March 2010, available-for-sale financial assets of approximately HK$8,093,000 are grouped as level 1, the fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities. Conversion option derivative of HK$60,000,000 was grouped as level 3, the fair value measurements were those derived from valuation techniques that include inputs for the liability that were not based on observable market data (unobservable inputs). The reconciliations from the beginning balances to the ending balances of the conversion option derivative for the years ended 31 March 2011 and 31 March 2010 are disclosed in note 31 to the consolidated financial statements. A fair value gain of approximately HK$60,000,000 (2010: HK$8,000,000) relates to the conversion option derivative was recognised in the consolidated income statement for the year ended 31 March 2011. In addition, the potential financial impact on the fair value measurement of the level 3 financial instruments as a result of change in the unobservable inputs are set out in note 6 (b).

There were no transfers between level 1 and level 3 in the current and prior years.

7. REVENUE

	2011 HK$'000	2010 HK$'000
The Group's revenue from continuing operations comprises:		
Hotel		
Room revenue	**82,050**	74,278
Food and beverages	**46,060**	44,076
Other hotel service income	**6,343**	6,562
	134,453	124,916
Leasing of investment properties equipped with entertainment equipment	**275,231**	300,253
	409,684	425,169

8. SEGMENT INFORMATION

The board of directors of the Company is the chief operating decision maker. The Group is principally operating in two types of operating divisions. Information reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance focuses on each principal operating division. The Group's operating segments under HKFRS 8 are therefore as follows:

(i) Hotel – Operation of hotel business

(ii) 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, details are set out in note 14 to the consolidated financial statements. Since the operations of entertainment business had continuous losses in the past several years, the chief operating decision maker has not reviewed those operations for the purposes of resources allocation and performance assessment.

Information regarding the above segments is presented below.

8. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

For the year ended 31 March 2011

	Continuing operations				
	Hotel HK$'000	Leasing HK$'000	Reportable segment total HK$'000	Elimination HK$'000	Total HK$'000
REVENUE					
External sales	134,453	275,231	409,684	–	409,684
Inter-segment sales	355	668	1,023	(1,023)	–
Total	134,808	275,899	410,707	(1,023)	409,684
RESULTS					
Segment (loss) profit	(5,984)	102,537	96,553	–	96,553
Unallocated other income					21,095
Other gain and loss					4,002
Change in fair value of conversion option derivative					60,000
Change in fair value of financial assets at FVTPL					(3,171)
Gain on disposal of a subsidiary					657,873
Unallocated expenses					(16,618)
Share of profit of an associate					21,272
Finance costs					(24,957)
Profit for the year					816,049

8. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 March 2010

	Continuing operations				
	Hotel HK$'000	Leasing HK$'000	Reportable segment total HK$'000	Elimination HK$'000	Total HK$'000
REVENUE					
External sales	124,916	300,253	425,169	–	425,169
Inter-segment sales	638	629	1,267	(1,267)	–
Total	125,554	300,882	426,436	(1,267)	425,169
RESULTS					
Segment (loss) profit	(28,778)	135,181	106,403	–	106,403
Unallocated other income					27,438
Other gain and loss					(26,219)
Change in fair value of conversion option derivative					8,000
Unallocated expenses					(14,928)
Share of profit of an associate					248,221
Finance costs					(44,825)
Profit for the year					304,090

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3 to the consolidated financial statements. Segment profit (loss) represents the profit earned by or loss from each segment without allocation of unallocated expenses (including corporate expenses), other gain and loss, gain on disposal of a subsidiary, share of profit of an associate, change in fair value of conversion option derivative, change in fair value of financial assets at FVTPL, 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 resources allocation and performance assessment.

8. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

At 31 March 2011

	Hotel HK$'000	Leasing HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	**594,456**	**1,557,108**	**2,151,564**
Unallocated assets			**1,832,069**
Consolidated total assets			**3,983,633**
LIABILITIES			
Segment liabilities	**75,141**	**81,361**	**156,502**
Unallocated liabilities			**393,317**
Consolidated total liabilities			**549,819**

At 31 March 2010

	Hotel HK$'000	Leasing HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	572,211	1,529,744	2,101,955
Investment in an associate			789,547
Unallocated assets			1,029,164
Consolidated total assets			3,920,666
LIABILITIES			
Segment liabilities	69,481	75,206	144,687
Unallocated liabilities			648,289
Consolidated total liabilities			792,976

8. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments, other than assets related to discontinued operations, investment in an associate and unallocated assets (including plant and equipment for corporate use, held-to-maturity investments, financial assets at FVTPL, available-for-sale financial assets, other receivables, deposits and prepayments for the corporate, amount due from an associate, and bank balances and cash for the corporate).

- all liabilities are allocated to operating segments, other than liabilities related to discontinued operations and unallocated liabilities (including corporate tax liabilities, promissory notes, conversion option derivative, convertible note, and other payables and accrued charges for the corporate).

Other segment information

For the year ended 31 March 2011

	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	6,684	32,019	38,703	970	39,673
Gain on disposal of property, plant and equipment	–	–	–	(1)	(1)
Reversal of allowance for bad and doubtful debts for trade and other receivables	(36)	–	(36)	(256)	(292)
Depreciation	35,795	138,033	173,828	375	174,203
Interest income	1,737	7,454	9,191	14,512	23,703
Income tax credit (charge)	1,342	(1,852)	(510)	–	(510)

8. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 March 2010

	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	2,984	20,660	23,644	–	23,644
Allowance for bad and doubtful debts for trade and other receivables	136	–	136	–	136
Depreciation	58,117	139,019	197,136	141	197,277
Interest income	921	10,153	11,074	26,086	37,160
Income tax credit	452	209	661	–	661

Geographical segments

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

All of the Group's revenue from continuing operations is generated from external customers in the Philippines. As at 31 March 2011, the non-current assets excluded financial instruments which were mainly located in the Philippines. As at 31 March 2010, the non-current assets excluded financial instruments which were mainly located in the Philippines and investment in an associate was located in Macau.

Revenue from major services

The analysis of the Group's revenue from continuing operations from its major services was disclosed in note 7 to the consolidated financial statements.

Information about major customer

Included in the revenue generated from hotel segment and leasing segment of approximately HK$2,625,000 (2010: HK$5,124,000) and HK$275,231,000 (2010: HK$300,253,000) respectively was contributed by a single customer and the aggregate revenue from this customer represented approximately 68% (2010: 72%) of the total revenue from continuing operations of the Group. There is no other customer contributing over 10% of the Group's total revenue from continuing operations.

9. OTHER INCOME

	2011 HK$'000	2010 HK$'000
Continuing operations:		
Interest income	**14,310**	35,800
Interest income from financial assets at FVTPL	**8,025**	–
Interest income from held-to-maturity investments	**1,368**	1,360
Dividend income from financial assets at FVTPL	**780**	–
Dividend income from available-for-sale financial assets	**2,854**	–
Gain on disposal of available-for-sale financial assets	**2,242**	–
Sundry income	**706**	1,352
	30,285	38,512

10. FINANCE COSTS

Finance costs represent effective interest expense on convertible note from continuing operations, details are set out in note 31 to the consolidated financial statements.

11. PROFIT BEFORE TAXATION

	2011 HK$'000	2010 HK$'000
Continuing operations:		
Profit before taxation has been arrived at after charging (crediting):		
(Reversal of allowance) allowance for bad and doubtful debts for trade and other receivables	**(292)**	136
Auditor's remuneration	**1,580**	2,050
Cost of inventories recognised as an expense	**13,713**	13,238
Depreciation of property, plant and equipment	**55,139**	85,217
Depreciation of investment properties	**119,064**	112,060
Gain on disposal of property, plant and equipment	**(1)**	–
Net foreign exchange (gain) loss (included in other gain and loss)	**(4,002)**	26,219
Rental expenses under operating leases on premises	**6,984**	6,512
Gross revenue from leasing of investment properties equipped with entertainment equipment	**(275,231)**	(300,253)
Less: Direct operating expenses that generated revenue from leasing of investment properties equipped with entertainment equipment *(Note)*	**178,296**	175,434
	(96,935)	(124,819)
Staff costs, including directors' emoluments		
– salaries and allowances	**49,524**	45,909
– retirement benefits schemes contributions *(note 34)*	**451**	288
	49,975	46,197

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

12. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The emoluments paid or payable to each of the eleven (2010: eleven) directors were as follows:

	Cheng Kar Shun ("Dr. Cheng") HK$'000	Lo Lin Shing, Simon ("Mr. Lo") HK$'000	To Hin Tsun, Gerald ("Mr. To") HK$'000	Cheng Kam Chiu, Stewart HK$'000	Cheng Kam Biu, Wilson HK$'000	Cheng Chi Kong HK$'000	Cheng Chi Him HK$'000	Cheung Hon Kit HK$'000	Kwee Chong Kok, Michael HK$'000	Lau Wai Piu HK$'000	Tsui Hing Chuen, William *JP* HK$'000	Total HK$'000
2011												
Fees:												
Executive directors	500	500	500	100	100	100	100	-	-	-	-	1,900
Non-executive directors	-	-	-	-	-	-	-	140	130	140	140	550
Total emoluments	500	500	500	100	100	100	100	140	130	140	140	2,450

	Dr. Cheng HK$'000	Mr. Lo HK$'000	Mr. To HK$'000	Cheng Kam Chiu, Stewart HK$'000	Cheng Kam Biu, Wilson HK$'000	Cheng Chi Kong HK$'000	Cheng Chi Him HK$'000	Cheung Hon Kit HK$'000	Kwee Chong Kok, Michael HK$'000	Lau Wai Piu HK$'000	Tsui Hing Chuen, William *JP* HK$'000	Total HK$'000
2010												
Fees:												
Executive directors	500	500	500	100	100	100	100	–	–	–	–	1,900
Non-executive directors	–	–	–	–	–	–	–	140	130	140	140	550
Total emoluments	500	500	500	100	100	100	100	140	130	140	140	2,450

During the year, no emolument was paid by the Group to the directors as discretionary bonus or an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director had waived or agreed to waive any remuneration.

12. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS *(Continued)*

Employee's emoluments

The five individuals with the highest emoluments in the Group did not include any directors of the Company for both years. The emoluments of the five (2010: five) individuals were as follows:

	2011 HK$'000	2010 HK$'000
Salaries and other benefits	**10,544**	11,130
Contributions to retirement benefits scheme	**229**	79
Discretionary or performance related incentive payments	**345**	100
	11,118	11,309

Their emoluments were within the following bands:

	2011 No. of employees	2010 No. of employees
HK$1,000,001 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**1**	2
HK$2,500,001 to HK$3,000,000	**1**	1
HK$3,500,001 to HK$4,000,000	**–**	1
HK$4,000,001 to HK$4,500,000	**1**	–
	5	5

The discretionary or performance related incentive payments are determined by reference to the individual performance of the employees.

13. INCOME TAX (CHARGE) CREDIT

	2011 **HK$'000**	2010 HK$'000
Continuing operations:		
Deferred taxation *(note 29)*		
Current year	**(510)**	661

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made as the Group's operations in Hong Kong had no assessable profits for both years.

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 either had no assessable profits or were exempted from profits tax in respective jurisdictions.

A subsidiary of the Company operating in the Philippines entered into a lease agreement with PAGCOR, a company solely owned by the Philippine government, such that the subsidiary is entitled to the same tax exemption in respect of the rental income received or receivable from PAGCOR being exempted from the Philippine corporate profits tax. In addition, according to the 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 all such payment.

The corporate profits tax rate in the Philippines is 30% for both years.

13. INCOME TAX (CHARGE) CREDIT *(Continued)*

The income tax (charge) credit for the year can be reconciled to the profit from continuing operations per the consolidated income statement as follows:

	The Philippines		Hong Kong		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Profit before taxation from continuing operations	**113,811**	140,051	**702,748**	163,378	**816,559**	303,429
Taxation at the domestic rates applicable to profits in the country concerned	**34,143**	42,015	**115,953**	26,957	**150,096**	68,972
Tax effect of expenses not deductible for tax purpose	**799**	776	**12,056**	17,316	**12,855**	18,092
Tax effect of income not taxable for tax purpose	**(3,026)**	(3,322)	**(125,605)**	(6,801)	**(128,631)**	(10,123)
Tax effect of net income derived from leasing of properties to PAGCOR not taxable for tax purpose	**(32,615)**	(40,807)	**–**	–	**(32,615)**	(40,807)
Tax effect of utilisation of tax losses or deductible temporary difference not previously recognised	**–**	(6,370)	**–**	–	**–**	(6,370)
Tax effect of tax losses and deductible temporary differences not recognised	**1,462**	7,158	**1,106**	3,484	**2,568**	10,642
Tax effect of share of results of an associate	**–**	–	**(3,510)**	(40,956)	**(3,510)**	(40,956)
Others	**(253)**	(111)	**–**	–	**(253)**	(111)
Income tax charge (credit) for the year from continuing operations	**510**	(661)	**–**	–	**510**	(661)

14. DISCONTINUED OPERATIONS

	2011 **HK$'000**	2010 HK$'000
Profit for the year from discontinued operations	**–**	37,992

On 15 March 2010, the Company instructed its Canadian legal advisers to submit a petition for the appointment of a liquidator and for the issuance of a liquidation order by the Superior Court of Quebec, Province of Quebec, District of Montreal (the "Superior Court"), in relation to the proposed liquidation of M8 Entertainment Inc. ("M8"). On 19 March 2010, the Superior Court issued an order liquidating M8 pursuant to the provisions of the Canada Business Corporations Act and appointed a liquidator in respect of M8. As a result, the Group was not able to exercise any control on M8 and its subsidiaries (the "M8 Group"). The liquidator was empowered and authorised by the Superior Court, among other things, to take possession and control of any and all of M8's current and future assets and to manage, operate and carry on the business of M8 at the sole discretion of the liquidator. Accordingly, the Group was not able to exercise any control on the M8 Group anymore. The M8 Group had ceased to be subsidiaries of the Group immediate after the appointment of the liquidator and thus, the M8 Group which carried out the entertainment business of the Group mainly in the North America, was classified as discontinued operations for the year ended 31 March 2010.

In addition, the Group also discontinued its entertainment business carried out in Asia during the year ended 31 March 2010, and the results for the year ended 31 March 2010 were classified as discontinued operations.

	2011 **HK$'000**	2010 HK$'000
The profit for the year from the discontinued operations are analysed as follows:		
Loss for the year from discontinued operations	**–**	(11,466)
Gain on deconsolidation of discontinued operations *(note 37(b))*	**–**	49,458
	–	37,992

14. DISCONTINUED OPERATIONS *(Continued)*

The results of the discontinued operations which have been included in the consolidated income statement were as follows:

	2011 HK$'000	2010 HK$'000
Revenue	–	26,997
Cost of sales	–	(11,166)
Other income	–	218
Selling and distribution costs	–	(4,870)
General and administrative expenses	–	(22,645)
Loss before taxation	–	(11,466)
Income tax charge	–	–
Loss for the year from discontinued operations attributable to owners of the Company	–	(11,466)

Loss for the year from discontinued operations include the following:

	2011 HK$'000	2010 HK$'000
Allowance for bad and doubtful debts for trade and other receivables	–	66
Amortisation of film costs (included in cost of sales)	–	8,121
Depreciation of property, plant and equipment	–	124
Net foreign exchange loss	–	22
Rental expenses under operating leases on		
– premises	–	1,684
– equipment	–	127
	–	1,811
Staff costs		
– salaries and allowances	–	10,620
– retirement benefits schemes contributions *(note 34)*	–	214
	–	10,834

The carrying amounts of the assets and liabilities of discontinued operations at the date of deconsolidation are disclosed in note 37(b) to the consolidated financial statements.

15. DIVIDENDS

	2011 HK$'000	2010 HK$'000
Dividends recognised as distribution to owners of the Company during the year:		
Interim dividend for 2011 – HK$0.50 (2010: Interim dividend for 2010 – nil) per share	589,579	–
Dividends proposed in respect of the current year:		
Final dividend for 2011 – HK$0.14 (2010: Final dividend for 2010 – nil) per share	165,082	–
Special dividend for 2011 – HK$0.61 (2010: Special dividend for 2010 – nil) per share	719,286	–
	884,368	–

At a meeting of the Board held on 20 June 2011, the Board proposed a final dividend of HK$0.14 and a special dividend of HK$0.61 per share in respect of the year ended 31 March 2011. These proposed dividends are subject to the approval by the shareholders of the Company at the forthcoming annual general meeting of the Company and have not been reflected as dividend payables in these consolidated financial statements.

16. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of basic and diluted earnings per share attributable to the owners of the Company for the year ended 31 March 2011 together with the comparative figures for 2010 are based on the following data:

	2011 HK$'000	2010 HK$'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	762,197	275,660
Effect of dilutive potential ordinary shares in respect of convertible note:		
– Change in fair value of conversion option derivative	(60,000)	(8,000)
– Effective interest expense	24,957	44,825
Earnings for the purpose of diluted earnings per share	727,154	312,485

	2011 In thousand	2010 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	104,110	200,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,283,267	1,379,157

16. EARNINGS PER SHARE *(Continued)*

From continuing and discontinued operations *(Continued)*

The computation of diluted earnings per share for the year ended 31 March 2010 did not assume the exercise of M8's outstanding share options. In the opinion of the directors of the Company, 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 it was put into liquidation on 19 March 2010. In addition, M8 had consolidated net total liabilities as at 19 March 2010.

From continuing operations

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

Earnings figures are calculated as follows:

	2011 HK$'000	2010 HK$'000
Profit for the year attributable to owners of the Company	**762,197**	275,660
Less:		
Profit for the year from discontinued operations attributable to owners of the Company	**–**	37,992
Earnings for the purpose of basic earnings per share from continuing operations	**762,197**	237,668
Effect of dilutive potential ordinary shares in respect of convertible note:		
– Change in fair value of conversion option derivative	**(60,000)**	(8,000)
– Effective interest expense	**24,957**	44,825
Earnings for the purpose of diluted earnings per share from continuing operations	**727,154**	274,493

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

From discontinued operations

For the year ended 31 March 2010, basic earnings per share from the discontinued operations was HK3.22 cents per share and diluted earnings per share from the discontinued operations was HK2.75 cents per share, based on the profit for the year from discontinued operations attributable to owners of the Company of approximately HK$37,992,000 and the same denominators detailed above for both basic and diluted earnings per share.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Machinery HK$'000	Furniture, fixtures and equipment HK$'000	Entertainment equipment HK$'000	Computer hardware HK$'000	Motor vehicles HK$'000	Total HK$'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 *(note 37(b))*	–	(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	25,265	185	4,382	3,023	5,782	2	44	38,683
Additions	2,636	698	1,619	4,551	29,628	140	–	39,272
Disposals	–	–	–	(481)	(4,935)	(26)	–	(5,442)
Write-off	–	–	–	–	–	(43)	–	(43)
At 31 March 2011	**552,143**	**5,164**	**96,219**	**67,721**	**135,401**	**694**	**951**	**858,293**
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 *(note 37(b))*	–	(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	3,653	29	3,886	2,457	3,229	2	15	13,271
Provided for the year	24,833	483	7,182	5,305	17,085	57	194	55,139
Eliminated on disposals	–	–	–	(399)	(2,012)	(26)	–	(2,437)
Eliminated on write-off	–	–	–	–	–	(43)	–	(43)
At 31 March 2011	**89,040**	**1,393**	**87,478**	**55,673**	**76,126**	**573**	**403**	**310,686**
CARRYING VALUES								
At 31 March 2011	**463,103**	**3,771**	**8,741**	**12,048**	**59,275**	**121**	**548**	**547,607**
At 31 March 2010	463,688	3,400	13,808	12,318	47,102	38	713	541,067

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of the remaining term of the land leases on which the buildings are located, or 25 years
Leasehold improvements	Over the shorter of the remaining term of the land leases on which the buildings are located, or 25 years
Machinery	20% – $33^1/_3$%
Furniture, fixtures and equipment	20% – $33^1/_3$%
Entertainment equipment	20%
Computer hardware	$33^1/_3$%
Motor vehicles	20%

All the buildings are located on the land under medium-term leases in the Philippines.

At 31 March 2011, the carrying value of entertainment equipment of approximately HK$59,275,000 (2010: HK$47,102,000) was held for use under operating leases to PAGCOR.

18. INVESTMENT PROPERTIES

	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	67,276
Additions	401
At 31 March 2011	**1,467,732**
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	16,383
Provided for the year	119,064
At 31 March 2011	**402,194**
CARRYING VALUES	
At 31 March 2011	**1,065,538**
At 31 March 2010	1,133,308

18. INVESTMENT PROPERTIES *(Continued)*

The above investment properties are located on the land under medium-term lease in the Philippines. Depreciation is provided to write off the cost of investment properties over the lease term of the lease contract signed with PAGCOR and after taking into account of the residual value, using the straight-line method.

The fair value of the Group's investment properties at 31 March 2011 was approximately HK$1,144 million (2010: HK$1,220 million). The fair value has been arrived at based on a valuation carried out by Jones Lang LaSalle Sallmanns Limited ("Jones Lang"), independent valuer not connected with the Group. Jones Lang is a member of the Hong Kong Institute of Surveyors. The valuation was arrived at by capitalising the estimated net rental income derived from the existing tenancies and taking into account the future growth potential with reference of historical rental trend achieved in previous years.

19. INVESTMENT IN AN ASSOCIATE

	2011 **HK$'000**	2010 HK$'000
Cost of investment in an associate, unlisted	–	567,416
Share of post-acquisition profit	–	242,053
Unrealised profit *(note i)*	–	(19,922)
	–	789,547

The investment in an associate was held by a wholly-owned subsidiary of the Company, which was disposed of to an independent third party during the year ended 31 March 2011. Details of the disposal are set out in note 37(a) to the consolidated financial statements.

As at 31 March 2011 and 2010, the Group had interest in the following associate:

Name of associate	Form of business structure	Place of incorporation	Issued and fully paid registered capital	Proportion of interest held indirectly by the Company 2011 %	2010 %	Proportion of voting power held indirectly by the Company 2011 %	2010 %	Principal activities
Arc of Triumph Development Company Limited ("ATD")	Incorporated	Macau Special Administrative Region of the People's Republic of China ("Macau")	MOP180,000	-	40	-	40	Property development and investment, hotel and entertainment operations

19. INVESTMENT IN AN ASSOCIATE *(Continued)*

The summarised financial information in respect of the Group's associate is set out below:

	2011 HK$'000	2010 HK$'000
Total assets	**–**	3,591,563
Total liabilities	**–**	(1,567,891)
Net assets	**–**	2,023,672
Group's share of net assets of an associate	**–**	809,469
Unrealised profit	**–**	(19,922)
	–	789,547
Revenue *(note ii)*	**2,128,067**	3,381,167
Profit for the year *(note ii)*	**53,180**	620,553
Group's share of result of an associate for the year	**21,272**	248,221

Notes:

(i) The amount represented the interest expenses paid to the Group being capitalised by the associate.

(ii) The amounts represented the revenue and profit of the associate for the period up to the date of disposal.

20. HELD-TO-MATURITY INVESTMENTS

	2011 HK$'000	2010 HK$'000
Debt securities, listed on the Luxembourg Stock Exchange	**15,485**	15,365
Analysis for reporting purpose:		
Non-current asset	**–**	15,365
Current asset	**15,485**	–
	15,485	15,365

The debt securities will be matured on 15 November 2011 and carry interest at a coupon rate of 8% per annum. The effective interest rate of the debt securities is 8.87% (2010: 8.87%) per annum for the year ended 31 March 2011. The debt securities are denominated in USD, other than the functional currency of the relevant group entity. As at 31 March 2011, the fair value of the debt securities is approximately HK$16,167,000 (2010: HK$16,895,000), with reference to the quoted market prices.

21. OTHER ASSETS

The amounts mainly represent the value added tax recoverable which can be utilised to set off the value added tax payables in the future. In the opinion of the directors of the Company, the amounts at the end of the reporting period would not be utilised in the next twelve months from the end of the reporting period. According to the regulation of the Philippines, the value added tax recoverable can be carried forward indefinitely.

22. INVENTORIES

The amounts represent the hotel consumable, food and beverages.

23. FINANCIAL ASSETS AT FVTPL

	2011 HK$'000	2010 HK$'000
Financial assets at FVTPL comprise:		
– Debt securities notes listed in overseas with fixed interest of 11.75% per annum and maturity date on 18 May 2015 *(note i)*	**74,100**	–
– 8% Perpetual subordinated capital securities listed in overseas *(note ii)*	**21,239**	–
	95,339	–

Notes:

(i) *Issuer of the notes has an option to redeem the notes at a specified range of premium of 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 event 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.*

As at 31 March 2011, the financial assets at FVTPL are denominated in USD, other than the functional currency of the relevant group entity.

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

As at 31 March 2010, the balance comprises equity securities listed in Hong Kong amounted to approximately HK$8,093,000.

25. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2011 HK$'000	2010 HK$'000
Trade receivables	**40,037**	33,345
Less: Allowance for doubtful debts for trade receivables	**(95)**	(127)
	39,942	33,218
Other receivables, deposits and prepayments	**31,193**	26,823
Less: Allowance for doubtful debts for other receivables	**(2,904)**	(3,138)
	28,289	23,685
Total trade receivables, other receivables, deposits and prepayments	**68,231**	56,903

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.

	2011 HK$'000	2010 HK$'000
Aged:		
0 – 30 days	**34,261**	28,087
31 – 60 days	**3,957**	2,491
61 – 90 days	**1,068**	1,959
Over 90 days	**656**	681
	39,942	33,218

25. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(Continued)

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. At 31 March 2011, trade receivables with an aggregate carrying amount of approximately HK$35,040,000 (2010: HK$29,211,000) were neither past due nor impaired. The directors of the Company consider these trade receivables are of good credit quality.

Included in the Group's trade receivables are debtors with an aggregate carrying amount of approximately HK$4,902,000 (2010: HK$4,007,000) which were past due at the end of the reporting period for which the Group did not provide for impairment loss as these trade receivables were either settled subsequent to the end of the reporting period or the respective customers had good repayment history. Accordingly, the directors of the Company believe that there is no further credit provision required in excess of the allowance of doubtful debts as at the end of the reporting period. The Group does not hold any collateral over these balances. The average age of these receivables is 53 days (2010: 67 days).

Ageing of trade receivables which are past due but not impaired

	2011 **HK$'000**	2010 HK$'000
1 – 30 days	**776**	–
31 – 60 days	**2,402**	1,366
61 – 90 days	**1,068**	1,959
Over 90 days	**656**	682
Total	**4,902**	4,007

The Group has provided fully for all trade receivables over 1 year because historical experience is such that receivables that are past due beyond 1 year are generally not recoverable.

25. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(Continued)

Movement in the allowance for doubtful debts for trade and other receivables

	2011 **HK$'000**	2010 HK$'000
Balance at beginning of the year	**3,265**	8,087
Exchange adjustments	**63**	(44)
Impairment losses recognised	**–**	202
Impairment losses reversed	**(292)**	–
Amounts written off as uncollectible	**(37)**	(4,980)
Balance at end of the year	**2,999**	3,265

Included in the allowance for doubtful debts are individually impaired trade and other receivables with an aggregate balance of approximately HK$2,999,000 (2010: HK$3,265,000) which have been in severe financial difficulties.

At 31 March 2011, other receivables amounting to approximately HK$3,361,000 is denominated in USD, other than the functional currency of the relevant group entity.

26. AMOUNT DUE FROM AN ASSOCIATE

As at 31 March 2010, the amount due from an associate was the shareholders' loan of approximately HK$88 million. The amount was unsecured, interest-free and repayable on demand.

During the year ended 31 March 2010, amount due from an associate was comprised of certain shareholders' loans which were unsecured and carried interest at 6% per annum. The related loans were fully repaid by 31 March 2010. The interest income from the associate during the year ended 31 March 2010 was approximately HK$29 million. As at 31 March 2010, the entire amount was denominated in HK$, which was other than the functional currency of respective group entity.

The whole amount due from an associate was owed to a wholly-owned subsidiary of the Company, which was disposed of to an independent third party during the year ended 31 March 2011. Details of the disposal are set out in note 37(a) to the consolidated financial statements.

27. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The Group's bank balances deposited in the banks in Hong Kong carry at prevailing market interest rates ranging from 0.001% to 1.000% (2010: 0.001% to 0.500%) per annum. Other than that, the Group has bank balances deposited in the banks in the Philippines which carry at prevailing market interest rates ranging from 0.235% to 4.750% (2010: 0.235% to 6.000%) per annum.

The Group's bank balances that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2011 **HK$'000**	2010 HK$'000
Denominated in USD	**145,894**	266,163
Denominated in HK$	**1,631,782**	827,901

28. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

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

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

	2011 **HK$'000**	2010 HK$'000
Aged:		
0 – 30 days	**4,580**	3,054
31 – 60 days	**–**	173
Over 90 days	**2,387**	2,077
	6,967	5,304

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

As at 31 March 2011, other payables and accrued charges included an amount of approximately HK$240,397,000 which represented the cash consideration refundable to the purchaser in respect of the disposal of a subsidiary. Details of the disposal is set out in note 37(a) to the consolidated financial statements.

At 31 March 2011, other payables and accrued charges amounting to approximately HK$259,517,000 is denominated in HK$, other than the functional currency of the relevant group entity.

29. DEFERRED TAXATION

The following are the major deferred tax liabilities recognised and the movements thereon during the current and the prior years:

	Unrealised foreign exchange gain HK$'000 *(Note)*	Fair value adjustments arising on property, plant and equipment and investment properties HK$'000	Total HK$'000
At 1 April 2009	15,345	91,446	106,791
Exchange adjustments	1,160	6,511	7,671
Charge (credit) to profit or loss *(note 13)*	1,197	(1,858)	(661)
At 31 March 2010	17,702	96,099	113,801
Exchange adjustments	931	4,551	5,482
Charge (credit) to profit or loss *(note 13)*	2,692	(2,182)	510
At 31 March 2011	21,325	98,468	119,793

Note: The amount represents the deferred tax liabilities in relation to the unrealised foreign exchange gain arising from the monetary assets and liabilities denominated in foreign currencies in the subsidiaries operating in the Philippines.

As at 31 March 2011, the Group had estimated unused tax losses of approximately HK$186,187,000 (2010: HK$208,593,000) and deductible temporary differences of approximately HK$2,066,000 (2010: HK$5,413,000) available for offset against future profits. As at 31 March 2011 and 2010, no deferred tax assets was recognised of such losses due to the unpredictability of future profit streams. Tax losses amounting to approximately HK$129,168,000 (2010: HK$121,314,000) may be carried forward indefinitely.

The remaining tax losses will be expired as follows:

	2011 HK$'000	2010 HK$'000
Year 2010	**–**	37,329
Year 2011	**21,561**	20,573
Year 2012	**30,946**	28,544
Year 2013	**3,636**	833
Year 2014	**876**	–

29. DEFERRED TAXATION *(Continued)*

No deferred tax liability has been recognised in respect of the temporary differences associated with undistributed earnings of subsidiaries operating in the Philippines because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

30. PROMISSORY NOTES

In October 2007, promissory notes ("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 ("Fortune Gate"). Pursuant to the terms of the Promissory Notes, the amounts are unsecured, non-interest bearing and repayable on demand. During the year, the Group settled Promissory Notes amounting to approximately HK$73 million (2010: HK$111 million).

At 31 March 2011 and 2010, the entire amount is denominated in HK$, which is other than the functional currency of respective group entity.

31. CONVERTIBLE NOTE AND CONVERSION OPTION DERIVATIVE

On 11 October 2007, the Company issued a convertible note of HK$400 million due in three years, which was beneficially owned by Cross-Growth Co., Ltd., a company wholly-owned by CTF, as part of the consideration in the acquisition of the entire equity interest of Fortune Gate. Details of the acquisition are set out in the circular of the Company dated 29 June 2007.

The convertible note was denominated in HK$ and is unsecured. The convertible note entitled the holder to convert into ordinary shares of the Company in amounts or integral multiples of HK$4,000,000 at any time after the date of issue of the convertible note until the business day immediate prior to the maturity date of the convertible note 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, rights issues and other events which had diluting effects on the issued share capital of the Company. If the whole amount of the convertible note was converted on the conversion price of HK$2 per share, the Company would issue 200,000,000 ordinary shares of the Company. If the convertible note had not been converted, it would be repaid on the maturity date at its principal amount. Interest of 1% per annum would be paid annually in arrear up to the maturity date of the convertible note. Neither the Company nor the holder had the rights to redeem the convertible note prior to the maturity date of the convertible note. The fair values of conversion option derivative as at the issue date of 11 October 2007 and as at the end of each reporting period were determined by the valuation performed by an independent valuer. The convertible note was repaid during the year ended 31 March 2011.

The convertible note contains the following components that were required to be separately accounted for in accordance with HKAS 32 "Financial instruments: Disclosure and Presentation" and HKAS 39 "Financial instruments: Recognition and Measurement":

(a) Liability component of the convertible note represented the present value of the contractually determined stream of future cash flows discounted at the rate of interest at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion and redemption option. The effective interest rate of the liability component is 13.41% per annum. As at 31 March 2010, the amount was presented as current liabilities according to its maturity date.

31. CONVERTIBLE NOTE AND CONVERSION OPTION DERIVATIVE *(Continued)*

(b) Embedded conversion option of the convertible note to be accounted for as a separate financial liability represents the fair value of the option to convert the liability into equity of the Company but the conversion would be settled other than by the exchange of a fixed number of the Company's own equity. As at 31 March 2010, the amount was presented as current liabilities as it was a derivative classified as held for trading.

The movement of the liability component and conversion option derivative of the convertible note for the year is set out as below:

	Liability component HK$'000	Conversion option derivative HK$'000	Total HK$'000
As at 1 April 2009	338,185	68,000	406,185
Interest charge *(note 10)*	44,825	–	44,825
Interest paid	(4,000)	–	(4,000)
Gain arising on change of fair value	–	(8,000)	(8,000)
As at 31 March 2010	379,010	60,000	439,010
Interest charge *(note 10)*	24,957	–	24,957
Interest paid	(3,967)	–	(3,967)
Gain arising on expiry of the conversion option derivative	–	(60,000)	(60,000)
Repaid on the maturity date	(400,000)	–	(400,000)
As at 31 March 2011	**–**	**–**	**–**

The fair value of conversion option derivative was calculated using the binomial tree option pricing model by an independent valuer as at 31 March 2010. The inputs into the model as at 31 March 2010 are as follows:

Share price of the Company	HK$1.91
Exercise price	HK$2.00
Expected volatility	61%
Expected remaining life	0.53 year
Risk-free interest rate	0.15%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the price return of the ordinary shares of the Company.

31. CONVERTIBLE NOTE AND CONVERSION OPTION DERIVATIVE *(Continued)*

Expected dividend yield was determined by using the historical dividend yield of the Company.

Because the binomial tree option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

The fair value of liability component of convertible note as at 31 March 2010 was approximately HK$383,418,000 which was determined assuming redemption on the maturity date of the convertible note, using an interest rate of 9.91%.

32. SHARE CAPITAL

	Par value of shares HK$	Number of shares	Value HK$'000
Authorised:			
Ordinary shares			
At 1 April 2009, 31 March 2010 and 2011	1 each	2,000,000,000	2,000,000
Issued and fully paid:			
Ordinary shares			
At 1 April 2009, 31 March 2010 and 2011	1 each	1,179,157,235	1,179,157

33. SHARE OPTION SCHEME

THE COMPANY

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 20 August 2004, a share option scheme ("Share Option Scheme") was adopted to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and the shares of the Company for the benefit of the Company and the shareholders of the Company as a whole. Upon the transfer of listing of the shares of the Company from GEM to Main Board on 27 September 2010, the Share Option Scheme was terminated and no further option would be offered or granted thereunder.

The categories of the participant under the Share Option Scheme were any full-time employee, any director (whether executive or non-executive including independent non-executive director), any supplier, independent contractor, consultant, and/or adviser of the Company or any subsidiary of the Company.

33. SHARE OPTION SCHEME *(Continued)*

THE COMPANY *(Continued)*

The maximum number of shares in respect of which share options might be granted to grantees under this share option scheme and other share option scheme(s) of the Company should not exceed 30% of the issued share capital of the Company from time to time (the "Scheme Limit"). The maximum number of the Company's shares in respect of which share options might be granted under this share option scheme should not (when aggregated with any shares subject to any other share option scheme(s) of the Company) exceed 10% of the issued share capital of the Company on the adoption date of this share option scheme (the "Scheme Mandate Limit"), which was 20,483,144 shares, representing approximately 1.74% of the issued share capital as at the date of this annual report. Share option lapsed in accordance with the terms of this share option scheme would not be counted for the purpose of calculating the Scheme Mandate Limit. The Company might grant share options beyond the scheme mandate limit if approval was obtained from Company's shareholders in general meetings.

The maximum number of the Company's shares in respect of which share options might be granted to a participant under this share option scheme should not (when aggregated with any shares subject to any other share option scheme(s) of the Company) in any 12-month period exceed 1% of the Company's shares in issue (the "Individual Limit"). The Company might grant share options beyond the Individual Limit to a participant at any time if approval was obtained from Company's shareholders in general meetings.

Each grant of share options to any director, chief executive, management shareholder or substantial shareholder of the Company, or any of their respective associates should be subject to the prior approval of the independent non-executive directors of the Company (excluding an independent non-executive director who was the grantee of the options). Where any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares of the Company issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled or outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% (or such other percentage as might from time to time be specified by the Stock Exchange) of the Company's shares in issue; and

(ii) having an aggregate value, based on the closing price of the shares on the date of grant, in excess of HK$5 million (or such other amount as might from time to time be specified by the Stock Exchange), such grant of share options should be subject to prior approval by resolution of the shareholders of the Company (voting by way of poll) on which all connected persons of the Company should abstain from voting in favor but (for the avoidance of doubt), any connected person might without affecting the validity of the relevant resolution vote against the relevant resolution at the general meeting provided that his intention to do so had been stated in the circular to be sent to the shareholders in connection therewith.

The period within which the Company's shares must be taken up under the share option, which was to be notified by the committee of the board of directors (the "Committee") to each grantee at the time of making an offer of a grant of a share option which should not expire later than 10 years from the date of grant of a share option.

Share options granted must be taken up within 28 days of the date of grant upon payment of HK$10 as consideration for the grant.

33. SHARE OPTION SCHEME *(Continued)*

THE COMPANY *(Continued)*

The exercise price was determined by the Company's board of directors in its absolute discretion and would not be less than the average closing price of the Company's shares for the five trading days immediately preceding the offer date or the closing price of the shares on the offer date, whichever was the higher, provided that the exercise price should not be lower than the nominal value of a share.

This share option scheme should be valid and effective for a period of 10 years commencing on the adoption date, i.e. 20 August 2004.

There was no share option granted under this share option scheme during the period from 1 April 2010 to 27 September 2010 (date of termination of the Share Option Scheme).

34. RETIREMENT BENEFITS SCHEMES

The Group participates in two mandatory provident fund schemes in Hong Kong. The relevant scheme assets are held under mandatory provident funds operated by HSBC Life (International) Limited and Manulife Provident Funds Trust Company Limited. Under these schemes, the Group is required to make contributions to the schemes calculated at the lower of 5% of the employees' relevant income (as defined in the Mandatory Provident Fund Scheme Ordinance) on a monthly basis and HK$1,000.

The relevant subsidiaries in the Philippines have provided long service payments for employees who have provided at least five years' services to the subsidiaries in accordance with the regulations in the Philippines. The Group has not joined any retirement benefits scheme for long service payment as all of its employees have been employed for less than five years. The directors provided the long service payment provision based on the requirements of the relevant regulations and the historical turnover rate of the employees. In the opinion of the directors, the long service payment provision is considered adequate as at the end of the reporting period. In addition, the Group operates a defined contribution retirement benefit plans for several executive employees and the assets of the plans are held separately from those of the Group in funds under the control of trustee. The only obligation of the Group with respect of the defined contribution retirement benefit plans is to make the specific contributions.

The Group's contributions to the retirement benefits schemes charged to the consolidated income statement are as follows:

	2011			2010		
	Hong Kong HK$'000	**The Philippines HK$'000**	**Total HK$'000**	Hong Kong HK$'000	The Philippines HK$'000	Total HK$'000
Continuing operations						
Employers' contributions	**112**	**339**	**451**	36	252	288

35. OPERATING LEASE COMMITMENTS

The Group as lessor

Marina Square Properties, Inc. ("MSPI"), an indirect subsidiary of the Company acquired on 11 October 2007 signed a contract with PAGCOR on 14 March 2003 to lease equipped gaming premises and office premises 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 or a fixed amount of Peso100,000 (equivalent to approximately HK$17,000 (2010: HK$16,000)), whichever is higher.

PAGCOR is chartered under Presidential Decore No. 1869, as amended ("PAGCOR Charter") to operate the casino in the Philippines. The PAGCOR Charter was expired on 10 July 2008 and renewal was granted in June 2007 for 25 years from 11 July 2008. Casino rental income earned during the year was approximately HK$275,231,000 (2010: HK$300,253,000), including contingent rental charges amounting to approximately HK$275,027,000 (2010: HK$300,061,000).

The Group as lessee

At 31 March 2011, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2011 **HK$'000**	2010 HK$'000
Within one year	**6,632**	7,064
In the second to fifth year inclusive	**19,746**	24,065
Over five years	**61,883**	75,409
	88,261	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 are fixed for the lease period.

36. CAPITAL COMMITMENTS

	2011 HK$'000	2010 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**158**	2,104

Other commitments

The Group also has the following commitments:

(i) New Coast Hotel, Inc. ("NCHI"), an indirect subsidiary of the Company entered into a license agreement on 12 December 2003 with Hotel Project Systems, Pte. Limited ("HPSL"), a wholly-owned subsidiary of Hyatt International Corporation, to lease the technology and know-how of hotel technical systems and related services, and license the name "Hyatt" and related trademarks for use in the hotel to be owned by NCHI. In consideration thereof, NCHI will pay a royalty during the operating term based on a certain percentage of the gross operating profit as agreed by NCHI and HPSL. The license agreement is effective for an initial term from 12 December 2003 to the fifth anniversary date of the formal opening of the hotel ("Initial Period of HPSL"). NCHI and HPSL will each have the option to extend the agreement for an additional period of five years after the Initial Period of HPSL, and thereafter for another additional period of three years. On 3 April 2009, HPSL has exercised its rights to extend the agreement for an additional period of five years. The royalty charges paid by NCHI for the year ended 31 March 2011 was approximately HK$1,639,000 (2010: HK$1,646,000).

(ii) NCHI entered into a sale and marketing agreement on 12 December 2003 with Hyatt International – SEA (Pte) Limited ("HISPL"), a wholly-owned subsidiary of Hyatt International Corporation, pursuant to which HISPL agreed to provide (a) appropriate sale and marketing services and (b) advertising and promotional services for the hotel operation. In consideration thereof, HISPL will be entitled to receive a certain percentage of the total revenue of the hotel operation as a sale and marketing fee. The agreement is effective from 12 December 2003 to the fifth anniversary date of the formal opening of the hotel ("Initial Period of HISPL"). NCHI and HISPL will each have the option to extend the agreement for an additional period of five years after the Initial Period of HISPL, and thereafter for another additional period of three years. On 3 April 2009, HISPL has exercised its rights to extend the agreement for an additional period of five years. The sale and marketing fee paid or payable by NCHI for the year ended 31 March 2011 was approximately HK$2,694,000 (2010: HK$2,509,000).

37. DISPOSAL OF A SUBSIDIARY/DECONSOLIDATION OF SUBSIDIARIES

(a) Disposal of a subsidiary

On 7 May 2010, the Company entered into a conditional sale and purchase agreement (the "Agreement") pursuant to which the Company conditionally agreed to sell and assign, and the purchaser, Power Link Fortune Limited ("Power Link"), an independent third party, conditionally agreed to purchase the entire issued share capital of Fortune Gate and to accept the assignment of the entire amount of the interest free shareholder's loan owing from Fortune Gate to the Company as at the Completion (as defined in the Agreement) (the "Sale Loan") at a consideration of HK$1,830 million, subject to adjustments set out in the Agreement. The Group received the cash consideration of HK$1,830 million by November 2010.

The transaction was completed on 5 November 2010. The finalised consideration after taken into account the adjustments as set out in the Agreement was approximately HK$1,589,603,000. 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.

Analysis of assets and liabilities over which control was lost is as follows.

	HK$'000
Investment in an associate	810,819
Amount due from an associate	87,907
Sale Loan	(87,907)
Net assets disposed of	810,819
Gain on disposal of a subsidiary:	
Adjusted cash consideration received	1,589,603
Net assets disposed of	(810,819)
Assignment of the Sale Loan	(87,907)
Direct attributable costs paid	(18,057)
Contingent consideration *(note i)*	(16,600)
Cumulative exchange differences in respect of the net assets of a subsidiary reclassified from equity to profit or loss in loss of control of a subsidiary	1,653
	657,873
Cash inflow arising on disposal:	
Cash consideration received	1,830,000
Direct attributable costs paid	(18,057)
Cash consideration refundable to the purchaser *(note ii)*	(240,397)
	1,571,546

37. DISPOSAL OF A SUBSIDIARY/DECONSOLIDATION OF SUBSIDIARIES *(Continued)*

(a) Disposal of a subsidiary *(Continued)*

Notes:

(i) The amount represented the fair value of the contingent consideration provision in relation to the tax indemnity for a period of 5 years commencing on 5 November 2010. A contingent consideration provision of HK$16,600,000 has been provided in other payables and accrued charges in the consolidated statement of financial position as at 31 March 2011 and adjusted to the gain on disposal of a subsidiary.

(ii) The difference between cash consideration received and adjusted cash consideration is refundable to Power Link, as such, the amount is included in other payables and accrued charges in the consolidated statement of financial position as at 31 March 2011.

Fortune Gate is an investment holding company which only owns an investment in an associate. The impact of Fortune Gate on the Group's results in the current and prior periods is disclosed in note 19 to the consolidated financial statements. The disposal of Fortune Gate has no material impact on the cash flow of the Group.

(b) Deconsolidation of subsidiaries

As disclosed in note 14 to the consolidated financial statements, the Group ceased its entertainment business including the acquisition, financing, production and worldwide licensing of theatrical feature films in a variety of genres on 19 March 2010, the date which the Superior Court issued a liquidation order and appointed a liquidator to take over the control of M8.

	HK$'000
Net liabilities in respect of deconsolidated subsidiaries:	
Plant and equipment	318
Film costs	9,099
Trade receivables	63
Other receivables, deposits and prepayments	16,966
Bank balances and cash	11,031
Trade payables	(56,980)
Other payables and accrued charges	(28,823)
	(48,326)
Cumulative exchange differences in respect of the net liabilities of subsidiaries reclassified from equity to profit or loss in loss of control of subsidiaries	(1,132)
Gain on deconsolidation of the M8 Group	49,458
Total consideration	–
Cash outflow arising on deconsolidation:	
Bank balances and cash in respect of deconsolidated subsidiaries	(11,031)

The impact of the M8 Group on the results of the Group for the period from 1 April 2009 to 19 March 2010 is disclosed in note 14 to the consolidated financial statements. The deconsolidation of the M8 Group has no material impact on the cash flow of the Group.

38. RELATED PARTY TRANSACTIONS

(a) Apart from the related party transactions as disclosed in notes 26, 30 and 31 to the consolidated financial statements, the Group entered into the following transactions with related parties during the year:

	2011 **HK$'000**	2010 HK$'000
Accommodation and beverages income *(note i)*	**383**	663
Financial advisory and professional fees to a related company *(note ii)*	**–**	298
Rental expenses *(note iii)*	**1,894**	811

Notes:

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

(ii) During the year ended 31 March 2010, a related company, in which Dr. Cheng, Mr. Lo and Mr. To, directors of the Company, had managerial duties and significant influence in the financial and operating policy, provided financial advisory services to the Group. The amount represented the professional fees in respect of financial advisory services occurred during the period from 1 April 2009 to 13 January 2010, as Dr. Cheng ceased to have managerial duties and significant influence in that related company with effect from 13 January 2010 while Mr. Lo ceased to have managerial duties and significant influence in that related company with effect from 1 July 2009.

(iii) A company, in which Dr. Cheng and Mr. Cheng Chi Kong, directors of the Company, have managerial duties and significant influence in the financial and operating policy, leased office premises to the Group.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management are disclosed in note 12 to the consolidated financial statements. The remuneration of directors and key management personnel is based on the performance and experience of individuals and is determined with reference to the Group's performance, the remuneration benchmark in the industry and the prevailing market conditions.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at 31 March 2011 and 31 March 2010 are as follows:

Name of subsidiary	Place/country of incorporation or registration/ operations	Form of business structure	Class of shares held	Paid up issued capital	Proportion of nominal value of issued capital held by the Company				Principal activities
					Directly		Indirectly		
					2011 %	2010 %	2011 %	2010 %	
Lucky Genius Limited	BVI	Limited company	Ordinary	US$1	100	100	–	–	Investment holding
Fortune Gate *(Note)*	BVI	Limited company	Ordinary	US$1	–	100	–	–	Investment holding
Fortune Growth Overseas Limited	BVI	Limited company	Ordinary	US$1	100	–	–	–	Investment holding
Maxprofit International Limited	BVI	Limited company	Ordinary	US$100	–	–	51	51	Investment holding
Starcharm Limited	BVI	Limited company	Ordinary	US$1	–	–	51	51	Investment holding
Flexi-Deliver Holding Ltd.	BVI	Limited company	Ordinary	US$1	–	–	51	51	Investment holding
CTF Hotel and Entertainment, Inc.	Philippines	Limited company	Ordinary	Peso10,468,600	–	–	51	51	Investment holding
CTF Properties (Philippines), Inc.	Philippines	Limited company	Ordinary	Peso10,468,600	–	–	51	51	Investment holding
MSPI	Philippines	Limited company	Ordinary	Peso2,722,930,653	–	–	51	51	Property investment
NCHI	Philippines	Limited company	Ordinary	Peso621,444,867	–	–	51	51	Hotel owner
Future Growth Limited	Hong Kong	Limited company	Ordinary	HK$2	100	100	–	–	General business

Note: *Fortune Gate was disposed of on 5 November 2010 and details of the disposal is set out in note 37(a) to the consolidated financial statements.*

None of the subsidiaries had issued any debt securities at the end of the year or during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Financial Summary

For the year ended 31 March 2011

RESULTS

	Year ended 31 March				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	137,310	331,980	484,318	452,166	**409,684**
(Loss) profit before taxation	(109,553)	120,663	88,909	341,421	**816,559**
Income tax (charge) credit	(1,260)	(12,871)	49,862	661	**(510)**
(Loss) profit for the year	(110,813)	107,792	138,771	342,082	**816,049**
Attributable to:					
Owners of the Company	(110,813)	76,455	115,254	275,660	**762,197**
Non-controlling interests	–	31,337	23,517	66,422	**53,852**
	(110,813)	107,792	138,771	342,082	**816,049**

ASSETS AND LIABILITIES

	At 31 March				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	310,881	4,314,379	3,575,521	3,920,666	**3,983,633**
Total liabilities	(133,194)	(1,514,446)	(949,912)	(792,976)	**(549,819)**
	177,687	2,799,933	2,625,609	3,127,690	**3,433,814**
Equity attributable to owners of the Company	177,687	2,084,036	1,988,450	2,373,841	**2,588,283**
Non-controlling interests	–	715,897	637,159	753,849	**845,531**
	177,687	2,799,933	2,625,609	3,127,690	**3,433,814**

Schedule of Principal Properties

Company	Address	Existing use	Lease term	Site area	Gross area	% of interest
New Coast Hotel, Inc.	Hyatt Hotel and Casino Manila 1588 Pedro Gil cor. M.H. Del Pilar, Malate Manila, The Philippines	Hotel operation	Medium-term lease	8,770 sq.m.	44,625 sq.m.	51%
Marina Square Properties, Inc.	Hyatt Hotel and Casino Manila 1588 Pedro Gil cor. M.H. Del Pilar, Malate Manila, The Philippines	Leasing of properties	Medium-term lease	8,770 sq.m.	48,250 sq.m.	51%