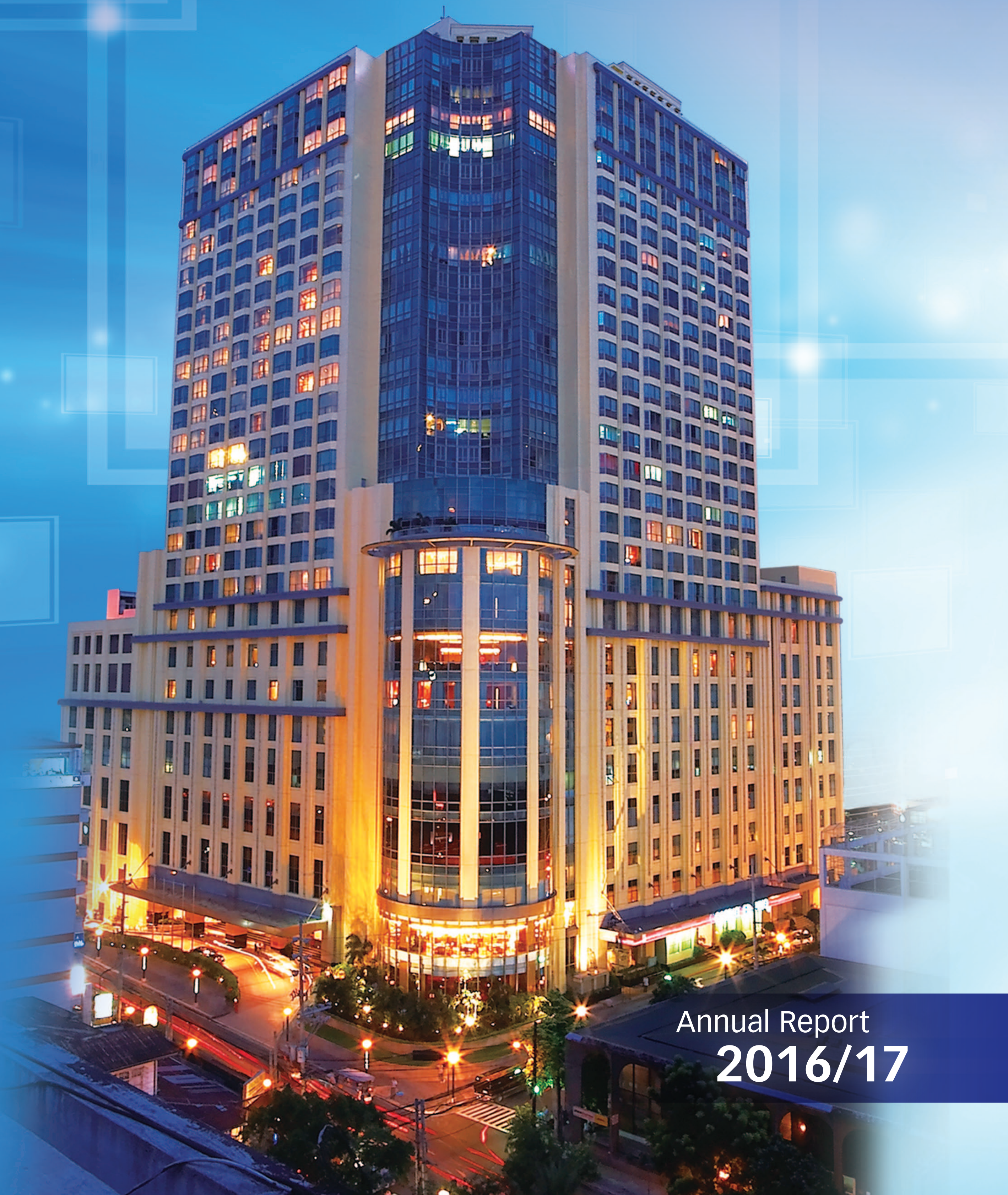
International Entertainment Corporation
國際娛樂有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 01009



Annual Report
2016/17

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

This annual report is printed on environmentally friendly paper.

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Dr. CHOI Chiu Fai Stanley *(Chairman)*
Mr. LAM Yat Ming
Mr. ZHANG Yan Min

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. REN Yunan
Ms. LU Gloria Yi
Mr. SUN Jiong
Mr. HA Kee Choy Eugene

EXECUTIVE COMMITTEE
Dr. CHOI Chiu Fai Stanley
(Committee Chairman)
Mr. LAM Yat Ming

AUDIT COMMITTEE
Mr. HA Kee Choy Eugene *(Committee Chairman)*
Mr. REN Yunan
Ms. LU Gloria Yi
Mr. SUN Jiong

NOMINATION COMMITTEE
Ms. LU Gloria Yi *(Committee Chairman)*
Mr. REN Yunan
Mr. HA Kee Choy Eugene

REMUNERATION COMMITTEE
Mr. REN Yunan *(Committee Chairman)*
Ms. LU Gloria Yi
Mr. HA Kee Choy Eugene

COMPANY SECRETARY
Mr. KWOK Chi Kin

AUTHORISED REPRESENTATIVES
Dr. CHOI Chiu Fai Stanley
Mr. KWOK Chi Kin

COMPANY WEBSITE
http://www.ientcorp.com

REGISTERED OFFICE
Cricket Square
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P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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16–18 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
SMP Partners (Cayman) Limited
Royal Bank House — 3rd Floor
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
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Hong Kong

PRINCIPAL BANKERS
BDO Unibank, Inc.
Chong Hing Bank Limited
Hang Seng Bank Limited
Maybank Philippines Inc.
Public Bank (Hong Kong) Limited

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

STOCK CODE
01009

CHAIRMAN'S STATEMENT

Dear Fellow Shareholders,

I am pleased to take this opportunity to present the annual report of International Entertainment Corporation (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2017.

During the year ended 31 March 2017, the Group maintained its emphasis on two core activities — hotel operations and leasing of properties for casino and ancillary leisure and entertainment operations at the hotel complex of the Group in Metro Manila in the Republic of the Philippines (the "Philippines").

The revenue of the Group for the year ended 31 March 2017 was approximately HK$290.7 million, representing a decrease of 12.1%, as compared with approximately HK$330.9 million in the last year. Hotel operations and lease of properties contributed approximately 36.8% and 63.2% respectively to the revenue of the Group, as compared with approximately 32.8% and 67.2% for the year ended 31 March 2016. The Group recorded a profit of approximately HK$66.1 million for the year ended 31 March 2017, representing an increase of approximately 46.2%, as compared with a profit of approximately HK$45.2 million for the year ended 31 March 2016. The increase in the profit of the Group for the year ended 31 March 2017 was mainly attributable to, among other things, the combined effect of (i) an increase in gross profit as compared to the last corresponding period mainly due to a decrease in depreciation (included in cost of sales) after partial set off in a decrease in revenue; (ii) the recognition of a slight gain on the change in fair value of financial assets at fair value through profit or loss for the year ended 31 March 2017 as compared to the loss recognised for the year ended 31 March 2016; and (iii) a one-off gain on the change in fair value of contingent consideration provision of HK$16.6 million recognised for the year ended 31 March 2016. Earnings per share for the year ended 31 March 2017 amounted to approximately 4.40 HK cents, compared with earnings per share of approximately 2.69 HK cents for the year ended 31 March 2016.

Net cash generated by the operating activities of the Group for the year ended 31 March 2017 was approximately HK$63.7 million, representing a decrease of approximately 53.9%, as compared with approximately HK$138.1 million for the year ended 31 March 2016. Bank balances and cash of the Group as at 31 March 2017 amounted to approximately HK$303.7 million, representing a decrease of approximately 74.3%, as compared with approximately HK$1,179.5 million as at 31 March 2016. Net assets attributable to the shareholders of the Company (the "Shareholders") as at 31 March 2017 amounted to approximately HK$596.7 million, representing a decrease of approximately 54.6%, as compared with approximately HK$1,314.0 million as at 31 March 2016.

As always, the Group is committed to maintaining a high standard of corporate governance practices, and will continue to enhance the risk management and internal control systems to comply with the statutory and regulatory requirements to maximise the Shareholders' values.

On 3 October 2016, Fortune Growth Overseas Limited, a wholly-owned subsidiary of the Company, completed the acquisition (the "Acquisition") of the remaining 49% equity interest in Maxprofit International Limited ("Maxprofit"). Maxprofit and its subsidiaries owns and/or lease properties used as a hotel complex comprising a deluxe hotel and properties currently leased to Philippine Amusement and Gaming Corporation ("PAGCOR") for casino and ancillary leisure and entertainment operations. Moreover, the tourism industry in the Philippines has experienced steady growth, with higher disposable incomes, increasingly discerning market demographic and other positive factors, thereby driving the development of the hospitality and gaming industries in the Philippines. As a result, the directors of the Company (the "Directors") believe that the Acquisition will be able to provide an anticipated larger contribution to the Company.

CHAIRMAN'S STATEMENT

On 10 February 2017, Brighten Path Limited purchased a total of 763,773,550 shares of the Company (the "Shares"), representing approximately 64.77% of the total number of issued shares of the Company and became the controlling Shareholder.

In conclusion, I would like to express my sincerest gratitude to my fellow Directors, the management team and the employees of the Group for their relentless commitment, efforts and creative ideas during the past year. I would also like to take this opportunity to thank our Shareholders, customers and business partners for their continued support.

Dr. Choi Chiu Fai Stanley
Chairman

Hong Kong, 23 June 2017

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's revenue for the year ended 31 March 2017 was approximately HK$290.7 million, representing a decrease of approximately 12.1%, as compared with approximately HK$330.9 million in the last year. Both the revenue from the leasing of properties and the hotel operations for the year decreased as compared with the last year. All of the Group's revenue for the year under review was generated from the business operations in the Philippines. The Group reported a gross profit of approximately HK$198.4 million for the year under review, representing an increase of approximately 28.5%, as compared with approximately HK$154.4 million in the last year. Gross profit margin for the year ended 31 March 2017 was approximately 68.2%, representing an increase of approximately 21.5%, as compared to gross profit margin of approximately 46.7% for the year ended 31 March 2016. The increase in gross profit for the year was mainly due to the decrease in depreciation included in cost of sales after partial set off in a decrease in revenue.

Other income of the Group for the year ended 31 March 2017 was approximately HK$12.2 million, representing a decrease of approximately 3.2%, as compared with approximately HK$12.6 million in the last year.

The Group recorded a slight gain of approximately HK$0.2 million on change in fair value of financial assets at fair value through profit or loss for the year ended 31 March 2017, while a loss on change in fair value of financial assets at fair value through profit or loss of approximately HK$21.2 million was recognised for the last year.

Other gains and losses of the Group represented the net foreign exchange gain or loss and a gain on change in fair value of contingent consideration provision in relation to a tax indemnity provided to the purchaser of a subsidiary of the Company disposed of by the Group during the year ended 31 March 2011. The Group recorded a net foreign exchange gain of approximately HK$29.9 million for the year ended 31 March 2017, representing a decrease of approximately 12.6%, as compared with approximately HK$34.2 million in the last year. During the year ended 31 March 2016, the Group recognised a one-off gain of approximately HK$16.6 million on change in fair value of contingent consideration provision in relation to a tax indemnity provided to the purchaser of a subsidiary of the Company disposed of by the Group during the year ended 31 March 2011.

Selling and marketing expenses and general and administrative expenses of the Group increased by approximately 0.4% to approximately HK$139.3 million for the year ended 31 March 2017 from approximately HK$138.8 million in the last year. Included in these expenses for the year ended 31 March 2017, approximately 43.2% and 12.7% were the staff costs and the utilities expenses respectively. The staff costs for the year ended 31 March 2017 was approximately HK$60.2 million, representing an increase of approximately 2.6%, as compared with approximately HK$58.7 million in the last year. The utilities expenses for the year ended 31 March 2017 was approximately HK$17.7 million, representing a decrease of approximately 5.3%, as compared with approximately HK$18.7 million in the last year.

Finance costs of the Group for the year ended 31 March 2017 was approximately HK$8.2 million, which represented the interest expenses on promissory note issued by a subsidiary of the Company in relation to the acquisition of 49% equity interest in another subsidiary of the Company on 3 October 2016.

Income tax charge of the Group increased by approximately 116.0% to approximately HK$27.0 million for the year ended 31 March 2017 from approximately HK$12.5 million in the last year. The increase in income tax charge for the year was mainly due to the increase in deferred tax charge in relation to the withholding tax on undistributed earnings arising from the subsidiaries of the Company in the Philippines.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(Continued)*

The profit of the Group increased by approximately 46.2% to approximately HK$66.1 million for the year ended 31 March 2017 from approximately HK$45.2 million for the year ended 31 March 2016.

Earnings per share for the year ended 31 March 2017 amounted to approximately 4.40 HK cents, as compared with earnings per share of approximately 2.69 HK cents for the year ended 31 March 2016.

BUSINESS REVIEW

The principal activities of the Group are hotel operations, and leasing of properties for casino and ancillary leisure and entertainment operations.

1. Leasing of properties

The revenue derived from the leasing of properties represents the rental income from the premises of the Group leased to PAGCOR. The monthly rental income is based on an agreed percentage of net gaming revenue generated from the local gaming area of the casino operated by PAGCOR as lessee of the Group's premises or a fixed rental amount, whichever is higher.

The revenue derived from the leasing of properties for the year ended 31 March 2017 was approximately HK$183.8 million, representing a decrease of approximately 17.3%, as compared with approximately HK$222.2 million in the last year. The decrease was mainly due to the decrease in the net gaming revenue from the local gaming area of the casino operated by PAGCOR as lessee of the Group's premises during the year, which was due to the new independent casinos coming into operation in the vicinity. It contributed approximately 63.2% of the Group's total revenue during the year under review while it contributed approximately 67.2% of the Group's total revenue in the last year.

2. Hotel operations

The revenue derived from the hotel operations mainly includes room revenue, revenue from food and beverages and other hotel service income. The hotel of the Group is located in Manila City which is a tourist spot with churches and historical sites as well as various night spots catered for tourists and is one of the major tourist destinations in the Philippines.

The revenue derived from the hotel operations for the year ended 31 March 2017 was approximately HK$106.9 million, representing a decrease of approximately 1.7%, as compared with approximately HK$108.8 million in the last year. The decrease was mainly due to the decrease in the room revenue during the year.

During the year under review, included in the revenue derived from the hotel operations, approximately 62.3% of the revenue was contributed by room revenue while it was approximately 62.7% in the last year. The room revenue for the year ended 31 March 2017 was approximately HK$66.6 million, representing a decrease of approximately 2.3%, as compared with approximately HK$68.2 million in the last year. The decrease was mainly due to the decrease in the average room rate during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE OUTLOOK

The Group will continue to focus on its existing business operations and investments in the Philippines, and will prudently explore new opportunities. The management of the Group will continue to consider a renovation plan to improve the properties of the Group as well as the facilities therein so as to attract more guests and enhance their experience during their stays. The Group will also strive to make good use of available cash on hand for investment for better return to the Shareholders.

The Directors will conduct a review on the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the Directors may look into business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2017, the Group's net current assets amounted to approximately HK$301.3 million (as at 31 March 2016: HK$1,182.5 million). Current assets amounted to approximately HK$343.6 million (as at 31 March 2016: HK$1,218.3 million), of which approximately HK$303.7 million (as at 31 March 2016: HK$1,179.5 million) was bank balances and cash, approximately HK$22.0 million (as at 31 March 2016: HK$20.2 million) was trade receivables, approximately HK$15.7 million (as at 31 March 2016: HK$16.1 million) was other receivables, deposits and prepayments, and approximately HK$2.2 million (as at 31 March 2016: HK$2.5 million) was inventories.

As at 31 March 2017, the Group had current liabilities amounted to approximately HK$42.3 million (as at 31 March 2016: HK$35.8 million), of which approximately HK$4.1 million (as at 31 March 2016: HK$6.1 million) was trade payables, approximately HK$38.2 million (as at 31 March 2016: HK$28.0 million) was other payables and accrued charges, and tax liabilities became nil (as at 31 March 2016: HK$1.7 million).

The bank balances and cash of the Group as at 31 March 2017 was mainly denominated in Philippine Peso ("Peso"), Hong Kong Dollars ("HK$") and United States Dollars ("USD").

During the year ended 31 March 2017, the Group had paid a dividend to non-controlling interests amounted to approximately HK$120.1 million. Besides, the Group paid the withholding tax amounted to approximately HK$44.6 million in respect of the dividend distributed by a subsidiary of the Company in the Philippines to its overseas immediate holding company.

During the year ended 31 March 2017, Fortune Growth Overseas Limited, a wholly-owned subsidiary of the Company, completed the acquisition of the remaining 49% equity interest in Maxprofit at a consideration of HK$1,138 million, of which HK$788 million was settled by cash and HK$350 million was settled by way of the issuance of a promissory note (the "Promissory Note") in the principal amount of HK$350 million by Fortune Growth Overseas Limited to Cross-Growth Co., Ltd.. Details of the acquisition are set out in the announcement of the Company dated 25 July 2016 and the circular of the Company dated 25 August 2016. The Promissory Note, which was issued on 3 October 2016, carries interest at the fixed rate of 4% per annum and shall become due and payable in full on the business day immediately preceding the fifth anniversary of its issue date and is unsecured and guaranteed by the Company. As at 31 March 2017, the carrying value of the Promissory Note was approximately HK$336.4 million (as at 31 March 2016: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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

Net cash generated by the operating activities of the Group for the year under review was approximately HK$63.7 million, representing a decrease of approximately 53.9%, as compared with approximately HK$138.1 million for the year ended 31 March 2016. Net assets attributable to the Shareholders as at 31 March 2017 amounted to approximately HK$596.7 million, representing a decrease of approximately 54.6%, as compared with approximately HK$1,314.0 million as at 31 March 2016.

The gearing ratio, measured in terms of the carrying values of total borrowings divided by total assets, was approximately 31.2% (as at 31 March 2016: nil).

The Group financed its operations generally with internally generated cash flows and the issuance of the Promissory Note.

SUBSEQUENT EVENTS

The Group does not have any important events affecting the Group's financial performance and/or financial position significantly that have occurred since the end of the financial year ended 31 March 2017.

RISKS AND UNCERTAINTIES

The Group continues to face significant risks and uncertainties from the economic growth and the competition in the market that the Group operates, and changes in economic, political and social conditions and changes in the relevant laws and regulations in the places that the Group operates.

The Group is also exposed to currency risk as the Group's assets and liabilities are mainly denominated in HK$, USD and Peso and the Group primarily earns its revenue and income in HK$, USD and Peso while the Group primarily incurs costs and expenses mainly in HK$ and Peso.

In addition, uncertainties exist with regard to the tax disputes between certain subsidiaries of the Company operating in the Philippines and Bureau of Internal Revenue in the Philippines ("BIR").

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group dedicates its effort in minimising the impact of the Group's business operations on the environment and believes that it is responsible to protect the environment. It emphasises the need of conserving natural resources and energy as well as minimising waste production and greenhouse gas emissions.

1. Waste Production

The Group takes the initiative to reduce waste production in its business operations. To this end, it promotes the importance of waste reduction among its employees through training and education, implements effective solid waste and effluent waste control so as to reduce the risk of cross-contamination and contributes to effective integrated pest management.

MANAGEMENT DISCUSSION AND ANALYSIS

ENVIRONMENTAL POLICY AND PERFORMANCE *(Continued)*

1. Waste Production *(Continued)*

The Group is not aware of any significant generation of hazardous waste. During the year under review, the Group passed all laboratory tests of sewage discharge in the Philippines and there was no incidence of non-compliance of the relevant environmental protection laws and regulations in the Philippines. The following table shows the volume of sewage discharged and the weight of solid waste disposed of in the Group's business operations in the Philippines during the year under review.

For the year ended 31 March 2017

Geographical Region	Sewage discharged (cubic metre)	Solid waste disposed: Recycled items (kilogram)	Solid waste disposed: Non-recycled items (kilogram)
The Philippines	**214,792**	**28,015**	**382,412**

Note: Recycled items consist mainly of paper and cans.

For the year ended 31 March 2016

Geographical Region	Sewage discharged (cubic metre)	Solid waste disposed: Recycled items (kilogram)	Solid waste disposed: Non-recycled items (kilogram)
The Philippines	235,167	28,093	416,412

Note: Recycled items consist mainly of paper and cans.

2. Energy and water consumption

The Group explores opportunities to minimise the use of energy or natural resources in every department in different business operations of the Group. With the assistance of the new technology or improved operation procedures, the Group believes that it can improve the efficiency of the use of energy and natural resources from time to time.

The Group endeavours to make use of water and energy efficiently and to encourage its employees to use water and energy smartly. The consumption of water and energy is monitored regularly.

Energy usage for lighting and air-conditioning systems forms a significant part of energy consumption in the Group's business operations. Regular maintenance on lighting and air-conditioning systems is essential to maintain their efficiencies so as to achieve energy saving initiatives. Optimising thermostat settings for air-conditioning systems in lobby, restaurants, conference rooms and other open areas would also be regarded as an initiative to reduce energy consumption.

In addition to the precautions of energy consumption, water should be used wisely. One of the strategies is to direct and educate the employees of the Group on using water wisely and prudently. Water conservation plan is a common strategy to save water. At the same time, putting proper monitoring procedures in place would help these initiatives work effectively.

MANAGEMENT DISCUSSION AND ANALYSIS

ENVIRONMENTAL POLICY AND PERFORMANCE *(Continued)*

2. Energy and water consumption *(Continued)*

In any case, reducing in energy consumption and using water wisely are the important steps to save the environment as well as the operating costs of the Group's business operations. The following table shows the electricity, diesel, gas and water consumption of the Group's business operations in the Philippines during the year under review.

For the year ended 31 March 2017

Geographical Region	Electricity consumption (kilowatt hour)	Diesel consumption (litre)	Liquefied petroleum gas consumption (kilogram)	Water consumption (cubic metre)
The Philippines	**17,906,253**	**11,667**	**205,698**	**188,921**

For the year ended 31 March 2016

Geographical Region	Electricity consumption (kilowatt hour)	Diesel consumption (litre)	Liquefied petroleum gas consumption (kilogram)	Water consumption (cubic metre)
The Philippines	18,485,812	78,106	195,225	205,506

3. Greenhouse Gas Emissions

In addition to the reduction of waste production and the conservative use of energy or natural resources, the Group promotes the minimisation of greenhouse gas emissions generated by the Group. To this end, the Group encourages the environmental care in its working environment. Apart from the smart use of water and energy as mentioned above, the Group encourages its employees to reduce paper consumption, promote the use of electronic copies for filing and reading purpose, and collect waste materials which can be recycled for use.

The following tables shows the data of greenhouse gas emissions covered the business operations of the Group in the Philippines during the year under review.

Geographical Region	Total greenhouse gas emissions (kg CO_2e) *(Note)*	
	2017	2016
The Philippines	**13,768,503**	13,418,881

Notes: (i) The total greenhouse gas emissions include direct emissions (Scope 1) and energy indirect emissions (Scope 2) but exclude other indirect emissions (Scope 3) as other indirect emissions were minimal during the year under review; and

(ii) "CO_2e" is used for describing different greenhouse gases, such as CO_2, NO_x and SO_x, in a common unit. It signifies the amount of CO_2 which would have the equivalent global warming impact. Greenhouse gas is any gas in the atmosphere which absorbs and re-emits heat, and keeps the planet's atmosphere warmer than it otherwise would be.

ENVIRONMENTAL POLICY AND PERFORMANCE *(Continued)*

3. Greenhouse Gas Emissions *(Continued)*

Other data	Greenhouse gas emissions (kg CO_2e) 2017	2016
Direct emissions (Scope 1) *(Note i)*	**4,668,985**	3,681,778
Energy indirect emissions (Scope 2) *(Note ii)*	**9,099,518**	9,737,103
Total	**13,768,503**	13,418,881
Total greenhouse gas emissions per employee located in the Philippines	**47,642**	45,955

Notes: (i) Direct emissions (Scope 1) arose mainly from the use of refrigerants; and

(ii) Energy indirect emissions (Scope 2) arose mainly from the use of electricity.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

1. Employees

The Group understands that the importance of human capital and the continued supports and contributions from employees are the key elements to its success. It puts strong emphasis on recruiting the right persons, providing comprehensive development programs to the employees, retaining employees as well as providing a healthy and safe working environment for them.

The human resources policies mainly cover recruitment and promotion, compensation and dismissal, working hours, rest periods, and other benefits and welfare.

2. Suppliers

The Group collaborates with responsible suppliers to provide quality goods and services with competitive pricing. To this end, the Group implements policies on supply chain management to ensure fair suppliers selection procedures. The suppliers should fulfill the requirements in the supplier screening procedures and the Group's experienced employees ensure those goods received from or services provided by the suppliers meet the Group's expectation. One of the essential steps in supply chain management is sourcing the daily supplies and also the food and beverage ingredients for the business operations of the Group. The Group's bans on shark's fin from all its food outlets shows its continuous commitment to sustainability.

3. Customers

Product responsibility and feedback from customers are always the key areas that the Group focuses on. To measure customer satisfaction, different communication channels are open to the customers, including customer service hotline, customer service email, the websites, or the customer satisfactory questionnaire to ensure that the Group can take the negative feedback from the customers so as to improve its performance in future.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

Save as otherwise mentioned in this annual report, during the year ended 31 March 2017, there was no incidence of non-compliance with the relevant laws and regulations of the places in which the Group operates that has a significant impact on the business operations of the Group.

CHARGES ON GROUP ASSETS

As at 31 March 2017 and 31 March 2016 respectively, there were no charges over any of the Group's assets.

MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

On 25 July 2016, Fortune Growth Overseas Limited entered into the conditional sale and purchase agreement with Cross-Growth Co., Ltd. to acquire the remaining 49% equity interest in Maxprofit at a consideration of HK$1,138 million. Completion of the acquisition took place on 3 October 2016 and Maxprofit became an indirect wholly-owned subsidiary of the Company. Details of the acquisition are set out in the announcement of the Company dated 25 July 2016 and the circular of the Company dated 25 August 2016.

Save as disclosed above, there was no acquisition or disposal of subsidiary and associated company or significant investments of the Group, which would have been required to be disclosed under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), for the year ended 31 March 2017.

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. The Group will also continue to consider a renovation plan to improve the properties of the Group as well as the facilities therein so as to attract more guests and enhance their experience during their stays.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

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

The Group's assets and liabilities are mainly denominated in HK$, USD and Peso. The Group primarily earns its revenue and income in HK$, USD and Peso while the Group primarily incurs costs and expenses mainly in HK$ and Peso. Therefore, the Group may be exposed to currency risk.

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

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 31 March 2017, the Group had (a) contingent liabilities of approximately HK$408.5 million (as at 31 March 2016: HK$460.2 million) relating to the tax disputes between a subsidiary of the Company principally engaging in the business of leasing of properties in the Philippines and BIR for the calendar years of 2008 and 2012, as well as the potential income tax (but not taking into account any possible additional penalties, surcharge or interest liability, of which existence can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of such subsidiary) that may be assessed by BIR for the taxable years which are not yet barred by prescription under the relevant laws, rules and regulations of the Philippines; and (b) contingent liabilities of approximately HK$2.7 million (as at 31 March 2016: HK$8.8 million) relating to the tax dispute between another subsidiary of the Company principally engaging in the hotel operations in the Philippines and BIR for the calendar year of 2011 (but not taking into account any possible additional penalties or interest liability, of which existence can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of such subsidiary).

Details of the aforesaid contingent liabilities are set out in note 29 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group was 298 as at 31 March 2017 (as at 31 March 2016: 299). The staff costs for the year ended 31 March 2017 was approximately HK$60.2 million (for the year ended 31 March 2016: HK$58.7 million). The remuneration policy of the Company is recommended by the remuneration committee of the Company (the "Remuneration Committee"). The remuneration of the Directors and the employees of the Group is based on the performance and experience of the individuals and is determined with reference to the Group's performance, the remuneration benchmark in the industry and the prevailing market conditions. In addition to the salaries, the employees of the Group are entitled to benefits including medical, insurance and retirement benefits. Besides, the Group regularly provides internal and external training courses for the employees of the Group to meet their needs.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Dr. Choi Chiu Fai Stanley, aged 48, joined the Company as an executive Director in May 2017 and was appointed as the chairman of the board of Directors (the "Board") in June 2017. He is also the chairman of the executive committee of the Company and the authorised representative of the Company. Dr. Choi possesses more than 20 years of experience in financial service and merger and acquisition projects. He is the chairman of Head & Shoulders Financial Group Limited. Apart from working at senior positions for different financial groups in Hong Kong, Dr. Choi has also served as a member of the senior management of various listed companies in Hong Kong. He is currently an executive director of Target Insurance (Holdings) Limited (a company listed on the main board of the Stock Exchange, stock code: 6161), and is an executive director and chairman of Daqing Dairy Holdings Limited (a company listed on the main board of the Stock Exchange, stock code: 1007). He was an executive director of Media Asia Group Holdings Limited (a company listed on the Growth Enterprise Market of the Stock Exchange, stock code: 8075) from October 2011 to September 2015. Dr. Choi obtained a bachelor's degree of business administration (Magna Cum Laude) from Wichita State University in 1995 and a master's degree of science from the University of Illinois at Urbana Champaign in 1996, both of which are in the United States of America. He has also obtained a doctoral degree of business administration from the City University of Hong Kong in 2013. He is also a director of various subsidiaries of the Company.

Dr. Choi is the sole shareholder and the sole director of Head and Shoulders Direct Investment Limited, a company incorporated in the British Virgin Islands with limited liability, which in turn is the sole shareholder of Brighten Path Limited, the controlling Shareholder (as defined in the Listing Rules). Dr. Choi is deemed, by virtue of his interest in Brighten Path Limited, to be interested in 764,223,268 Shares under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), representing approximately 64.81% of the issued share capital of the Company.

Mr. Lam Yat Ming, aged 57, joined the Company as an executive Director in May 2017. He is also a member of the executive committee of the Company. Mr. Lam is a director of Head & Shoulders Financial Group Limited. He possesses extensive experience in financial services, administrative and management functions, and project investment. He has served as senior management for different financial investment services companies and public listed companies in Hong Kong. Between September 2009 to June 2010, he was a chief operating officer of Simsen International Corporation Limited (presently known as Huarong International Financial Holdings Limited) (a company listed on the main board of the Stock Exchange, stock code: 993). Between October 2006 and July 2009, he was an executive director of Oriental Ginza Holdings Limited (presently known as Carnival Group International Holdings Limited) (a company listed on the main board of the Stock Exchange, stock code: 996). Mr. Lam graduated from the University of Newcastle Upon-Tyne in the United Kingdom with a bachelor's degree in 1985 and is a member of the Hong Kong Securities and Investment Institute. He is also a director of various subsidiaries of the Company.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS *(Continued)*

Mr. Zhang Yan Min, aged 61, joined the Company as an executive Director in May 2017. Mr. Zhang is a chief operations officer of Goldenway Capital Management (Hong Kong) Limited which is a member of Goldenway Investments Holdings Limited and graduated from Sun Yat-sen University, Guangzhou, China with a bachelor's degree in foreign language of English in 1983. He obtained a master's degree in business administration of sales and marketing from Oklahoma State University in the United States of America in 1987.

Mr. Zhang has over 28 years' experiences in commercial development, investment and business management. He was a general manager of Lloyd's Register Industrial Technical Services (Shanghai) Co., Ltd. ("LR") from 2011 to 2016, and was responsible for managing the overall operations of LR. Mr. Zhang worked with SABIC Asia Pacific Pte. Ltd. as the country manager from 2002 to 2008, he was responsible for the sales and marketing of all its products in China. Mr. Zhang worked with SABIC (Shanghai) Trading Co., Ltd. as an investment director in its China Investment department from 2008 to 2010. Mr. Zhang was the general manager of Amylum (Group) Asia Ltd. (the "Amylum Group") from 1995 to 2000 for its subsidiary plants in Guangzhou, China, he was responsible for managing the Amylum Group's joint venture company in Guangzhou, China.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ren Yunan, aged 41, joined the Company as an independent non-executive Director in May 2017. He is also the chairman of the remuneration committee, and a member of the audit committee and the nomination committee of the Company. Mr. Ren has over 7 years of legal practice experience. He graduated from Peking University with a bachelor's degree in law in 1997 and received a master's degree in law from Harvard Law School in 1999. He was qualified to practise law both in Hong Kong and New York, the United States of America. He served as an executive director of investment banking department in UBS AG, Hong Kong Branch between 2008 and 2010. Mr. Ren served as a member of the board of directors and chairman of audit committee of IDI, Inc. (a company then listed on New York Stock Exchange AMEX) (currently known as Cogint, Inc. and is currently listed on the NASDAQ Stock Market) from 2012 to 2015. Mr. Ren currently holds several directorships in different listed companies, including a non-executive director of China Child Care Corporation Limited (a company listed on the main board of the Stock Exchange, stock code: 1259); an independent non-executive director of Ronshine China Holdings Limited (a company listed on the main board of the Stock Exchange, stock code: 3301); and a non-executive director of Labixiaoxin Snacks Group Limited (a company listed on the main board of the Stock Exchange, stock code: 1262). Mr. Ren currently is a managing director in private equity department of CITIC Securities International Company Limited.

Ms. Lu Gloria Yi, aged 47, joined the Company as an independent non-executive Director in May 2017. She is also the chairman of the nomination committee, and a member of the audit committee and the remuneration committee of the Company. Ms. Lu has over 20 years of experience in investment banking, capital market and risk management. She was the head of equities of China Renaissance Securities (Hong Kong) Limited ("China Renaissance") between 2014 and 2016 and was responsible for equity research, sales and trading, distribution and operation of both Hong Kong and the United States of America equity markets. Prior to joining China Renaissance, she was a deputy chief executive officer of China Life Franklin Asset Management Co., Limited and was responsible for its investment, research, product development, marketing and distribution as well as administrative duties. She also worked for Blackrock Asset Management North Asia Limited and Deutsche Securities Asia Limited in her professional career. She was an executive director of Global Digital Creations Holdings Limited (a company listed on the Growth Enterprise Market of the Stock Exchange, stock code: 8271) from September 2007 to September 2009. She obtained her bachelor's degree in commerce from the University of Toronto in 1994. She is a charterholder of Chartered Financial Analyst and currently a responsible officer of Parantoux Capital Limited for type 9 regulated activity (asset management) registered with the Securities and Futures Commission of Hong Kong.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Sun Jiong, aged 48, joined the Company as an independent non-executive Director in May 2017. He is also a member of the audit committee of the Company. Mr. Sun is currently a vice president of Alibaba Cloud department in Taobao (China) Software Co. Ltd., a business unit of Alibaba Group, which develops and provides highly scalable cloud computing and data management services. He worked with Alibaba (China) Technology Co. Ltd from 2007 to 2010 as the general manager of its Japanese business unit. He served as a chairman of Open Associates China Co., Ltd. from November 2010 to December 2013.

Mr. Ha Kee Choy Eugene, aged 60, joined the Company as an independent non-executive Director in May 2017. He is also the chairman of the audit committee, and a member of the nomination committee and the remuneration committee of the Company. Mr. Ha holds a master's degree in business administration and is a fellow member of the Chartered Association of Certified Accountants. Mr. Ha is a director of a certified public accountants corporate practice in Hong Kong. He is currently an independent non-executive director of Daqing Dairy Holdings Limited (stock code: 1007) and China Touyun Tech Group Limited (stock code: 1332). Both companies are listed on the main board of the Stock Exchange. He was an independent non-executive director of China Innovative Finance Group Limited (stock code: 412) (formerly known as Heritage International Holdings Limited), which is listed on the main board of the Stock Exchange, for the period from October 2005 to April 2015.

Mr. Ha was also a director of 401 Holdings Limited ("401 Holdings"), a company listed on the main board of the Stock Exchange, for the period from 13 March 2001 to 27 July 2004. Mr. Ha had resigned from 401 Holdings well before it was subsequently wound up on 13 June 2005 and delisted with effect from 21 June 2005. During his tenure in 401 Holdings, Mr. Ha was responsible for helping the company in formulating a restructuring plan. He was not involved in 401 Holdings' daily operation or winding up proceedings.

SENIOR MANAGEMENT

Mr. Tse Cho Tseung, aged 63, 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 30 years of experience in accounting and finance, construction, property development and investment, hotel operations, and trading business.

Mr. Kwok Chi Kin, aged 40, joined the Group in May 2004 and is the Chief Financial Officer and Company Secretary of the Company. He is also the authorised representative of the Company. He is responsible for the accounting and financial management, company secretarial matters and corporate governance functions of the Group. Mr. Kwok holds a Degree of Bachelor of Business Administration in Finance with First Class Honors from Hong Kong University of Science and Technology. He is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and a member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. He has over 15 years of experience in auditing, accounting and financial management, company secretarial practice, and corporate governance. Prior to joining the Group, he worked for an international accounting firm and was a senior executive of a listed company 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 2017.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 30 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2017 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 49 to 50 of this annual report.

The Board does not recommend the payment of any dividend for the year ended 31 March 2017 (for the year ended 31 March 2016: nil).

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2017 is set out in the section headed "Management Discussion and Analysis" on pages 5 to 13 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales attributable to the Group's largest customer and five largest customers accounted for approximately 64% and 71% respectively of the Group's total revenue for the year.

The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases for the year.

At no time during the year did a Director, a close associate (as defined in the Listing Rules) of a Director or a Shareholder (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.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 111 of this annual report.

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 13 and 14 respectively to the consolidated financial statements.

PRINCIPAL PROPERTIES OWNED BY THE GROUP

Particulars of the principal properties of the Group are set out on page 112 of this annual report.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 20 to the consolidated financial statements.

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

The reserves of the Company available for distribution to the Shareholders as at 31 March 2017, which is calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Cayman Islands Companies Law") and the Company's articles of association (the "Articles"), amounted to approximately HK$146,491,000.

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 53 of this annual report and note 31 to the consolidated financial statements respectively.

DONATIONS

During the year, the Group made donations amounting to approximately HK$16,000.

DIRECTORS

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

Executive Directors

Dr. Cheng Kar Shun	(resigned as Chairman and executive Director with effect from 10 June 2017)
Mr. Lo Lin Shing, Simon	(resigned as Deputy Chairman and executive Director with effect from 10 June 2017)
Mr. To Hin Tsun, Gerald	(resigned with effect from 10 June 2017)
Mr. Cheng Kam Chiu, Stewart	(resigned with effect from 10 June 2017)
Mr. Cheng Kam Biu, Wilson	(resigned with effect from 10 June 2017)
Dr. Cheng Chi Kong	(resigned with effect from 10 June 2017)
Mr. Cheng Chi Him	(resigned with effect from 10 June 2017)
Dr. Choi Chiu Fai Stanley *(Chairman)*	(appointed as executive Director with effect from 15 May 2017 and as Chairman with effect from 10 June 2017)
Mr. Lam Yat Ming	(appointed with effect from 15 May 2017)
Mr. Zhang Yan Min	(appointed with effect from 15 May 2017)

Independent non-executive Directors

Mr. Cheung Hon Kit	(resigned with effect from 10 June 2017)
Mr. Kwee Chong Kok, Michael	(resigned with effect from 10 June 2017)
Mr. Lau Wai Piu	(resigned with effect from 10 June 2017)
Mr. Tsui Hing Chuen, William	(resigned with effect from 10 June 2017)
Mr. Ren Yunan	(appointed with effect from 15 May 2017)
Ms. Lu Gloria Yi	(appointed with effect from 15 May 2017)
Mr. Sun Jiong	(appointed with effect from 15 May 2017)
Mr. Ha Kee Choy Eugene	(appointed with effect from 15 May 2017)

DIRECTORS *(Continued)*

In accordance with article 83(3) of the Articles, Dr. Choi Chiu Fai Stanley, Mr. Lam Yat Ming, Mr. Zhang Yan Min, Mr. Ren Yunan, Ms. Lu Gloria Yi, Mr. Sun Jiong and Mr. Ha Kee Choy Eugene, all being the newly appointed Directors, shall hold office until the forthcoming annual general meeting of the Company (the "AGM") to be held on Tuesday, 22 August 2017. All the newly appointed Directors, being eligible, offer themselves for re-election at the forthcoming AGM.

Dr. Cheng Kar Shun, Mr. Lo Lin Shing, Simon, Mr. To Hin Tsun, Gerald, Mr. Cheng Kam Chiu, Stewart, Mr. Cheng Kam Biu, Wilson, Dr. Cheng Chi Kong and Mr. Cheng Chi Him resigned from directorship as a result of the change in control of the Company following the close of the mandatory unconditional cash offer made by Head & Shoulders Securities Limited for and on behalf of Brighten Path Limited (the "Offeror") for all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it) on 9 June 2017 while Mr. Cheung Hon Kit, Mr. Kwee Chong Kok, Michael, Mr. Lau Wai Piu and Mr. Tsui Hing Chuen, William resigned from directorship in order to free more time for other personal development. Each of the resigning Directors has confirmed that (a) he has no disagreement with the Board and (b) there is no matter relating to his resignation that needs to be brought to the attention of the Shareholders.

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

Biographical information of the Directors is set out in the section headed "Board of Directors and Senior Management" on pages 14 to 16 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of Mr. Ren Yunan, Ms. Lu Gloria Yi, Mr. Sun Jiong and Mr. Ha Kee Choy Eugene a confirmation of his/her 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 2017, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were taken or deemed to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company, to be notified to the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS *(Continued)*

Long positions in the Shares

	Number of Shares			
Name of Director	Personal interest	Corporate interest	Total	Approximate percentage of the number of issued Shares
Mr. Lo Lin Shing, Simon	–	364,800 *(Note)*	364,800	0.03%

Note: These Shares were held by Wellington Equities Inc., a company wholly-owned by Mr. Lo Lin Shing, Simon. Mr. Lo resigned as an executive Director with effect from 10 June 2017.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Save as disclosed below, as at 31 March 2017, so far as is known to the Directors or chief executives of the Company, the Company had not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares 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.

REPORT OF THE DIRECTORS

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

Long positions in the Shares

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares	Approximate percentage of the number of issued Shares	*Note*
Brighten Path Limited ("Brighten Path")	Beneficial owner	763,773,550	64.77%	
Head and Shoulders Direct Investment Limited ("Head and Shoulders")	Interest of a controlled corporation	763,773,550	64.77%	*Note 1*
Dr. Choi Chiu Fai Stanley ("Dr. Choi")	Interest of a controlled corporation	763,773,550	64.77%	*Note 2*
Mediastar International Limited ("Mediastar")	Beneficial owner	118,000,000	10.01%	
	Person having a security interest in Shares	763,773,550	64.77%	*Note 3*
	Sub-total	881,773,550	74.78%	
Sky Warrior Investments Limited ("Sky Warrior")	Interest of a controlled corporation	118,000,000	10.01%	*Note 4*
	Person having a security interest in Shares	763,773,550	64.77%	*Note 4*
	Sub-total	881,773,550	74.78%	
Chow Tai Fook (Holding) Limited ("CTFHL")	Interest of a controlled corporation	118,000,000	10.01%	*Note 5*
	Person having a security interest in Shares	763,773,550	64.77%	*Note 5*
	Sub-total	881,773,550	74.78%	
Chow Tai Fook Capital Limited ("CTFC")	Interest of a controlled corporation	118,000,000	10.01%	*Note 6*
	Person having a security interest in Shares	763,773,550	64.77%	*Note 6*
	Sub-total	881,773,550	74.78%	
Cheng Yu Tung Family (Holdings II) Limited ("CYTFH-II")	Interest of a controlled corporation	118,000,000	10.01%	*Note 7*
	Person having a security interest in Shares	763,773,550	64.77%	*Note 7*
	Sub-total	881,773,550	74.78%	
Cheng Yu Tung Family (Holdings) Limited ("CYTFH")	Interest of a controlled corporation	118,000,000	10.01%	*Note 8*
	Person having a security interest in Shares	763,773,550	64.77%	*Note 8*
	Sub-total	881,773,550	74.78%	

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

Long positions in the Shares *(Continued)*

Notes:

(1) Brighten Path is wholly-owned by Head and Shoulders. Accordingly, Head and Shoulders was deemed to be interested in 763,773,550 Shares held by Brighten Path under the SFO.

(2) Head and Shoulders is wholly-owned by Dr. Choi. Accordingly, Dr. Choi was deemed to be interested in 763,773,550 Shares held by Brighten Path under the SFO.

(3) Mediastar has a security interest in 763,773,550 Shares. Accordingly, Mediastar was deemed to be interested in the 763,773,550 Shares representing approximately 64.77% of the total number of issued Shares under the SFO.

(4) Mediastar is wholly-owned by Sky Warrior. Accordingly, under the SFO, Sky Warrior was deemed to be interested in 118,000,000 Shares held by Mediastar and 763,773,550 Shares in which Mediastar has a security interest.

(5) Sky Warrior is wholly-owned by CTFHL. Accordingly, under the SFO, CTFHL was deemed to be interested in 118,000,000 Shares held by Mediastar and 763,773,550 Shares in which Mediastar has a security interest.

(6) CTFC holds approximately 81.03% direct interest in CTFHL. Accordingly, under the SFO, CTFC was deemed to be interested in 118,000,000 Shares held by Mediastar and 763,773,550 Shares in which Mediastar has a security interest.

(7) CYTFH-II holds approximately 46.65% direct interest in CTFC. Accordingly, under the SFO, CYTFH-II was deemed to be interested in 118,000,000 Shares held by Mediastar and 763,773,550 Shares in which Mediastar has a security interest.

(8) CYTFH holds approximately 48.98% direct interest in CTFC. Accordingly, under the SFO, CYTFH was deemed to be interested in 118,000,000 Shares held by Mediastar and 763,773,550 Shares in which Mediastar has a security interest.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of the duty of his/her office.

The Company has taken out directors' liability insurance throughout the year, which provides appropriate cover for the Directors and the directors of the subsidiaries of the Company.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or the Director's connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTRACTS OF SIGNIFICANCE WITH A CONTROLLING SHAREHOLDER

Save as disclosed in the section headed "Connected Transactions" below and the related party transactions disclosed in note 28 to the consolidated financial statements, there were no other contracts of significance between the Company, or any of its subsidiaries, and a controlling Shareholder or any its subsidiaries subsisting at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

The following Directors 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	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	Hotel operations in Makati, Manila, the Philippines	executive director and optionholder *(Note 1)*
Dr. Cheng Chi Kong	NWD and its subsidiaries	Hotel operations in Makati, Manila, the Philippines	executive director and optionholder *(Note 2)*

Notes:

(1) As at 31 March 2017, Dr. Cheng Kar Shun was personally interested in 10,675,637 shares options of NWD, representing approximately 0.11% of the number of issued shares of NWD. He resigned as an executive Director with effect from 10 June 2017.

(2) As at 31 March 2017, Dr. Cheng Chi Kong was personally interested in 8,236,471 share options of NWD, representing approximately 0.09% of the number of issued shares of NWD. He resigned as an executive Director with effect from 10 June 2017.

As the Board is independent of the boards of the above-mentioned entities and none of the above Directors can control the Board, the Group is therefore capable of carrying on its business independently of, and at arm's length from, the business of these entities.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

The Group had the following connected transactions during the year ended 31 March 2017:

(1) Hotel Management Agreement and Sales and Marketing Agreement

On 24 June 2014, New Coast Hotel, Inc. ("NCHI"), an indirect non-wholly owned subsidiary of the Company, entered into (i) the hotel management agreement (the "Hotel Management Agreement") with NWH Management Philippines, Incorporated ("NWHM (Philippines)") for the provision of management and other related services by NWHM (Philippines) in respect of the hotel of the Group for three years commencing from 1 January 2015 to 31 December 2017 (both dates inclusive); and (ii) the sales and marketing agreement (the "Sales and Marketing Agreement") with New World Hotel Management Limited ("NWHML") for the provision of sales and marketing services by NWHML in respect of the hotel of the Group for three years commencing from 1 January 2015 to 31 December 2017 (both dates inclusive).

Both NWHM (Philippines) and NWHML are indirect wholly-owned subsidiaries of Chow Tai Fook Enterprises Limited ("CTFE") and CTFE is wholly-owned by CTFHL. Mediastar International Limited is a substantial Shareholder (as defined under the Listing Rules) and is an indirect wholly–owned subsidiary of CTFHL. Therefore, both NWHM (Philippines) and NWHML are the connected persons of the Company under Chapter 14A of the Listing Rules.

The aggregate annual value paid and payable by the Group to NWHM (Philippines) and NWHML for the transactions contemplated under the Hotel Management Agreement and the Sales and Marketing Agreement for the period from 1 April 2016 to 31 March 2017 was approximately HK$4,981,000, which did not exceed the annual cap of HK$11,800,000. Details of the Hotel Management Agreement and the Sales and Marketing Agreement have been set out in the announcement of the Company dated 24 June 2014.

(2) Acquisition of the remaining 49% equity interest in Maxprofit

On 25 July 2016, Fortune Growth Overseas Limited, a wholly-owned subsidiary of the Company, entered into the conditional sale and purchase agreement with Cross-Growth Co., Ltd. to acquire the remaining 49% equity interest in Maxprofit at a consideration of HK$1,138 million of which HK$788 million will be settled by cash and HK$350 million will be settled by way of the issuance of the Promissory Note by Fortune Growth Overseas Limited to Cross-Growth Co., Ltd..

Cross-Growth Co., Ltd. is wholly-owned by CTFE and CTFE is wholly-owned by CTFHL. Mediastar International Limited is a substantial Shareholder and is an indirect wholly–owned subsidiary of CTFHL. Therefore, Cross-Growth Co., Ltd. is a connected person of the Company under Chapter 14A of the Listing Rules.

Details of the Acquisition and the Promissory Note are set out in the announcement of the Company dated 25 July 2016 and the circular of the Company dated 25 August 2016.

Annual Review of Continuing Connected Transactions

The independent non-executive Directors have reviewed the continuing connected transactions arising from the Hotel Management Agreement and the Sales and Marketing Agreement and confirmed that the transactions thereunder have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

CONNECTED TRANSACTIONS *(Continued)*

Annual Review of Continuing Connected Transactions *(Continued)*

Pursuant to Rule 14A.56 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 (Revised) "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 that the Group's continuing connected transactions as disclosed above are in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The related party transactions entered into by the Group during the year ended 31 March 2017 are disclosed in note 28 to the consolidated financial statements. These transactions fall under the definition of "connected transaction" or "continuing connected transaction" under Chapter 14A of the Listing Rules.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year ended 31 March 2017.

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

PRE-EMPTIVE RIGHTS

There are no pre-emptive rights provisions in the Articles, or under the Cayman Islands Companies Law, which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

AUDITOR

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

On behalf of the Board

Dr. Choi Chiu Fai Stanley
Chairman

Hong Kong, 23 June 2017

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices and procedures and to complying with the statutory and regulatory requirements with an aim to maximising the Shareholders' values and interests as well as to enhancing the stakeholders' transparency and accountability. During the year ended 31 March 2017, the Company has complied with the code provisions of the Corporate Governance Code (the "Corporate Governance Code") as set out in Appendix 14 to the Listing Rules, except for the following deviation:

Code Provision A.6.7 of the Corporate Governance Code stipulates that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

Mr. Kwee Chong Kok, Michael, an independent non-executive Director, was unable to attend the AGM held on 17 August 2016 and the extraordinary general meeting of the Company (the "EGM") held on 28 September 2016 as he had another business engagements at the time of those meetings.

Mr. Cheung Hon Kit, an independent non-executive Director, was unable to attend the EGM held on 28 September 2016 as he had another business engagement at the time of such meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

The Company, having made specific enquiries of all 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 2017.

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 of the Board (the "Chairman") takes primary responsibility for ensuring that good corporate governance practices and procedures are established, and is responsible for the management of the Board and ensures that all Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings. The Company does not have any Chief Executive Officer. The Board is primarily responsible for the overall management of the Group and oversight of the management. The management is responsible for the day-to-day operations of the Group. In addition, the Company has established the executive committee, the audit committee, the nomination committee and the remuneration committee with respective terms of reference to assist the Board in focusing on specific matters, fulfill their roles and functions delegated by the Board, and make any necessary recommendations of the Board.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Continued)*

As at the date of this annual report, the Board comprises seven Directors, of whom three are executive Directors and four are independent non-executive Directors. The names of the Directors during the year and up to the date of this annual report are set out below:

Executive Directors

Dr. Cheng Kar Shun	(resigned as Chairman and executive Director with effect from 10 June 2017)
Mr. Lo Lin Shing, Simon	(resigned as Deputy Chairman and executive Director with effect from 10 June 2017)
Mr. To Hin Tsun, Gerald	(resigned with effect from 10 June 2017)
Mr. Cheng Kam Chiu, Stewart	(resigned with effect from 10 June 2017)
Mr. Cheng Kam Biu, Wilson	(resigned with effect from 10 June 2017)
Dr. Cheng Chi Kong	(resigned with effect from 10 June 2017)
Mr. Cheng Chi Him	(resigned with effect from 10 June 2017)
Dr. Choi Chiu Fai Stanley *(Chairman)*	(appointed as executive Director with effect from 15 May 2017 and as Chairman with effect from 10 June 2017)
Mr. Lam Yat Ming	(appointed with effect from 15 May 2017)
Mr. Zhang Yan Min	(appointed with effect from 15 May 2017)

Independent non-executive Directors

Mr. Cheung Hon Kit	(resigned with effect from 10 June 2017)
Mr. Kwee Chong Kok, Michael	(resigned with effect from 10 June 2017)
Mr. Lau Wai Piu	(resigned with effect from 10 June 2017)
Mr. Tsui Hing Chuen, William	(resigned with effect from 10 June 2017)
Mr. Ren Yunan	(appointed with effect from 15 May 2017)
Ms. Lu Gloria Yi	(appointed with effect from 15 May 2017)
Mr. Sun Jiong	(appointed with effect from 15 May 2017)
Mr. Ha Kee Choy Eugene	(appointed with effect from 15 May 2017)

Biographical information of the Directors and the relationship among the members of the Board are set out in the section headed "Board of Directors and Senior Management" on pages 14 to 16 of this annual report.

If a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive Directors who, and whose close associates (as defined under the Listing Rules), have no material interest in the transaction should be present at that Board meeting.

The Company has received from each of the independent non-executive Directors a confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all the independent non-executive Directors are independent.

The Board held seven meetings during the year ended 31 March 2017. Notice of not less than 14 days was given to all the Directors for the regular Board meetings and the Directors were given an opportunity to include matters in the agenda for the regular Board meetings.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Continued)*

The attendance of each Director at the said seven Board meetings, the AGM held on 17 August 2016 and the EGM held on 28 September 2016 are set out below:

	Attendance		
	Board Meetings	AGM	EGM
Executive Directors			
Dr. Cheng Kar Shun *(Note 1)*	4/7	1/1	0/1
Mr. Lo Lin Shing, Simon *(Note 2)*	4/7	0/1	0/1
Mr. To Hin Tsun, Gerald *(Note 3)*	7/7	1/1	1/1
Mr. Cheng Kam Chiu, Stewart *(Note 3)*	4/7	1/1	1/1
Mr. Cheng Kam Biu, Wilson *(Note 3)*	6/7	1/1	1/1
Dr. Cheng Chi Kong *(Note 3)*	5/7	0/1	0/1
Mr. Cheng Chi Him *(Note 3)*	5/7	1/1	0/1
Dr. Choi Chiu Fai Stanley *(Chairman)* *(Note 5)*	–/–	–/–	–/–
Mr. Lam Yat Ming *(Note 6)*	–/–	–/–	–/–
Mr. Zhang Yan Min *(Note 6)*	–/–	–/–	–/–
Independent non-executive Directors			
Mr. Cheung Hon Kit *(Note 4)*	6/7	1/1	0/1
Mr. Kwee Chong Kok, Michael *(Note 4)*	7/7	0/1	0/1
Mr. Lau Wai Piu *(Note 4)*	7/7	1/1	1/1
Mr. Tsui Hing Chuen, William *(Note 4)*	7/7	1/1	1/1
Mr. Ren Yunan *(Note 7)*	–/–	–/–	–/–
Ms. Lu Gloria Yi *(Note 7)*	–/–	–/–	–/–
Mr. Sun Jiong *(Note 7)*	–/–	–/–	–/–
Mr. Ha Kee Choy Eugene *(Note 7)*	–/–	–/–	–/–

Notes:

(1) Dr. Cheng Kar Shun resigned as the Chairman and an executive Director with effect from 10 June 2017.

(2) Mr. Lo Lin Shing, Simon resigned as the deputy chairman of the Company and an executive Director with effect from 10 June 2017.

(3) Mr. To Hin Tsun, Gerald, Mr. Cheng Kam Chiu, Stewart, Mr. Cheng Kam Biu, Wilson, Dr. Cheng Chi Kong and Mr. Cheng Chi Him resigned as executive Directors with effect from 10 June 2017.

(4) Mr. Cheung Hon Kit, Mr. Kwee Chong Kok, Michael, Mr. Lau Wai Piu and Mr. Tsui Hing Chuen, William resigned as independent non-executive Directors with effect from 10 June 2017.

BOARD OF DIRECTORS *(Continued)*

Notes: (Continued)

(5) Dr. Choi Chiu Fai Stanley was appointed as an executive Director with effect from 15 May 2017 and as the Chairman with effect from 10 June 2017.

(6) Mr. Lam Yat Ming and Mr. Zhang Yan Min were appointed as executive Directors with effect from 15 May 2017.

(7) Mr. Ren Yunan, Ms. Lu Gloria Yi, Mr. Sun Jiong and Mr. Ha Kee Choy Eugene were appointed as independent non-executive Directors with effect from 15 May 2017.

The external auditor attended the AGM held on 17 August 2016 to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence and the Chairman also held a meeting with the independent non-executive Directors without the presence of the executive Directors during the year.

The Directors are subject to retirement by rotation at least once every three years in accordance with the Articles and the Listing Rules. The non-executive Directors are subject to the aforesaid retirement requirements and are appointed for a specific term, subject to re-election. The retiring Directors shall be eligible for re-election at the annual general meeting of the Company. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting.

Each of Mr. Ren Yunan, Ms. Lu Gloria Yi, Mr. Sun Jiong and Mr. Ha Kee Choy Eugene, who were appointed as independent non-executive Directors with effect from 15 May 2017, entered into a letter of appointment with the Company for a term of three years commencing on the date of his/her appointment and is subject to the Articles.

Appropriate liability insurance for the Directors has been arranged for indemnifying their liabilities arising out of corporate activities.

INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

Newly appointed Directors are provided with induction training. Each of them will receive a Director's Handbook which contains the terms of reference of the Board's committees, the information on the duties and responsibilities of directors under statutory regulations and the Listing Rules, and other information on corporate governance matters. They will also receive the materials on the operations and business of the Group.

The Directors should participate in continuing professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Company has provided the Directors with the monthly updates on the Group's performance, position and prospects, and the latest development of the Listing Rules, and the relevant laws, rules and regulations relating to the Directors' duties and responsibilities.

INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT *(Continued)*

All Directors have provided the Company with their training records for the year ended 31 March 2017 and all of them had participated in continuing professional development activities by attending the training courses, seminars, workshops and/or training on corporate governance, regulatory development or other relevant topics during the year ended 31 March 2017. A summary of the training received by each of the Directors during the year ended 31 March 2017 is as follows:

	Type of continuous professional development	
	Training on corporate governance, regulatory development or other relevant topics	Attending seminars, courses or workshops relevant to directors' duties or other relevant topics
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	✓	–
Dr. 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	✓	✓

EXECUTIVE COMMITTEE

The executive committee of the Company (the "Executive Committee") comprises two executive Directors as at the date of this annual report, namely Dr. Choi Chiu Fai Stanley (Chairman of the Executive Committee) and Mr. Lam Yat Ming. The primary duties of the Executive Committee are, *inter alia*, to advise the Board in formulating policies in relation to the business operations of the Group, supervise the management to implement the policies laid down by the Board, make recommendations to the Board as to the Group's business plans, and oversee the management and the daily operations of the Group.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three independent non-executive Directors as at the date of this annual report, namely Mr. Ren Yunan (Chairman of the Remuneration Committee), Ms. Lu Gloria Yi and Mr. Ha Kee Choy Eugene, with written terms of reference which are available on the website of the Stock Exchange and the website of the Company. 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 the senior management of the Group and on the establishment of a formal and transparent procedure for developing the remuneration policy and to make recommendations to the Board on the remuneration packages of individual executive Directors and the senior management of the Group, and the remuneration of the non-executive Directors.

The remuneration of the Directors and the 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. During the year ended 31 March 2017, the Remuneration Committee held one meeting to review the remuneration policy of the Company and make recommendations to the Board on the remuneration of the Directors and the senior management of the Group. The attendance records of the members of the Remuneration Committee are set out below:

Committee members	Attendance
Mr. Lau Wai Piu *(Note 1)*	1/1
Mr. Cheung Hon Kit *(Note 2)*	1/1
Mr. Kwee Chong Kok, Michael *(Note 2)*	1/1
Mr. Tsui Hing Chuen, William *(Note 2)*	1/1
Mr. Ren Yunan *(Chairman)* *(Note 3)*	–/–
Ms. Lu Gloria Yi *(Note 4)*	–/–
Mr. Ha Kee Choy Eugene *(Note 4)*	–/–

Notes:

(1) Mr. Lau Wai Piu resigned as the chairman and a member of the Remuneration Committee with effect from 10 June 2017.

(2) Mr. Cheung Hon Kit, Mr. Kwee Chong Kok, Michael and Mr. Tsui Hing Chuen, William resigned as the members of the Remuneration Committee with effect from 10 June 2017.

(3) Mr. Ren Yunan was appointed as a member of the Remuneration Committee with effect from 15 May 2017 and as the chairman of the Remuneration Committee and with effect from 10 June 2017.

(4) Ms. Lu Gloria Yi and Mr. Ha Kee Choy Eugene were appointed as the members of the Remuneration Committee with effect from 15 May 2017.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") comprises three independent non-executive Directors as at the date of this annual report, namely Ms. Lu Gloria Yi (Chairman of the Nomination Committee), Mr. Ren Yunan and Mr. Ha Kee Choy Eugene, with written terms of reference which are available on the website of the Stock Exchange and the website of the Company. The primary duties of the Nomination Committee are, *inter alia*, to review the structure, size and the composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to complement the Company's corporate strategy; to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of the independent non-executive Directors; to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman, the managing director or the chief executive of the Company; and to nominate and recommend candidates to fill a casual vacancy on the Board for the Board's approval.

The Board has adopted a board diversity policy (the "Board Diversity Policy") setting out the approach to achieve and maintain diversity on the Board. Under the Board Diversity Policy, the Nomination Committee is responsible to assess the appropriate mix of skills, experience, knowledge, expertise and diversity (including but not limited to gender, age, cultural/educational background, or professional experience) required on the Board based on current and projected future activities of the Group, and the extent to which the required skills, experience, knowledge, expertise and diversity are represented on the Board; to oversee the Board succession to maintain an appropriate mix of skills, experience, knowledge, expertise and diversity on the Board; to propose to the Board the measureable objectives; and to review the Board Diversity Policy and discuss any required changes with the Board.

The Nomination Committee considers that all Board members possess the relevant skills and knowledge in the area of the business operations of the Group with four of them also possess professional qualifications. The Nomination Committee considers that an appropriate mix of skills, experience, knowledge, expertise and diversity on the Board is maintained and therefore no measurable objectives were proposed to the Board.

During the year ended 31 March 2017, the Nomination Committee held two meetings to review the structure, size and composition of the Board; to assess the appropriate mix of skills, experience, knowledge, expertise and diversity on the Board; to review the Board Diversity Policy and monitor its implementation; to review the independence of the independent non-executive Directors; to recommend the appointment of new Directors; and to consider the qualifications of the retiring Directors standing for election at the annual general meeting of the Company.

NOMINATION COMMITTEE *(Continued)*

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

Committee members	Attendance
Mr. Tsui Hing Chuen, William *(Note 1)*	2/2
Mr. Cheng Kam Biu, Wilson *(Note 2)*	2/2
Mr. Cheung Hon Kit *(Note 2)*	1/2
Mr. Kwee Chong Kok, Michael *(Note 2)*	2/2
Mr. Lau Wai Piu *(Note 2)*	2/2
Mr. To Hin Tsun, Gerald *(Note 2)*	2/2
Ms. Lu Gloria Yi *(Chairman)* *(Note 3)*	–/–
Mr. Ren Yunan *(Note 4)*	–/–
Mr. Ha Kee Choy Eugene *(Note 4)*	–/–

Notes:

(1) Mr. Tsui Hing Chuen, William resigned as the chairman and a member of the Nomination Committee with effect from 10 June 2017.

(2) Mr. Cheng Kam Biu, Wilson, Mr. Cheung Hon Kit, Mr. Kwee Chong Kok, Michael, Mr. Tsui Hing Chuen, William and Mr. To Hin Tsun, Gerald resigned as the members of the Nomination Committee with effect from 10 June 2017.

(3) Ms. Lu Gloria Yi was appointed as a member of the Nomination Committee with effect from 15 May 2017 and as the chairman of the Nomination Committee and with effect from 10 June 2017.

(4) Mr. Ren Yunan and Mr. Ha Kee Choy Eugene were appointed as the members of the Nomination Committee with effect from 15 May 2017.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises all four independent non-executive Directors, as at the date of this annual report namely Mr. Ha Kee Choy Eugene (Chairman of the Audit Committee), Mr. Ren Yunan, Ms. Lu Gloria Yi and Mr. Sun Jiong, with written terms of reference which are available on the website of the Stock Exchange and the website of the Company. One of the members of the Audit Committee possesses appropriate professional accounting qualification as defined under the Listing Rules. The primary duties of the Audit Committee are, inter alia, to oversee the relationship with the external auditor, to review the financial information of the Group, and to review and supervise the financial reporting process, internal controls and risk management functions of the Group.

During the year, the Audit Committee held three meetings to review the financial reporting process, internal controls and risk management systems of the Group, the effectiveness of the internal audit function of the Group, the Company's reports and accounts including the interim and annual results of the Group, the remuneration and terms of engagement of the external auditor, and provide advice and recommendations to the Board. The Audit Committee also met with the external auditors twice to discuss the financial reporting process and internal controls of the Group during the year and had reviewed the interim report of the Company for the six months ended 30 September 2016 and the annual report of the Company for the year ended 31 March 2017.

AUDIT COMMITTEE *(Continued)*

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

Committee members	Attendance
Mr. Cheung Hon Kit *(Note 1)*	3/3
Mr. Lau Wai Piu *(Note 2)*	3/3
Mr. Tsui Hing Chuen, William *(Note 2)*	3/3
Mr. Ha Kee Choy Eugene *(Chairman)* *(Note 3)*	–/–
Mr. Ren Yunan *(Note 4)*	–/–
Ms. Lu Gloria Yi *(Note 4)*	–/–
Mr. Sun Jiong *(Note 4)*	–/–

Notes:

(1) Mr. Cheung Hon Kit resigned as the chairman and a member of the Audit Committee with effect from 10 June 2017.

(2) Mr. Lau Wai Piu and Mr. Tsui Hing Chuen, William resigned as the members of the Audit Committee with effect from 10 June 2017.

(3) Mr. Ha Kee Choy Eugene was appointed as a member of the Audit Committee with effect from 15 May 2017 and as the chairman of the Audit Committee and with effect from 10 June 2017.

(4) Mr. Ren Yunan, Ms. Lu Gloria Yi and Mr. Sun Jiong were appointed as the members of the Audit Committee with effect from 15 May 2017.

AUDITOR'S REMUNERATION

For the year ended 31 March 2017, the remuneration in relation to audit services paid or payable to the auditor of the Company was approximately HK$1,995,000 and the remuneration in relation to non-audit services (including review of interim results, tax consultancy and other non-audit services) paid or payable to the auditor of the Company and its affiliated firm was approximately HK$2,971,000.

CORPORATE GOVERNANCE FUNCTIONS

The Board is collectively responsible for performing the corporate governance duties including:

(i) to develop and review the Company's policies and practices on corporate governance and make recommendations from time to time;

(ii) to review and monitor the training and continuous professional development of the Directors and senior management of the Group;

(iii) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and the employees of the Group; and

(v) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems and for reviewing their effectiveness. Such systems are established in order to carry on the business of the entity in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets, secure as far as possible the completeness and accuracy of records, and identify potential risks so as to manage the identified risks, undertake the measures to mitigate the potential effects of any misstatement or loss arising from such identified risks. The management of the Group is responsible to identify the potential risks. The identified risks would then be assessed for the likelihood and impact on the financial, operational and compliance of the Group. The management of the Group would undertake relevant measures to mitigate the potential effects of any misstatement or loss arising from such identified risks. The identified risks would also be reported to the Directors and disclosed the significant risks in this annual report. In addition, the Group has adopted a policy to handle and disseminate the inside information of the Group, which was designed based on "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission of Hong Kong.

During the year, the Board conducted a review of the effectiveness of the risk management and internal control systems of the Group through the internal audit function of the Group. The Group engaged an independent firm to perform the internal audit function to carry out the review on the risk management and internal control systems of the Group. The review covered the controls over the financial, operational and compliance of the Group. The internal audit function of the Group considered the scale of operations of the Group and resources available and its review was based on tests of controls, inspection of the related documents and discussion with the relevant personnel of the Group.

After the internal audit function conducted the review, the internal audit function submitted its review report to the Audit Committee with the key audit findings and recommendations to improve the risk management and internal control systems of the Group which were also presented at the Board meeting. The internal audit function concluded that no significant deficiency in the risk management and internal control systems of the Group was found during the review.

In addition, the management of the Group has provided a confirmation to the Board on the effectiveness of the risk management and internal control systems of the Group. Having considered the review report prepared by the internal audit function of the Group and the confirmation on the effectiveness of the risk management and internal control systems of the Group provided by the management of the Group, the Board considered that the existing risk management and internal control systems of the Group are effective and adequate.

The Board also reviewed, and was satisfied with, the adequacy of resources, qualifications and experience of the staff of the Group's accounting and financial reporting function, and the training programmes and budget of the Group's accounting, internal audit and financial reporting function.

FINANCIAL REPORTING

The Board acknowledges its responsibility for preparing the consolidated financial statements of the Group for the year ended 31 March 2017. 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 and include the applicable disclosures required by the Listing Rules and the Hong Kong Companies Ordinance.

The reporting responsibilities of the auditor of the Company on the Independent Auditor's Report are set out on pages 44 to 48 of this annual report.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The company secretary of the Company (the "Company Secretary"), Mr. Kwok Chi Kin, is an employee of the Company and has day-to-day knowledge of the Company's affairs. He reports to the Chairman of the Board and is responsible for advising the Board on governance matters and facilitating induction and professional development of the Directors. He also supports the Board by ensuring good information flow and that the policies and procedures adopted by the Board are followed. During the year ended 31 March 2017, he had taken no less than 15 hours of relevant professional training. The biographical details of Mr. Kwok are set out in the "Board of Directors and Senior Management" section of this annual report.

SHAREHOLDERS' RIGHTS

Procedures for the Shareholders to convene an extraordinary general meeting of the Company

The following procedures are subject to the Articles and applicable legislation and regulations.

1. Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition sent to the Board or the Company Secretary at the address of the Company's principal place of business in Hong Kong to require an EGM to be called by the Board for the transaction of any business specified in such requisition, and an EGM shall be held within two (2) months after the date of the deposit of such requisition. If within twenty-one (21) days of the date of such deposit the Board fails to proceed to convene an EGM, the Shareholder(s) may do so in the same manner, and all reasonable expenses incurred by such Shareholder(s) as a result of the failure of the Board to convene an EGM shall be reimbursed by the Company to such Shareholder(s).

2. The written requisition must state the purposes of requisitioning the EGM, and be signed by the Shareholder(s) concerned and may consist of several documents in like form, each to be signed by such Shareholders or any one of them.

3. If the requisition is in order, the Company Secretary will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered Shareholders. On the contrary, if the requisition is invalid, the Shareholder(s) concerned will be advised of the invalidity and accordingly, an EGM will not be convened.

4. An EGM must be called by written notice of not less than fourteen (14) clear days and not less than ten (10) clear business days but if permitted by the Listing Rules, an EGM may be called by shorter notice, subject to the applicable laws, if it is so agreed by a majority in number of the Shareholders having the right to attend and vote at the EGM, being a majority together representing not less than ninety five per cent. (95%) of the total voting rights of all Shareholders having a right to attend and vote at the general meeting of the Company.

Shareholders who have enquires about the above procedures or other enquires relating to written requisition for an EGM may write to the Company Secretary at the Company's principal place of business in Hong Kong.

AMENDMENT OF THE COMPANY'S CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2017, the Company adopted the amended and restated Articles (the "Amended and Restated Articles") for housekeeping purposes and for the purpose of conforming with certain amendments to the Listing Rules which have become effective since the last amendment of the Articles. The adoption of the Amended and Restated Articles was approved by the Shareholders at the AGM held on 17 August 2016. The consolidated version of the memorandum of association of the Company and the Articles is available on the website of the Stock Exchange and the website of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Board is pleased to present the environmental, social and governance report (the "ESG Report") of the Group for the year ended 31 March 2017 (the "Relevant Period"). The Group adheres to creating a sustainable future for its stakeholders as well as the communities in which the Group operates by the continuous contributions from our experienced management and employees. Sustainability is one of the key elements to reinforce the foundation of the Group for long-term development and success.

The ESG Report focuses on the Group's core business operations in the Philippines including the leasing of properties and hotel operations. All the Group's revenue for the Relevant Period was generated from the business operations in the Philippines. The ESG Report is prepared primarily based on the "Environment, Social and Governance Reporting Guide" as set out in Appendix 27 to the Listing Rules. The Group recognises the importance of the value of environmental protection, social responsibility and governance and continues to strive for corporate sustainability by being environmental responsible, providing quality working conditions, caring its employees, collaborating with business partners and supporting the community.

SECTION A: ENVIRONMENTAL

The Group dedicates its effort in minimising the impact of the Group's business operations on the environment and believe that it is responsible to protect the environment. It emphasises the need of conserving natural resources and energy as well as minimising waste production and greenhouse gas emissions. The Group embraces a responsible approach in environment protection and implements environmental protection policies to meet the requirements under the relevant laws and regulations. The environmental protection policies focus on three areas. They are emissions, use of resources, and the environment and natural resources.

I. Emissions

The Group works strategically and collaboratively to identify solutions for reducing waste production, energy consumption, use of natural resources, and greenhouse gas emissions by implementing a variety of initiatives as well as identifying opportunities for improvement. During the Relevant Period, there was no incidence of non-compliance with relevant laws and regulations relating to waste production, greenhouse gas emissions and sewage discharge that have a significant impact on the business operations of the Group.

(a) Waste Production

The Group takes the initiative to reduce waste production in its business operations. To this end, it promotes the importance of waste reduction among its employees through training and education, implements effective solid waste and effluent waste control so as to reduce the risk of cross-contamination and contributes to effective integrated pest management. The Group also separates the solid waste into recycled items and non-recycled items before disposing of the solid waste.

The Group is not aware of any significant generation of hazardous waste. During the year under review, the Group passed all laboratory tests of sewage discharge in the Philippines and there was no incidence of non-compliance of the relevant environmental protection laws and regulations in the Philippines.

The information about the volume of sewage discharged and the weight of solid waste disposed of in the Group's business operations in the Philippines during the year under review is set out in the section headed "Management Discussion and Analysis" in this annual report.

(b) Greenhouse Gas Emissions

In addition to the reduction of waste production and the conservative use of energy or natural resources, the Group promotes the minimisation of greenhouse gas emissions generated by the Group. To this end, the Group encourages the environmental care in its working environment. Apart from the smart use of water and energy set out in the section headed "Use of Resources" below, the Group encourages its employees to reduce the paper consumption, promote the use of electronic copies for filing purpose, and collect the waste materials which can be recycled for use.

The data of greenhouse gas emissions covered the business operations of the Group in the Philippines during the year under review is set out in the section headed "Management Discussion and Analysis" in this annual report.

II. Use of resources

The Group explores opportunities to minimise the use of energy or natural resources in every department in different business operations of the Group. With the assistance of the new technology or improved operation procedures, the Group believes that it can improve the efficiency of the use of energy and natural resources from time to time.

The Group endeavours to make use of water and energy efficiently and to encourage its employees to use water and energy smartly. The consumption of water and energy is monitored regularly.

Energy usage for lighting and air-conditioning systems forms a significant part of energy consumption in the Group's business operations. Regular maintenance on lighting and air-conditioning systems is essential to maintain their efficiencies so as to achieve energy saving initiatives. Optimising thermostat settings for air-conditioning systems in lobby, restaurants, conference rooms and other open areas would also be regarded as an initiative to reduce energy consumption.

In addition to the precautions of energy consumption, water should be used wisely. One of the strategies is to direct and educate employees on using water wisely and prudently. Water conservation plan is a common strategy to save water. At the same time, putting proper monitoring procedures in place would help these initiatives work effectively.

In any case, reduction in energy consumption and using water wisely are the important steps to save the environment as well as the operating costs of the Group's business operations.

The information about the electricity, diesel, gas and water consumption of the Group's business operations in the Philippines during the year under review is set out in the section headed "Management Discussion and Analysis" in this annual report.

III. The environment and natural resources

The Group explores the possibility of the usage of clean energy or reusable resources and the opportunities to minimise the use of energy or natural resources in every department in different business operations of the Group. The Group continues to adhere the principle of minimising the impact on the environment and natural resources. During the Relevant Period, the Group is not aware of any significant impacts of activities arising from the business operations of the Group on the environment and natural resources.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SECTION B: SOCIAL

Employment and Labour Practices

The Group understands that the importance of human capital and the continued supports and contributions from employees are the key elements to its success. It puts strong emphasis on recruiting the right persons, providing comprehensive development programs to the employees, retaining employees as well as providing a healthy and safety working environment for them. In this area, the Group focuses on employment, health and safety, development and training and labour standards.

I. Employment

The human resources policies mainly cover recruitment and promotion, compensation and dismissal, working hours, rest periods, and other benefits and welfare. During the Relevant Period, there was no incidence of non-compliance with the relevant laws and regulations of the places in which the Group operates relating to employment matters that has a significant impact on the business operations of the Group. The following are some of the human resources policies of the Group:

- Recruitment and promotion — Recruitment is based on certain criteria including, among others, required skills and job knowledge, professional attitudes, professional and technical qualifications, and working experience. Promotion is based on various factors including, among others, performance and quality of work, development potential, job knowledge, commitment to work, competence and potential, and responsibility.

- Compensation and dismissal — Compensation is based on performance and experience of the individuals and is determined with reference to the Group's performance, the remuneration benchmark in the industry and the prevailing market conditions. An employee may be dismissed to the circumstances including, among others, failure to reach the required standards in spite of verbal and written warnings, dishonesty and gross misconduct.

- Working hours — Working hours are determined with reference to the business needs, industry practice and employment type.

- Rest periods — Employees are entitled to rest periods including public holidays, annual leave, sick leave and maternity leave with reference to the employment terms, and relevant laws and regulations.

- Other benefits and welfare — Employees are entitled to various benefits including medical, insurance and retirement benefits. Besides, the Group regularly provides internal and external training courses for its employees to meet their needs.

- Equal opportunities — Employees are treated on equal opportunities and non-discretionary principles regardless of, among others, their age, gender, marital status, disability, religion or nationality.

The total number of employees of the Group was 298 as at 31 March 2017, representing a decrease of approximately 0.3%, as compared with 299 as at 31 March 2016.

II. Health and safety

The Group is committed to providing a healthy and safety working environment for its employees and complying with the occupational health and safety regulations. The Group implements health and safety policies and regularly reviews the policies so as to improve the safety systems. Seminars in relation to occupational health and safety are organised for the employees to reiterate the importance of health and safety and to enhance their knowledge on safety matters in the working environment according to their nature of work and their needs. An in-house medical treatment room is set up in the hotel complex of the Group to take care of the employees as well as the hotel guests. During the Relevant Period, there was no incidence of non-compliance with relevant laws and regulations relating to health and safety matters that has a significant impact on the business operations of the Group. The following are some of the health and safety policies adopted by the Group:

- Smoking is generally not permitted or prohibited in administrative areas and specified areas of the workplace. Employees are required to comply with non-smoking rule inside the workplace.

- Employees are required to take good care of the facilities and equipment, and maintain high standards of cleanliness and tidiness in their workplace. Employees should report to their respective supervisor for accident, injury or unsafe conditions discovered.

- Security measures, which include the use of password or electronic access card, are in place at the workplace of the Group to restrict the entry and exit only to our employees and permitted visitors.

- Preventative measures on fire are in place to safeguard the life of employees. Employees are given instructions on the location of the nearest fire exit and assembly points, and the use of fire alarms and fire extinguishers. Employees are not permitted to store explosives in the workplace. Fire drills are conducted on a regular basis.

- The Group established typhoon and rainstorm policies which give clear instructions on reporting duties, working arrangement and actions to be taken during bad weather conditions.

- First aid kit, supplies and box are equipped within the workplace. Employees are given instructions on the location of the first aid kit, supplies and box.

III. Development and training

Providing opportunities for continuous training and development are one of the essential factors to attract and retain employees. The Group has provided various training opportunities to different level of employees in the hierarchy from senior management to general employees to develop their skills and competency. Training courses are offered to employees so as to improve their skills and knowledge applicable to their daily work. The training courses include, among others, service skills training, language training, cross exposure training, and occupational safety and health. During the Relevant Period, the total number of training hours completed by the employees of the Group is more than 3,800 hours.

The Group has also established measures on employee development to review and improve the performance of employees. To ensure the transparency, performance appraisal for the employees is conducted on a two-way communication procedure. A proper performance appraisal can assist the employees to understand their past performance and we can modify the upcoming training programs to accommodate their inadequacy and development. The Group strongly believes that the importance of raising the next generation management team from the in-house talent by providing competent training and guidance from the existing experienced management team so as to create career loyalty toward the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

IV. Labour standards

The Group is committed to complying with labour standards in the places that the Group operates and providing equal opportunity to its employees. By implementing policies on the prevention of child or forced labour, the Group has minimised the risk relating to employing child or forced labour. Besides, the Group regularly reviews the employment procedures to avoid child or forced labour. During the Relevant Period, there was no incidence of non-compliance with relevant laws and regulations relating to labour standards that has a significant impact on the business operations of the Group.

Operating practices

The Group devotes its best effort to provide a privilege experience for its customers. To this end, it commits to offering quality services to its customers and meet their needs in order to retain its customers. The Group takes a responsibility approach in its operation practices and takes every opportunity to improve its services to strive for the best value for its customers. This section would focus on supply chain management, product responsibility and anti-corruption.

I. Supply chain management

The Group collaborates with responsible suppliers to provide quality goods and services with competitive pricing. To this end, the Group implements policies on supply chain management to ensure fair suppliers selection procedures. The suppliers should fulfill the requirements in the supplier screening procedures and the Group's experienced employees ensure those goods received from or services provided by the suppliers meet the Group's expectation. One of the essential steps in supply chain management is sourcing the daily supplies and also the food and beverage ingredients prioritising from local suppliers for the business operations of the Group. The Group's ban on shark's fin from all its food outlets shows its continuous commitment to sustainability.

II. Product responsibility

Product responsibility and feedback from customers are always the key areas the Group focuses. To measure customer satisfaction information, different communication channels are open to the customers, including customer service hotline, customer service email, the websites, or the customer satisfactory questionnaire to ensure that the Group can take the negative feedback from them so as to improve its performance in the future. During the Relevant Period, there was no incidence of non-compliance with relevant laws and regulations in respect of health and safety, advertising, labelling and privacy matters relating to the products and services provided that has a significant impact on the business operations of the Group.

The Group also established a policy which prohibits the use of illegal or unauthorised computer software on the computer within the workplace. The Group only procures authorised computer software for corporate use.

To safeguard the personal data of employees, customers and stakeholders, the Group establishes privacy policies which are highlighted as follows:

- the purpose of personal data collection;
- the use of personal data;
- the transfer of personal data;
- the retention of personal data;
- the security on personal data; and
- the procedures to access or update personal data with reference to relevant laws and regulations.

The privacy policies are provided to employees for their attention on the rights and responsibilities. Privacy statement is published on corporate website to draw user's attention. The privacy policies are reviewed on a regular basis and are updated where appropriate.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

III. Anti-corruption

The Group follows a guide on corruption prevention to enable its employees to understand various areas including the code of conduct, internal control systems, corporate governance and relevant anti-corruption laws. The Group's policies state that employees who work in the workplace are prohibited, with only limited exceptions, from receiving tips and gifts from hotel customers, colleagues or suppliers. All gifts and favours, regardless of value, must be reported to the individual supervisor. One of the Group's core values is that it upholds the highest levels of integrity, honesty and fairness in all its relationships. Each employee is required to conform to the highest standards of ethical behaviour all the time.

During the Relevant Period, there was no incidence of non-compliance with relevant laws and regulations in respect of corruption and there was no concluded case relating to corruption brought against the Group or any of its employees.

The measures adopted on corruption prevention or anti-corruption enable the Group's employees to exercise judgment on corruption prevention and apply practice on anti-corruption in their daily work. The Group establishes a whistle-blowing policy which aims to encourage whistle-blowing. This whistle-blowing policy presents examples of misconduct to which the whistle-blowing policy applies, sets out required proof on reported misconduct, sets out confidential procedures to protect the identity of and the correspondence with the whistle-blower, presents outcomes of making false or undue allegations, sets out reporting channels and investigation procedures.

Community

Community investment

The Group continues to contribute to the communities in which it operates by sharing its resources and offering assistance to those who need support. By reinvesting into the communities, the Group brings people closer and build a positive impact to all the people in the communities. The Group adopts a policy in relation to community investment with proper approval procedures to ensure that those resources we spent are not manipulated. During the Relevant Period, the Group made donations amounting to approximately HK$16,000.

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)

OPINION

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 49 to 110, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

100 Making another century of impact
德勤百年慶 開創新紀元

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of the hotel property	
We identified the impairment assessment in relation to the hotel property of the Group located in the Republic of the Philippines (the "Philippines") (the "Hotel Property") as a key audit matter because the Group's hotel segment had incurred losses for the years ended 31 March 2017 and 2016 and the Hotel Property is a significant operating asset to the Group. As disclosed in note 3 to the consolidated financial statements, property, plant and equipment of the Group, including the Hotel Property, are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment, if any. As disclosed in note 13 to the consolidated financial statements, as at 31 March 2017, the carrying amount of the Hotel Property was approximately HK$277.6 million. No impairment loss has been recognised on the Hotel Property for the year then ended. At the end of each reporting period, the management assesses if there are any indicators of potential impairment of the Hotel Property. If any impairment indicator exists, the management assesses the recoverable amount of the Hotel Property with reference to the valuation prepared by an independent valuer not connected to the Group (the "Valuer") by income capitalisation approach. The estimation of the recoverable amount of the Hotel Property involves management judgement on the assumptions applied in the valuation using future operating cashflow projection, such as the determination of appropriate discount rate, capitalisation rate, average occupancy rate and average daily room rate.	Our audit procedures in relation to the impairment assessment of the Hotel Property performed by the management included: • discussing the impairment indicators of the Hotel Property with the management and inspecting the operating results and cash flow forecast of the hotel operation; • understanding the key management assumptions adopted in the valuation through enquiries with the management and the Valuer; • evaluating the competence, capabilities, and objectivity of the Valuer and obtaining an understanding of the Valuer's scope of work and their terms of engagement; • assessing the reasonableness of the key management assumptions adopted in the valuation, such as the discount rate, capitalisation rate, average occupancy rate and average daily room rate, by comparing them with the budget approved by the management, available market data for comparable properties and the historical operating performances of the Group's hotel segment; and • performing sensitivity analysis by making adjustments to the key assumptions to assess the risk of possible management bias in the valuation.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Contingent liabilities in relation to the tax disputes with the Bureau of Internal Revenue in the Philippines (the "BIR")	
We identified the assessment of the contingent liabilities in relation to the tax disputes with the BIR as a key audit matter due to significant management judgements involved in assessing the probability of settling the amount of the contingent liabilities of the Group as at the end of the reporting period. As disclosed in note 29 to the consolidated financial statements, the contingent liabilities of the Group amounted to approximately HK$411 million in aggregate as at 31 March 2017. The uncertainties related to the ultimate outcome of the tax dispute and the details of the tax disputes with the BIR are set out in notes 4 and 29 to the consolidated financial statements.	Our audit procedures in relation to evaluating the contingent liabilities in relation to the tax disputes with the BIR and the sufficiency of the relevant disclosures in the consolidated financial statements included: • obtaining and reviewing all relevant documents and correspondences between the Group, the independent legal adviser of the Group and the BIR; • enquiring with the management, and the independent legal adviser of the Group to understand the progress of the tax dispute; • inspecting the legal advice issued by the independent legal adviser of the Group to assess the appropriateness of the management's basis in determining the amount of contingent liabilities and the basis in evaluating the outcome of the tax dispute, and reassessing whether the potential outcome of the tax disputes with the BIR meet the definition as defined in Hong Kong Accounting Standard 37 "Provisions, Contingent Liabilities and Contingent Assets" ("HKAS 37"); and • considering the adequacy of the relevant disclosures in the consolidated financial statements as required by the HKAS 37.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Wong Wang Hei.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

23 June 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	5	**290,714**	330,939
Cost of sales		**(92,315)**	(176,562)
Gross profit		**198,399**	154,377
Other income	7	**12,206**	12,583
Other gains and losses		**29,853**	50,761
Change in fair value of financial assets at fair value through profit or loss		**231**	(21,154)
Selling and marketing expenses		**(6,232)**	(5,966)
General and administrative expenses		**(133,091)**	(132,856)
Finance costs		**(8,236)**	–
Profit before taxation	8	**93,130**	57,745
Income tax charge	10	**(27,020)**	(12,533)
Profit for the year		**66,110**	45,212
Profit for the year attributable to:			
Owners of the Company		**51,866**	31,703
Non-controlling interests		**14,244**	13,509
		66,110	45,212
		HK cent	HK cent
Earnings per share	12		
Basic		**4.40**	2.69

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
Profit for the year	**66,110**	45,212
Other comprehensive (expense) income for the year		
Items that will not be reclassified to profit or loss:		
— remeasurement of defined benefit obligations	**(51)**	(306)
— exchange differences arising on translation to presentation currency	**(107,190)**	(69,524)
	(107,241)	(69,830)
Item that may be subsequently reclassified to profit or loss:		
— exchange differences arising on translation of foreign operations	**1,130**	4,267
Other comprehensive expense for the year, net of income tax	**(106,111)**	(65,563)
Total comprehensive expense for the year	**(40,001)**	(20,351)
Total comprehensive expense for the year attributable to:		
Owners of the Company	**(28,320)**	(18,750)
Non-controlling interests	**(11,681)**	(1,601)
	(40,001)	(20,351)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	13	**317,127**	356,432
Investment properties	14	**390,872**	444,384
Financial assets at fair value through profit or loss	15	**20,521**	20,290
Other receivables, deposits and prepayments		**6,200**	5,926
		734,720	827,032
Current assets			
Inventories	16	**2,206**	2,546
Trade receivables	17	**21,943**	20,211
Other receivables, deposits and prepayments		**15,726**	16,071
Bank balances and cash	18	**303,711**	1,179,500
		343,586	1,218,328
Current liabilities			
Trade payables	19	**4,062**	6,094
Other payables and accrued charges	19	**38,247**	28,015
Tax liabilities		**–**	1,730
		42,309	35,839
Net current assets		**301,277**	1,182,489
Total assets less current liabilities		**1,035,997**	2,009,521

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Capital and reserves			
Share capital	20	**1,179,157**	1,179,157
Share premium and reserves		**(582,456)**	134,815
Equity attributable to owners of the Company		**596,701**	1,313,972
Non-controlling interests		**81**	565,945
Total equity		**596,782**	1,879,917
Non-current liabilities			
Deferred tax liabilities	21	**97,293**	124,434
Other liabilities		**5,506**	5,170
Promissory note	23	**336,416**	–
		439,215	129,604
		1,035,997	2,009,521

The consolidated financial statements on pages 49 to 110 were approved and authorised for issue by the Board of Directors on 23 June 2017 and are signed on its behalf by:

Dr. Choi Chiu Fai Stanley
DIRECTOR

Mr. Lam Yat Ming
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000 *(Note a)*	Other reserve HK$'000 *(Note b)*	Exchange reserve HK$'000	Retained profits (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2015	1,179,157	1,122	53,022	362,982	(19,769)	298,620	1,875,134	567,546	2,442,680
Profit for the year	–	–	–	–	–	31,703	31,703	13,509	45,212
Remeasurement of defined benefit obligations	–	–	–	–	–	(156)	(156)	(150)	(306)
Exchange differences arising on translation	–	–	–	–	(50,297)	–	(50,297)	(14,960)	(65,257)
Total comprehensive (expense) income for the year	–	–	–	–	(50,297)	31,547	(18,750)	(1,601)	(20,351)
Dividends recognised as distribution *(note 11)*	–	–	–	–	–	(542,412)	(542,412)	–	(542,412)
At 31 March 2016	1,179,157	1,122	53,022	362,982	(70,066)	(212,245)	1,313,972	565,945	1,879,917
Profit for the year	–	–	–	–	–	51,866	51,866	14,244	66,110
Remeasurement of defined benefit obligations	–	–	–	–	–	286	286	(337)	(51)
Exchange differences arising on translation	–	–	–	–	(80,472)	–	(80,472)	(25,588)	(106,060)
Total comprehensive (expense) income for the year	–	–	–	–	(80,472)	52,152	(28,320)	(11,681)	(40,001)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(120,050)	(120,050)
Acquisition of additional interest in subsidiaries *(note 30)*	–	–	–	(475,665)	9,136	(222,422)	(688,951)	(434,133)	(1,123,084)
At 31 March 2017	1,179,157	1,122	53,022	(112,683)	(141,402)	(382,515)	596,701	81	596,782

Notes:

a. 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.

b. The other reserve represents net effect of discount on acquisition of subsidiaries and premium on acquisition of additional interest in subsidiaries from a subsidiary of the then intermediate parent arising during the year ended 31 March 2008 and 31 March 2017 respectively.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**93,130**	57,745
Adjustments for:		
Interest income	**(5,861)**	(10,444)
Interest expenses	**8,236**	–
(Reversal of allowance) allowance for bad and doubtful debts for trade receivables, net	**(2)**	1,585
Change in fair value of financial assets at fair value through profit or loss	**(231)**	21,154
Depreciation of property, plant and equipment	**29,934**	43,286
Depreciation of investment properties	**17,680**	95,805
Change in fair value of contingent consideration provision	**–**	(16,600)
Dividend income from financial assets at fair value through profit or loss	**(1,552)**	(1,560)
Net foreign exchange gain	**(29,853)**	(34,161)
Operating cash flows before movements in working capital	**111,481**	156,810
Decrease in inventories	**136**	440
Decrease in financial assets at fair value through profit or loss	**–**	33,750
(Increase) decrease in trade receivables	**(3,528)**	3,440
Increase in other receivables, deposits and prepayments	**(2,682)**	(900)
(Decrease) increase in trade payables	**(1,584)**	338
Increase in other payables and accrued charges	**5,460**	1,603
Increase in other liabilities	**769**	801
Cash generated from operations	**110,052**	196,282
Income tax paid	**(46,349)**	(58,202)
NET CASH FROM OPERATING ACTIVITIES	**63,703**	138,080

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
INVESTING ACTIVITIES		
Interest received	**6,736**	9,961
Dividends received from financial assets at fair value through profit or loss	**1,552**	1,560
Additions to property, plant and equipment	**(19,670)**	(10,925)
Proceeds received on disposal of property, plant and equipment	**442**	143
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(10,940)**	739
FINANCING ACTIVITIES		
Dividends paid to shareholders of the Company	**–**	(542,412)
Dividends paid to non-controlling interests	**(120,050)**	–
Acquisition of additional interest in subsidiaries	**(788,000)**	–
CASH USED IN FINANCING ACTIVITIES	**(908,050)**	(542,412)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(855,287)**	(403,593)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**1,179,500**	1,591,533
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(20,502)**	(8,440)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**303,711**	1,179,500
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**303,711**	1,179,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

1. GENERAL

The Company is a public company incorporated in the Cayman Islands with limited liability and its issued shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 27 September 2010. Its immediate parent was Mediastar International Limited (incorporated in the British Virgin Islands ("BVI")). Its intermediate parent and ultimate parent were Chow Tai Fook (Holding) Limited ("CTFHL") (incorporated in the BVI) and Chow Tai Fook Capital Limited ("CTFC") (incorporated in the BVI) respectively. On 10 February 2017, Mediastar International Limited sold approximately 64.77% of the then total issued share capital of the Company to Brighten Path Limited ("Brighten Path") (incorporated in the BVI), which is a company wholly-owned by Head and Shoulders Direct Investment Limited ("Head and Shoulders") (incorporated in the BVI). As of the date of this report, Brighten Path and Head and Shoulders are its immediate and ultimate parent respectively. Head and Shoulders is wholly and beneficially owned by Dr. Choi Chiu Fai Stanley, executive Director. The addresses of the registered office and the principal place of business of the Company in Hong Kong are disclosed in "Corporate Information" section to this 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 of the Group are presented in Hong Kong Dollars ("HK$") as the directors of the Company (the "Directors") consider that it is an appropriate presentation for a company listed in Hong Kong and for the convenience of the shareholders of the Company (the "Shareholders").

The Company is an investment holding company. Details of the principal activities of the principal subsidiaries of the Company are set out in note 30.

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

The Group has applied for the first time in the current year the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"):

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle

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

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

Amendments to HKAS 1 "Disclosure initiative"

The Group has applied the amendments to HKAS 1 "Disclosure initiative" for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRSs is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

The Group has applied these amendments retrospectively. The presentation of disclosure note relating to retirement benefit costs has been revised due to immaterial amount reported. Other than the above-mentioned presentation and disclosure changes, the application of the amendments to HKAS 1 has not resulted in any material impact on the financial performance or financial position of the Group in the consolidated financial statements of the Group.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial instruments[2]
HKFRS 15	Revenue from contracts with customers and the related amendments[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 2	Classification and measurements of share-based payment transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contract[2]
Amendments to HKAS 7	Disclosure initiative[1]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[1]
Amendments to HKAS 40	Transfers of investment property[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014–2016 cycle[5]
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration[2]

[1] Effective for annual periods beginning on or after 1 January 2017.
[2] Effective for annual periods beginning on or after 1 January 2018.
[3] Effective for annual periods beginning on or after 1 January 2019.
[4] Effective for annual periods beginning on or after a date to be determined.
[5] Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 9 "Financial instruments"

HKFRS 9 introduced new requirements for the classification and measurement of financial assets and financial liabilities, general hedge accounting and impairment requirements for financial assets.

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

HKFRS 9 "Financial instruments" *(Continued)*

Certain key requirements of HKFRS 9 which are relevant to the Group:

- All recognised financial assets that are within the scope of HKFRS 9 are recognised to be subsequently measured at 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Directors anticipate that the application of HKFRS 9 in the future may have impact on amounts reported in respect of the Group's financial assets. The expected credit loss model may result in early provision of credit loss which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

HKFRS 15 "Revenue from contracts with customers" *(Continued)*

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent consideration as well as licensing application guidance.

At the date of issuance of these consolidated financial statements, the Directors are in the process of assessing the potential impact on the results and the financial position of the Group.

HKFRS 16 "Leases"

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right-to-use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flow. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 and continues to require a lessor to classify a lease as an operating lease or a finance lease.

As set out in note 26, total operating lease commitment of the Group as lessee in respect of leased premises as at 31 March 2017 is amounted to approximately HK$54,840,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

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

HKFRS 16 "Leases" *(Continued)*

A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the potential impact on the results and the financial position of the Group until the Directors complete a detailed review.

In the opinion of the Directors, the application of the other new and amendments to HKFRSs issued but not yet effective is not expected to have a material impact on the results and the financial position of the Group.

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 (the "Listing Rules") and by the Hong Kong Companies Ordinance (the "CO").

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, 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 and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17 "Lease", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries 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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated in full on consolidation.

Change in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing 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 relevant components of equity including reserves 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 are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

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

Service income is recognised when the services are provided.

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 income can be measured reliably. Interest income 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 (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Financial instruments

Financial assets and financial liabilities are recognised 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

Financial assets are classified into either financial assets at FVTPL or loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 and points 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 debt instrument, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial assets are designated as at FVTPL.

A financial asset other than a financial asset held for trading 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 stated at fair value, with changes in fair value arising on remeasurement recognised 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. Fair value is determined in the manner described in note 25.

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, and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

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

For loans and receivables, 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 assets, such as trade and other receivables, they are assessed not to be impaired individually are, in addition, 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, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's 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 trade receivable or other 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

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

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 (including all fees and points 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis, of which the interest expense, if any, is included in finance costs.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, 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.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of property, plant and equipment less their residual values over the shorter of the remaining term of the lease or land lease on which the buildings are located, or 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 sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or 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 using the straight-line method after taking into account their expected useful lives and relevant estimated residual value.

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

Impairment losses of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses of tangible assets *(Continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) 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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

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

Rental income from properties leased to Philippine Amusement and Gaming Corporation ("PAGCOR") under the operating leases is recognised at a certain percentage of net gaming revenue of the casino (less franchise tax) or a fixed rental amount, whichever is higher.

Fixed rental income from operating leases is recognised in profit or loss 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 it 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

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.

Taxation

Income tax charge 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 before taxation" as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and 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 in the relevant jurisdictions 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 differences 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 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, 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 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 amounts of deferred tax assets are 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 assets 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 rates (and tax laws) in the relevant jurisdictions that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

Current and deferred tax are recognised in profit or loss.

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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (i.e. 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 the date when the fair value was determined. 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.

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. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the exchange reserve (attributed to non-controlling interests as appropriate).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contribution. Contributions are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions, where applicable.

For defined benefit schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained profits and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit obligations or assets. Retirement benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the retirement benefit costs (other than remeasurement) in profit or loss. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligations recognised in the consolidated statement of financial position represents the present value of the defined benefit obligations.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is 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. When 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 of time value of money is material).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, 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 the 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.

Estimated useful lives of investment properties and property, plant and equipment

The Group estimates the useful lives of its investment properties and property, plant and equipment based on the period over which the assets are expected to be utilised by the Group. The Group reviews their estimated useful lives based on factors that include technological changes, the existing circumstances, prospective economic utilisation as well as physical condition of the assets on a regular basis. The results of the operations of the Group could be affected by changes in these estimates brought about by the changes in the factors mentioned. The management of the Group regularly reviews these factors in determining the estimated useful lives of the assets. A significant change in the expected pattern of consumption of the future economic benefits embodied in these assets would result in a change to the estimated useful lives to reflect the changed pattern. A reduction in the estimated useful lives of the assets would decrease the depreciation period of the assets and increase depreciation provided to write off the cost of assets, while an increase in the estimated useful lives of the assets, opposite impact on depreciation period and depreciation would be resulted.

As announced by the Company on 18 December 2015, Marina Square Properties, Inc ("MSPI"), an indirect non-wholly owned subsidiary of the Company, operating in the Philippines, as lessor entered into a lease agreement with PAGCOR as lessee (the "Lease Agreement") for the renewal of the lease of certain premises of the Group for a term commencing from 1 April 2016 and expiring on the earlier of 31 March 2031 or upon the total rent accruing against and/or payable by PAGCOR to MSPI under the Lease Agreement reaching an aggregate of Peso24.5 billion (equivalent to approximately HK$3,786,686,000). Having considered the renewal of the lease, the existing circumstances and the Group's business activities in the foreseeable future, the management of the Group reviewed the estimated useful lives of investment properties. The depreciation period of investment properties is the shorter of the term of relevant land lease or the estimated useful lives of the investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Deferred tax assets

At the end of the reporting period, the Group had unused tax losses arising from certain companies within the Group that are suffering from losses for years amounted to approximately HK$241,426,000 (2016: HK$212,485,000) (details disclosed in note 21). No deferred tax assets have been recognised and offset against deferred tax liabilities due to the unpredictability of future profit streams from these companies within the Group. The unused tax losses not recognised may be crystallised if the actual future profits generated are more than expected.

Deferred tax liabilities

Deferred tax liability on the undistributed profits earned by the subsidiaries of the Company in the Republic of the Philippines (the "Philippines") have been accrued at a tax rate of 15% on the expected dividend stream of not less than 70 % of the yearly profit in both years which is determined after taking into consideration of the current dividend policy of the relevant subsidiaries of the Company.

The dividend policy is subject to the financial and market conditions, the availability of funding and reserves available for distribution of relevant subsidiaries of the Company in the Philippines. If the dividend policy of the relevant subsidiaries of the Company has changed, the deferred tax in relation to withholding tax of undistributed earnings would be changed accordingly.

Taxation

Certain subsidiaries of the Company operating in the Philippines currently have tax disputes with Bureau of Internal Revenue in the Philippines ("BIR").

The ultimate outcome of the tax disputes cannot be presently determined. The estimate of contingent liabilities of the Group in respect of those tax disputes as at 31 March 2017 was approximately HK$411,214,000 (2016: HK$468,955,000) in total. The details are set out in note 29.

Impairment of property, plant and equipment

Determining whether an item of property, plant and equipment are impaired requires an estimation of the recoverable amount of the property, plant and equipment, which is higher of fair value less costs of disposal and its value in use. The Group performed impairment assessment by estimating the value in use which requires the Group to estimate the future cash flows expected to arise from the cash-generating units to which each item of property, plant and equipment belong and a discount rate in order to calculate its present value. The Group estimates the value in use of the buildings, which are included in property, plant and equipment, with reference to a valuation carried out by an independent valuer not connected with the Group. The discount rate represents the rate that reflects the current market assessments of the time value of money and the risks specific to such item for which the future cash flows estimates have not been adjusted. If there are events or changes in facts or circumstances which results in a revision of estimated cash flow, further impairment loss on such item of property, plant and equipment may arise.

No impairment loss has been recognised in profit or loss for the years ended 31 March 2017 and 2016. The carrying amounts of property, plant and equipment is approximately HK$317,127,000 (2016: HK$356,432,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

5. REVENUE

	2017 **HK$'000**	2016 HK$'000
The Group's revenue comprises:		
Hotel		
Room revenue	**66,562**	68,150
Food and beverages	**37,596**	37,699
Other hotel service income	**2,769**	2,931
	106,927	108,780
Leasing of investment properties equipped with entertainment equipment	**183,787**	222,159
	290,714	330,939

6. SEGMENT INFORMATION

The executive Directors are the chief operating decision maker ("CODM"). The Group is principally operating in two types of operating divisions. Information reported to the CODM for the purposes of 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; and

(ii) Leasing — Leasing of investment properties equipped with entertainment equipment.

Information regarding the above segments is presented below.

Segment revenue and results

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 March 2017

	Hotel HK$'000	Leasing HK$'000	Reportable segment total HK$'000	Elimination HK$'000	Total HK$'000
REVENUE					
External sales	106,927	183,787	290,714	–	290,714
Inter-segment sales	3,103	618	3,721	(3,721)	–
Total	110,030	184,405	294,435	(3,721)	290,714
RESULTS					
Segment (loss) profit	(11,805)	72,113	60,308		60,308
Unallocated other income					8,735
Other gains and losses					29,853
Change in fair value of financial assets at FVTPL					231
Unallocated expenses					(24,781)
Finance costs					(8,236)
Profit for the year					66,110

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 March 2016

	Hotel HK$'000	Leasing HK$'000	Reportable segment total HK$'000	Elimination HK$'000	Total HK$'000
REVENUE					
External sales	108,780	222,159	330,939	–	330,939
Inter-segment sales	400	643	1,043	(1,043)	–
Total	109,180	222,802	331,982	(1,043)	330,939
RESULTS					
Segment (loss) profit	(23,735)	47,864	24,129		24,129
Unallocated other income					8,308
Other gains and losses					50,761
Change in fair value of financial assets at FVTPL					(21,154)
Unallocated expenses					(20,626)
Unallocated income tax credit					3,794
Profit for the year					45,212

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit after tax earned by or loss after tax from each segment without allocation of unallocated expenses (including corporate expenses), other gains and losses, change in fair value of financial assets at FVTPL, finance costs, unallocated other income (i.e. investment income) and unallocated income tax credit. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

At 31 March 2017

	Hotel HK$'000	Leasing HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	**400,466**	**617,043**	**1,017,509**
Unallocated assets			
Bank balances and cash			**39,239**
Financial assets at FVTPL			**20,521**
Others			**1,037**
Consolidated total assets			**1,078,306**
LIABILITIES			
Segment liabilities	**51,275**	**80,971**	**132,246**
Unallocated liabilities			
Promissory note			**336,416**
Others			**12,862**
Consolidated total liabilities			**481,524**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

At 31 March 2016

	Hotel HK$'000	Leasing HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	448,279	857,114	1,305,393
Unallocated assets			
Bank balances and cash			717,950
Financial assets at FVTPL			20,290
Others			1,727
Consolidated total assets			2,045,360
LIABILITIES			
Segment liabilities	61,074	98,058	159,132
Unallocated liabilities			
Tax liabilities			1,730
Others			4,581
Consolidated total liabilities			165,443

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

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

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

6. SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 March 2017

	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	**4,160**	**15,789**	**19,949**	**8**	**19,957**
Reversal of allowance for bad and doubtful debts for trade receivables, net	**(2)**	**–**	**(2)**	**–**	**(2)**
Depreciation	**15,178**	**32,426**	**47,604**	**10**	**47,614**
Interest income	**1,037**	**2,434**	**3,471**	**2,390**	**5,861**
Income tax credit (charge)	**2,920**	**(29,940)**	**(27,020)**	**–**	**(27,020)**

For the year ended 31 March 2016

	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	2,573	9,374	11,947	–	11,947
Gain on change in fair value of contingent consideration provision (included in other gains and losses)	–	–	–	(16,600)	(16,600)
(Reversal of allowance) allowance for bad and doubtful debts for trade receivables, net	(5)	1,590	1,585	–	1,585
Depreciation	26,592	112,490	139,082	9	139,091
Interest income	1,054	3,221	4,275	6,169	10,444
Income tax credit (charge)	2,710	(19,037)	(16,327)	3,794	(12,533)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

6. SEGMENT INFORMATION *(Continued)*

Geographical segments

The Group's operations are mainly located in the Philippines.

All of the Group's revenue is generated from external customers in the Philippines. As at 31 March 2017 and 2016, the non-current assets excluded financial assets at FVTPL were mainly located in the Philippines.

Revenue from major services

The analysis of the Group's revenue from its major services is disclosed in note 5.

Information about major customer

Included in the revenue generated from hotel segment and leasing segment of approximately HK$2,420,000 (2016: HK$2,782,000) and HK$183,787,000 (2016: HK$222,159,000) respectively were contributed by the Group's largest customer and the aggregate revenue from this customer represented approximately 64% (2016: 68%) of the total revenue of the Group. There are no other single customers contributing over 10% of the Group's total revenue.

7. OTHER INCOME

	2017 **HK$'000**	2016 HK$'000
Interest income from bank balances	**5,861**	10,444
Dividend income from financial assets at FVTPL	**1,552**	1,560
Sundry income	**4,793**	579
	12,206	12,583

Included above is income from listed investments of approximately HK$1,552,000 (2016: HK$1,560,000).

8. PROFIT BEFORE TAXATION

	2017 **HK$'000**	2016 HK$'000
Profit before taxation has been arrived at after charging (crediting):		
(Reversal of allowance) allowance for bad and doubtful debts for trade receivables, net	(2)	1,585
Auditor's remuneration	1,995	1,995
Cost of inventories recognised as an expense	13,411	13,818
Change in fair value of contingent consideration provision (included in other gains and losses) *(Note b)*	–	(16,600)
Change in fair value of financial assets at FVTPL	(231)	21,154
Depreciation of property, plant and equipment	29,934	43,286
Depreciation of investment properties	17,680	95,805
Net foreign exchange gain (included in other gains and losses)	(29,853)	(34,161)
Minimum lease payment in respect of the operating leases on premises and land	5,708	5,943
Interest expenses on promissory note (included in finance costs)	8,236	–
Gross revenue from leasing of investment properties equipped with entertainment equipment	(183,787)	(222,159)
Less: Direct operating expenses that generated revenue from leasing of investment properties equipped with entertainment equipment *(Note a)*	83,769	157,908
	(100,018)	(64,251)
Staff costs, including Directors' emoluments		
— salaries and allowances	58,959	57,745
— retirement benefit costs *(note 22)*	1,199	995
	60,158	58,740

Notes:

a. Amount mainly represents depreciation of leased properties and entertainment equipment, staff costs and marketing expenses.

b. Amount recognised for the year ended 31 March 2016 represented a gain from the reversal of the fair value of the contingent consideration provision in relation to the tax indemnity provided to the purchaser of a subsidiary of the Company disposed of by the Group during the year ended 31 March 2011. The tax indemnity was for a period of 5 years commencing from 5 November 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments paid to or receivable by each of the eleven (2016: eleven) Directors were as follows:

	Cheng Kar Shun HK$'000	Lo Lin Shing, Simon HK$'000	To Hin Tsun, Gerald 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 HK$'000	Total HK$'000
2017												
Fees:												
Executive Directors	850	660	550	200	200	200	200	–	–	–	–	2,860
Independent non-executive Directors	–	–	–	–	–	–	–	200	190	200	200	790
Total emoluments	850	660	550	200	200	200	200	200	190	200	200	3,650

	Cheng Kar Shun HK$'000	Lo Lin Shing, Simon HK$'000	To Hin Tsun, Gerald 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 HK$'000	Total HK$'000
2016												
Fees:												
Executive Directors	850	660	550	200	200	200	200	–	–	–	–	2,860
Independent non-executive Directors	–	–	–	–	–	–	–	200	190	200	200	790
Total emoluments	850	660	550	200	200	200	200	200	190	200	200	3,650

The amounts represented emoluments paid or receivable in respect of their services as the Directors.

(b) Employees' emoluments

The five individuals with the highest emoluments in the Group did not include any Directors for both years. The emoluments of the five (2016: five) individuals, of which two (2016: two) individuals were senior management of the Group, in the Group were as follows:

	2017 HK$'000	2016 HK$'000
Salaries and other benefits	**13,401**	12,768
Retirement benefit costs	**206**	206
Discretionary or performance related incentive payments	**782**	703
	14,389	13,677

9. DIRECTORS' AND EMPLOYEES' EMOLUMENT'S AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Employees' emoluments *(Continued)*

Their emoluments were within the following bands:

	2017 No. of individuals	2016 No. of individuals
HK$1,500,001 to HK$2,000,000	**2**	2
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**1**	2
HK$5,000,001 to HK$5,500,000	**1**	1
	5	5

(c) Senior management's emoluments

The emoluments of the senior management of the Group, whose biographical details are set out in the "Board of Directors and Senior management" section of this annual report, were within the following bands:

	2017 No. of individuals	2016 No. of individuals
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,500,001 to HK$3,000,000	**1**	1
	2	2

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

During the year, no emolument was paid by the Group to the Directors or any of the five highest paid individual as inducement to join or upon joining of the Group or as compensation for loss of office. No Director waived any emoluments in both years ended 31 March 2017 and 2016.

10. INCOME TAX CHARGE

	2017 HK$'000	2016 HK$'000
Current tax:		
Hong Kong	–	(2,229)
The Philippines	**(44,619)**	(15)
	(44,619)	(2,244)
Deferred taxation *(note 21):*		
Current year	**17,599**	(10,289)
	(27,020)	(12,533)

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

The corporate income tax rate in the Philippines is 30% for both years. The withholding tax rate in respect of a dividend distributed by a subsidiary of the Company operating in the Philippines to its overseas immediate holding company is 15% 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 and the Philippines either had no assessable profits or were exempted from profits tax in the respective jurisdictions.

During the year ended 31 March 2017, the Group utilised deferred tax liability in an amount of approximately HK$44,619,000 (2016: nil) as a result of dividend distributed by a subsidiary of the Company in the Philippines to its overseas immediate holding company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

10. INCOME TAX CHARGE *(Continued)*

The income tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss as follows:

	The Philippines		Hong Kong		Total	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Profit before taxation	**87,417**	45,572	**5,713**	12,173	**93,130**	57,745
Taxation at the domestic rates applicable to profits in the country concerned	**26,225**	13,672	**943**	2,009	**27,168**	15,681
Tax effect of expenses not deductible for tax purpose	**2,393**	2,518	**6,511**	3,864	**8,904**	6,382
Tax effect of income not taxable for tax purpose	**(1,050)**	(1,303)	**(10,462)**	(12,667)	**(11,512)**	(13,970)
Tax effect of net income derived from leasing of properties to PAGCOR not taxable for tax purpose	**(36,614)**	(27,333)	**–**	–	**(36,614)**	(27,333)
Tax effect of utilisation of tax losses and deductible temporary difference not previously recognised	**–**	–	**(72)**	(151)	**(72)**	(151)
Tax effect of tax losses and deductible temporary differences not recognised	**4,404**	5,967	**3,080**	3,172	**7,484**	9,139
Provision of deferred tax, net	**31,977**	22,614	**–**	–	**31,977**	22,614
Others	**(315)**	192	**–**	(21)	**(315)**	171
Income tax charge (credit) for the year	**27,020**	16,327	**–**	(3,794)	**27,020**	12,533

11. DIVIDENDS

	2017 HK$'000	2016 HK$'000
Dividends recognised as distribution to owners of the Company during the year:		
Final dividend for 2015/16 — nil (2016: Final dividend for 2014/15 — HK$0.01 per share)	–	11,792
Special dividend for 2015/16 — nil (2016: Special dividend for 2014/15 — HK$0.45 per share)	–	530,620
	–	542,412

The Board does not recommend the payment of a final dividend for the year ended 31 March 2017 (2016: nil).

12. EARNINGS PER SHARE

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

	2017 HK$'000	2016 HK$'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**51,866**	31,703

	In thousand	In thousand
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**1,179,157**	1,179,157

For the years ended 31 March 2017 and 2016, no diluted earnings per share has been presented as there were no potential ordinary shares in issue during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Machinery	Furniture, fixtures and equipment	Entertainment equipment	Computer hardware	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST								
At 1 April 2015	533,578	4,326	96,322	66,160	150,994	382	985	852,747
Exchange adjustments	(14,142)	(103)	(2,552)	(1,746)	(3,993)	–	(26)	(22,562)
Additions	–	–	1,695	949	9,298	–	5	11,947
Disposals	–	–	(394)	(383)	(1,463)	–	–	(2,240)
Write-off	–	–	(1,157)	(233)	(6,187)	–	–	(7,577)
At 31 March 2016	519,436	4,223	93,914	64,747	148,649	382	964	832,315
Exchange adjustments	(42,692)	(312)	(7,729)	(5,362)	(12,430)	–	(88)	(68,613)
Additions	164	–	1,550	2,154	15,679	8	402	19,957
Disposals	–	–	(90)	(45)	(415)	–	(187)	(737)
Write-off	–	–	(1,175)	(590)	(9,735)	(131)	–	(11,631)
At 31 March 2017	**476,908**	**3,911**	**86,470**	**60,904**	**141,748**	**259**	**1,091**	**771,291**
ACCUMULATED DEPRECIATION								
At 1 April 2015	184,739	1,797	91,805	61,952	112,647	362	800	454,102
Exchange adjustments	(4,769)	(36)	(2,434)	(1,630)	(2,941)	–	(21)	(11,831)
Provided for the year	24,028	177	1,410	1,660	15,932	9	70	43,286
Eliminated on disposals	–	–	(391)	(317)	(1,389)	–	–	(2,097)
Eliminated on write-off	–	–	(1,157)	(233)	(6,187)	–	–	(7,577)
At 31 March 2016	203,998	1,938	89,233	61,432	118,062	371	849	475,883
Exchange adjustments	(17,249)	(131)	(7,339)	(5,061)	(9,878)	–	(69)	(39,727)
Provided for the year	12,562	169	1,414	1,385	14,288	10	106	29,934
Eliminated on disposals	–	–	(88)	(44)	(2)	–	(161)	(295)
Eliminated on write-off	–	–	(1,175)	(590)	(9,735)	(131)	–	(11,631)
At 31 March 2017	**199,311**	**1,976**	**82,045**	**57,122**	**112,735**	**250**	**725**	**454,164**
CARRYING VALUES								
At 31 March 2017	**277,597**	**1,935**	**4,425**	**3,782**	**29,013**	**9**	**366**	**317,127**
At 31 March 2016	315,438	2,285	4,681	3,315	30,587	11	115	356,432

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. 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 their estimated useful lives
Leasehold improvements	Over the shorter of the remaining term of the lease or land leases on which the buildings are located, or their estimated useful lives
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 hotel properties and located in the Philippines.

At 31 March 2017 and 2016, all entertainment equipment was held for use under operating leases to PAGCOR.

14. INVESTMENT PROPERTIES

	HK$'000
COST	
At 1 April 2015	1,417,616
Exchange adjustments	(37,565)
At 31 March 2016	1,380,051
Exchange adjustments	(113,406)
At 31 March 2017	**1,266,645**
ACCUMULATED DEPRECIATION	
At 1 April 2015	862,204
Exchange adjustments	(22,342)
Provided for the year	95,805
At 31 March 2016	935,667
Exchange adjustments	(77,574)
Provided for the year	17,680
At 31 March 2017	**875,773**
CARRYING VALUES	
At 31 March 2017	**390,872**
At 31 March 2016	444,384

14. INVESTMENT PROPERTIES *(Continued)*

The above investment properties are located in the Philippines. Depreciation is provided to write off the cost of investment properties, after taking into account the estimated residual value, over the shorter of the term of the land lease and the estimated useful lives of the investment properties, using the straight-line method.

The fair value of the Group's investment properties at 31 March 2017 was approximately HK$1,699,000,000 (2016: HK$1,977,000,000). The fair value has been arrived at based on a valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), independent valuer not connected with the Group. JLL is a member of the Hong Kong Institute of Surveyors.

The fair value was determined based on the income approach, where capitalising the estimated net income derived from the investment properties with reference to the Lease Agreement and taking into account the future growth potential with reference to historical income trend achieved in previous years. The discount rate was determined by reference to weighted average cost of capital of the listed companies with similar business portfolio. There had been no change from the valuation technique used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. The fair value of the investment properties is categorised as Level 3 of the fair value hierarchy.

15. FINANCIAL ASSETS AT FVTPL

	2017 **HK$'000**	2016 HK$'000
Financial assets at FVTPL comprise:		
Non-current:		
8% perpetual subordinated capital securities listed overseas *(Note)*	**20,521**	20,290

The 8% perpetual subordinated capital securities are financial assets designated as at FVTPL at initial recognition.

Note: The issuer of the 8% perpetual subordinated capital securities may redeem the 8% perpetual subordinated capital securities at any time upon the occurrence of certain events at a redemption price equal to the principal plus accrued interest. Subject to certain conditions, on any coupon payment date, the issuer may exchange the 8% perpetual subordinated capital securities in whole (but not in part) for perpetual non-cumulative dollar preference shares.

The financial assets at FVTPL is denominated in United States Dollars ("USD") which is the foreign currency of the relevant group entity (whose functional currency is Peso).

16. INVENTORIES

The amount represents hotel consumables, food and beverages.

17. TRADE RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**26,177**	24,828
Less: Allowance for doubtful debts for trade receivables	**(4,234)**	(4,617)
	21,943	20,211

The average credit terms for trade receivables granted by the Group range from 0 to 90 days.

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

	2017 HK$'000	2016 HK$'000
Aged:		
0–30 days	**21,044**	18,850
31–60 days	**760**	1,123
61–90 days	**139**	238
	21,943	20,211

Before accepting any new customer, the Group will assess the potential customer's credit quality and define credit limits by customer. At 31 March 2017, trade receivables with an aggregate carrying amount of approximately HK$21,044,000 (2016: HK$18,850,000) were neither past due nor impaired. The Directors consider these trade receivables are of good credit quality.

Ageing of trade receivables which are past due but not impaired

	2017 HK$'000	2016 HK$'000
31–60 days	**760**	1,123
61–90 days	**139**	238
Total	**899**	1,361

The Group has provided fully for all trade receivables past due over 1 year because those receivables are generally not recoverable based on historical experience.

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For the year ended 31 March 2017

17. TRADE RECEIVABLES *(Continued)*

Movement in the allowance for doubtful debts for trade receivables

	2017 **HK$'000**	2016 HK$'000
Balance at beginning of the year	**4,617**	3,149
Exchange adjustments	**(379)**	(75)
(Reversal of impairment losses) impairment losses recognised, net	**(2)**	1,585
Amounts written off as uncollectible	**(2)**	(42)
Balance at end of the year	**4,234**	4,617

At 31 March 2017, included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$4,234,000 (2016: HK$4,617,000) which have been in severe financial difficulty.

18. 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 prevailing market interest rates ranging from 0.001% to 1.470% (2016: 0.001% to 1.200%) per annum. Moreover, the Group also has bank balances deposited in the banks in the Philippines which carry prevailing market interest rates ranging from 0.050% to 1.750% (2016: 0.050% to 2.125%) per annum.

The Group's bank balances that are denominated in foreign currencies of the relevant group entities (whose functional currency is Peso) are set out below:

	2017 **HK$'000**	2016 HK$'000
Denominated in USD	**50,189**	532,529
Denominated in HK$	**41,494**	172,829

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. 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.

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

	2017 HK$'000	2016 HK$'000
Aged:		
0–30 days	**2,132**	3,248
31–60 days	**555**	1,098
61–90 days	**53**	278
Over 90 days	**1,322**	1,470
	4,062	6,094

At 31 March 2017, other payables and accrued charges amounting to approximately HK$2,814,000 (2016: HK$1,745,000) and HK$11,998,000 (2016: HK$2,269,000) are denominated in USD and HK$ respectively, foreign currency of the relevant group entities (whose functional currency is Peso).

20. SHARE CAPITAL

	Par value of shares HK$	**Number of shares**	**Value** HK$'000
Authorised:			
Ordinary shares			
At 1 April 2015, 31 March 2016 and 2017	1 each	2,000,000,000	2,000,000
Issued and fully paid:			
Ordinary shares			
At 1 April 2015, 31 March 2016 and 2017	1 each	1,179,157,235	1,179,157

There was no movement in the share capital of the Company during both years.

21. DEFERRED TAXATION

The deferred tax liabilities mainly include deferred tax on unrealised foreign exchange gain, fair value adjustments on property, plant and equipment and investment properties arising from business combination, and withholding tax on undistributed earnings arising from Philippine subsidiaries.

	HK$'000
At 1 April 2015	117,001
Exchange adjustments	(2,856)
Charge to profit or loss *(note 10)*	10,289
At 31 March 2016	124,434
Exchange adjustments	(9,542)
Credit to profit or loss *(note 10)*	(17,599)
At 31 March 2017	97,293

At 31 March 2017, the Group had estimated unused tax losses of approximately HK$241,426,000 (2016: HK$212,485,000) and deductible temporary differences of approximately HK$10,369,000 (2016: HK$8,604,000) arising from certain companies within the Group that are suffering from losses for years available for offset against future profits. At 31 March 2017 and 2016, no deferred tax assets was recognised for such losses due to the unpredictability of future profit streams from these companies within the Group. Tax losses amounting to approximately HK$205,883,000 (2016: HK$187,646,000) may be carried forward indefinitely.

The remaining tax losses will be expired as follows:

	2017 **HK$'000**	2016 HK$'000
Year 2016	**–**	700
Year 2017	**378**	412
Year 2018	**18,469**	20,123
Year 2019	**15,557**	3,604
Year 2020	**1,139**	–

22. RETIREMENT BENEFIT COSTS

The retirement benefit costs of the Group charged to consolidated statement of profit or loss are as follows:

	2017 **HK$'000**	2016 HK$'000
Hong Kong	**105**	103
The Philippines	**1,094**	892
	1,199	995

Pursuant to Mandatory Provident Fund Schemes Ordinance (Chapter 485, Laws of Hong Kong), the Group participates in a defined provident fund retirement benefit scheme in Hong Kong.

Under the relevant law in the Philippines, it provides a benefit to qualified employees but it does not require minimum funding of the plan. In the absence of any pension plan in the entity, the relevant law requires a provision for retirement pay to qualified employees.

Defined contribution scheme

The Group participates in a mandatory provident fund retirement benefit scheme in Hong Kong. The relevant scheme assets are held separately from those of the Group, in funds under the control of the trustee. Under that scheme, the Group is required to make contributions pursuant to the Mandatory Provident Fund Schemes Ordinance (Chapter 485, Laws of Hong Kong).

The Group's contributions to the retirement benefit scheme in Hong Kong charged to the consolidated statement of profit or loss for the year ended 31 March 2017 was approximately HK$105,000 (2016: HK$103,000).

Defined benefit scheme

The Group operates a funded defined benefit plan for the qualified employees of its subsidiary in the Philippines. The defined benefit plan is administrated by trustee appointed by the respective subsidiary of the Company and is legally separated from the subsidiary. Under the plan, the qualified employees are entitled to retirement benefits equivalent to final plan salary for every year of credit service at the normal retirement age. There are no unusual or significant risks to which the retirement benefit obligations expose the relevant subsidiary of the Company. However, in the event a benefit claim arises under the retirement benefit scheme and the retirement fund is not sufficient to settle the obligation, the unfunded portion of the claim shall immediately be due and payable by the relevant subsidiary of the Company to the retirement fund.

The Group has also made provision for estimated liabilities for retirement benefit obligations, in the absence of any pension plan, covering the qualified employees of its another subsidiary in the Philippines. There are no unusual or significant risks to which the retirement benefit obligations expose the relevant subsidiary of the Company. However in the event a benefit claim arises, the obligations shall immediately be due and payable by the relevant subsidiary of the Company.

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For the year ended 31 March 2017

22. RETIREMENT BENEFIT COSTS *(Continued)*

Defined benefit scheme *(Continued)*

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligations at 31 March 2017 were carried out by E.M. Zalamea Actuarial Services, Inc. and Institutional Synergy, Inc. (2016: E.M. Zalamea Actuarial Services, Inc.) (members of the Actuarial Society of the Philippines), the independent actuaries. The present value of the defined benefit obligations, and the related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used for the purpose of the actuarial valuation were as follows:

	Valuation at	
	2017	2016
Discount rate *(Note)*	**6.02%**	5.75%
Expected rate of salary increase	**4.00%**	3.50%

Note: The discount rate assumption is based on the spot yield curve calculated from the market yields by striping the coupons from government bonds to create theoretical zero-coupon bonds as of the valuation date as at 31 March 2017 and 2016.

The actuarial valuation showed that the fair values of the above unit investment trust funds are determined based on mark-to-market valuation.

The actual return on plan assets was a loss of approximately HK$3,000 (2016: HK$10,000).

The weighted average duration of the defined benefit obligations is 9.6 years (2016: 9.7 years).

Based on the actuarial reports prepared by the independent actuaries, the Group's expected contribution is to be made to the defined benefit plan for the next financial year is nil (2016: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. PROMISSORY NOTE

The promissory note is issued on 3 October 2016 by Fortune Growth Overseas Limited, a wholly-owned subsidiary of the Company, to a subsidiary of CTFHL for the acquisition of additional interest in a subsidiary of the Company which is a non-cash transaction. The promissory note carries interest which accrues on the outstanding principal amount of HK$350,000,000 from its issue date until repayment in full of the principal amount at the fixed rate of 4% per annum. The promissory note shall become due and payable in full on the business day immediately preceding the fifth anniversary of its issue date and is unsecured and guaranteed by the Company.

The promissory note is denominated in HK$ which is the foreign currency of the relevant group entity (where functional currency is Peso).

24. 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 the Shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising promissory note, issued share capital and reserves.

The Directors review the capital structure on a regular basis. As part of this review, the Directors 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, where applicable.

25. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets		
Financial assets at FVTPL	**20,521**	20,290
Loans and receivables (including cash and cash equivalents)	**333,623**	1,206,739
Financial liabilities		
Financial liabilities at amortised cost	**372,748**	29,834

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, trade receivables, other receivables, bank balances and cash, trade payables, other payables and accrued charges, and promissory note.

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 of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

At 31 March 2017 and 2016, currency risk exists with respect to the financial assets at FVTPL, other receivables, bank balances and cash, other payables and promissory note denominated in foreign currencies of relevant group entities as disclosed in relevant notes.

The carrying amounts of monetary assets and monetary liabilities are denominated in foreign currencies of the relevant group entities whose functional currency is Peso at the end of the reporting period are as follows:

	Assets		Liabilities	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
USD	**70,723**	553,325	**2,814**	1,745
HK$	**41,500**	172,964	**348,414**	2,269

25. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

Currency risk (Continued)

Other than above, several subsidiaries of the Company have the following intra-group receivables/payables denominated in HK$ and USD, which are foreign currencies of the relevant group entities whose functional currency is Peso.

	Amounts due from group entities		Amounts due to group entities	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**2,216,744**	2,392,050	**2,119,848**	2,245,033
HK$	**1,266,304**	475,418	**1,193,297**	406,506

The Group currently does not have foreign currency hedging policy. However, the management of the Group monitors foreign currency exposure for each business segment and reviews the needs of individual geographical area, and will consider appropriate hedging policy when necessary.

Sensitivity analysis

As HK$ is pegged to USD, the Group does not expect any significant foreign currency exposure arising from the fluctuation of the USD/HK$ and HK$/USD exchange rates. As a result, the management of the Group considers that the sensitivity of the Group's exposure towards the change in foreign exchange rates between USD/HK$ and HK$/USD is minimal.

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% (2016: 10%) increase and decrease in Peso against USD and HK$. 10% (2016: 10%) represents the assessment of the reasonably possible change in foreign exchange rates made by the management of the Group. 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% (2016: 10%) change in foreign currency rates. The table below indicates the impact on post-tax profit for the year where the Peso weaken 10% (2016: 10%) against foreign currencies, and vice versa.

	HK$ Impact		USD Impact	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
(Decrease) increase in post-tax profit for the year *(Note)*	**(11,742)**	35,599	**10,065**	57,809

Note: For a 10% (2016: 10%) strengthening of Peso against foreign currencies, there would be an equal and opposite impact on the post-tax profit for the year.

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

25. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

Interest rate risk

The Group's interest rate risk arises from its financial assets at FVTPL (see note 15 for details) and variable-rate bank balances (see note 18 for details) and promissory note (see note 23). Financial assets at FVTPL and promissory note at fixed interest rates expose the Group to fair value interest rate risk. Bank balances at variable rates expose the Group to cash flow interest rate risk.

The Group does not have interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider appropriate hedging policy when necessary.

Sensitivity analysis

The Company 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. The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate time deposits at the end of the reporting period. The analysis is prepared assuming these bank balances outstanding at the end of the reporting period are outstanding for the whole year. A 50 basis points (2016: 50 basis points) in variable-rate time deposits in the banks in the Philippines is used in estimating the potential change in interest rate and represents the assessment of the reasonably possible change in interest rates made by the management of the Group. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year would increase/decrease by approximately HK$731,000 (2016: HK$1,620,000). A 30 basis points (2016: 30 basis points) in variable-rate time deposits in the banks in Hong Kong is used in estimating the potential change in interest rate and represents the assessment of the reasonably possible change in interest rates made by the management of the Group. If the interest rates had been 30 basis points higher/lower (2016: 30 basis points higher/lower) and all other variables were held constant, the Group's post-tax profit for the year would increase/decrease by approximately HK$57,000 (2016: HK$2,030,000).

Other price risk

At 31 March 2017 and 2016, the Group is exposed to price risk through its financial assets at FVTPL in respect of the 8% perpetual subordinated capital securities listed overseas. The management of the Group 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 of the Group monitors this exposure and will consider appropriate hedging policy when necessary.

Sensitivity analysis on financial assets at FVTPL

The sensitivity analysis below have been determined, based on the 8% perpetual subordinated capital securities listed overseas, price risk (including fair value interest rate risk) arising from financial assets at FVTPL. If the prices of respective financial instruments had been 10% (2016: 10%) higher/lower, the Group's post-tax profit for the year would increase/decrease by approximately HK$2,052,000 (2016: HK$2,029,000) as a result of the change in fair value of financial assets at FVTPL at 31 March 2017.

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25. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk

At 31 March 2017, other than those financial assets whose carrying amounts represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause financial loss to the Group arising from the amount of contingent liabilities is disclosed in note 29.

In order to minimise the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the 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.

At 31 March 2017, the Group had concentration of credit risk in respect of trade receivable from PAGCOR of approximately HK$16,748,000 (2016: HK$16,242,000). The credit risk on trade receivable from PAGCOR is limited as PAGCOR is controlled and owned by the government of the Philippines and with a good repayment history. The trade receivable from PAGCOR at 31 March 2017 was substantially settled subsequent to the end of the reporting period.

Bank balances are mainly placed with banks which are assigned with credit-ratings by international credit-rating agencies.

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 of the Group 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.

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For the year ended 31 March 2017

25. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

Liquidity tables

	Weighted average interest rate %	Less than 1 month/ repayable on demand HK$'000	3 months to 1 year HK$'000	2 years to 3 years HK$'000	4 years to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts at 31 March 2017 HK$'000
2017							
Non-derivative financial liabilities							
Trade payables	–	4,062	–	–	–	4,062	4,062
Other payables and accrued charges	–	25,366	–	–	–	25,366	25,366
Promissory note-fixed rate (including interest payable)	4%	–	14,000	28,000	378,000	420,000	343,320
		29,428	14,000	28,000	378,000	449,428	372,748

	Weighted average interest rate %	Less than 1 month/ repayable on demand HK$'000	3 months to 1 year HK$'000	2 years to 3 years HK$'000	4 years to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts at 31 March 2016 HK$'000
2016							
Non-derivative financial liabilities							
Trade payables	–	6,094	–	–	–	6,094	6,094
Other payables and accrued charges	–	23,740	–	–	–	23,740	23,740
		29,834	–	–	–	29,834	29,834

Fair value

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

The Directors 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

25. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of the financial assets.

Fair values of the Group's financial assets that are measured at fair values on a recurring basis

Some of the Group's financial assets are measured at fair values at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

Financial assets	Fair value as at 31 March 2017 HK$'000	Fair value as at 31 March 2016 HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
8% perpetual subordinated capital securities listed overseas classified as financial assets at FVTPL	**20,521**	20,290	Level 1	Quoted bid prices in an active market	N/A

There was no transfer between Level 1, 2 and 3 during the years ended 31 March 2017 and 2016 respectively.

26. OPERATING LEASE COMMITMENTS

The Group as lessor

As announced by the Company on 18 December 2015, MSPI as lessor, entered into the Lease Agreement with PAGCOR as lessee for the renewal of the lease of certain premises of the Group for a term commencing from 1 April 2016 and expiring on the earlier of 31 March 2031 or upon the total rent accruing against and/or payable by PAGCOR to MSPI under the Lease Agreement reaching an aggregate of Peso24.5 billion (equivalent to approximately HK$3,786,686,000). The monthly rental is based on a certain percentage of net gaming revenue of the casino operated by PAGCOR or a fixed amount of Peso100,000 (equivalent to approximately HK$16,000 (as at 31 March 2017: HK$17,000)), whichever is higher. Rental income arising from such agreement during the year end 31 March 2017 was approximately HK$183,787,000 (2016: HK$222,159,000), representing contingent rental income.

The Group as lessee

At 31 March 2017, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017 HK$'000	2016 HK$'000
Within one year	**5,567**	5,910
In the second to fifth year inclusive	**17,356**	20,256
Over five years	**31,917**	39,260
	54,840	65,426

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.

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For the year ended 31 March 2017

27. CAPITAL COMMITMENTS

	2017 HK$'000	2016 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**3,452**	555

28. RELATED PARTY TRANSACTIONS

(a) The Group entered into the following transactions with related parties other than those disclosed in notes 23 and 30 during the year:

	2017 HK$'000	2016 HK$'000
Accommodation and beverages income *(Note i)*	**102**	128
Purchase of goods *(Note ii)*	**–**	403
Rental expenses *(Note iii)*	**1,570**	1,618
Expenses incurred under the hotel management agreement and the sales and marketing agreement *(Note iv)*	**4,981**	5,204
Interest expense on promissory note *(Note v)*	**6,904**	–

Notes:

(i) Accommodation and beverages income were received from a subsidiary indirectly controlled by CTFHL.

(ii) The amount represented the purchase of goods from a subsidiary indirectly controlled by CTFHL.

(iii) A company, which was an associate of CTFHL, leased office premises to the Group.

(iv) The amount represented the expenses incurred under the hotel management agreement and the sales and marketing agreement entered into with the entities related to the Company. These entities are subsidiaries indirectly controlled by CTFHL.

(v) The amount represented the interest expense payable to a subsidiary indirectly controlled by CTFHL.

(b) Compensation of key management personnel

The remuneration of the Directors and other members of key management of the Group are disclosed in note 9. The remuneration of the Directors and key management personnel 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. CONTINGENT LIABILITIES

At 31 March 2017, the Group had (a) contingent liabilities of approximately HK$408,466,000 (31 March 2016: HK$460,182,000) relating to the tax disputes between a subsidiary of the Company principally engaging in the business of leasing of properties in the Philippines and BIR for the calendar years of 2008 and 2012, as well as the potential income tax (but not taking into account any possible additional penalties, surcharge or interest liability, of which existence can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of such subsidiary) that may be assessed by BIR for the taxable years which are not yet barred by prescription under the relevant laws, rules and regulations of the Philippines; and (b) contingent liabilities of approximately HK$2,748,000 (31 March 2016: HK$8,773,000) relating to the tax dispute between another subsidiary of the Company principally engaging in the hotel operations in the Philippines and BIR for the calendar year of 2011 (but not taking into account any possible additional penalties or interest liability, of which existence can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of such subsidiary).

(a) Tax disputes between MSPI and BIR for the calendar years of 2008 and 2012, and potential income tax

At 31 March 2017, the Group had contingent liabilities of approximately HK$408,466,000 (31 March 2016: HK$460,182,000) relating to the tax disputes between MSPI, a subsidiary of the Company principally engaging in the business of leasing of properties in the Philippines, and BIR for the calendar years of 2008 and 2012, as well as the potential income tax (but not taking into account any possible additional penalties, surcharge or interest liability, of which existence can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of such subsidiary) that may be assessed by BIR for the taxable years which are not yet barred by prescription under the relevant laws, rules and regulations of the Philippines.

MSPI as lessor had entered into a lease agreement with PAGCOR, a company controlled and owned by the Philippine government, as lessee, for the lease of certain premises in the Philippines in March 2003.

On 29 February 2012, BIR issued a formal letter of demand to MSPI for alleged deficiency taxes for the calendar year of 2008 arising mainly from the imposition of income tax inclusive of penalties and interest on the rental income of MSPI from the lease of certain premises to PAGCOR in accordance with such lease agreement. On 29 March 2012, MSPI filed a protest with BIR on the ground that MSPI is exempt from Philippine corporate income tax pursuant to Section 13(2) of the Presidential Decree No. 1869, as amended.

On 2 November 2015, MSPI received the final decision on disputed assessment from BIR (the "MSPI-Final Decision on Disputed Assessment for 2008") for the alleged deficiency taxes for the calendar year of 2008 amounting to approximately Peso1,156,803,000 (equivalent to approximately HK$178,794,000) (inclusive of surcharge and interest).

On 1 December 2015, MSPI filed with BIR its request for reconsideration of the MSPI-Final Decision on Disputed Assessment for 2008 by the Commissioner of Internal Revenue in the Philippines. On 16 September 2016, MSPI filed with BIR a supplement to the request for reconsideration of the MSPI-Final Decision on Disputed Assessment for 2008. It is anticipated that final outcome of the tax dispute for the calendar year of 2008 will not be known for quite some time.

29. CONTINGENT LIABILITIES *(Continued)*

(a) Tax disputes between MSPI and BIR for the calendar years of 2008 and 2012, and potential income tax *(Continued)*

On 23 February 2016, MSPI received another formal letter of demand from BIR (the "MSPI-Formal Letter of Demand for 2012") for the alleged deficiency taxes for the calendar year of 2012 amounting to approximately Peso671,266,000 (equivalent to approximately HK$103,750,000) (inclusive of penalties, surcharge and interest) arising mainly from the imposition of income tax on the rental income of MSPI from the lease of certain premises to PAGCOR.

On 21 March 2016, MSPI filed with BIR a request for reconsideration of the MSPI-Formal Letter of Demand for 2012 on the ground that MSPI is exempt from Philippine corporate income tax pursuant to Section 13(2) of the Presidential Decree No. 1869, as amended. On 16 September 2016, MSPI filed with BIR a supplement to the request for reconsideration of the MSPI-Formal Letter of Demand for 2012. It is anticipated that the final outcome of the tax dispute for the calendar year of 2012 will not be known for quite some time.

Based on the advice of the independent legal adviser of MSPI, the Directors believe that MSPI has valid legal arguments to defend the tax disputes. Accordingly, no provision has been made for the tax disputes in the consolidated financial statements of the Group for the years ended 31 March 2017 and 2016. However, as there is at present a possible obligation (existence of which can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of such subsidiary) which may or may not require an initial outflow of resources, the Directors consider it prudent to estimate that as at 31 March 2017, the contingent liabilities in respect of the alleged deficiency taxes covering the calendar year of 2008 as stated in the MSPI-Final Decision on Disputed Assessment for 2008 and the contingent liabilities in respect of the alleged deficiency taxes covering the calendar year of 2012 as stated in the MSPI-Formal Letter of Demand for 2012 and the contingent liabilities in respect of the potential income tax arising from the rental income of MSPI from the lease of certain premises to PAGCOR (but not taking into account any possible additional penalties, surcharge or interest liability, of which existence can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of such subsidiary) that may be assessed by BIR for the taxable years which are not yet barred by prescription under the relevant laws, rules and regulations of the Philippines as being a total of approximately HK$408,466,000 as a possible outflow of resources.

(b) Tax dispute between New Coast Hotel Inc. ("NCHI") and BIR for the calendar year of 2011

At 31 March 2017, the Group had contingent liabilities of approximately HK$2,748,000 (31 March 2016: HK$8,773,000) relating to the tax dispute between NCHI and BIR for the calendar year of 2011 (but not taking into account any possible additional penalties or interest liability, of which existence can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of such subsidiary).

On 16 December 2015, NCHI received a formal letter of demand from BIR (the "NCHI-Formal Letter of Demand for 2011") for alleged deficiency taxes covering the calendar year of 2011 amounting to approximately Peso52,096,000 (equivalent to approximately HK$8,773,000) inclusive of penalties and interest.

On 15 January 2016, NCHI filed a protest with BIR against the NCHI-Formal Letter of Demand for 2011 in accordance with the relevant laws, rules and regulations of the Philippines.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. CONTINGENT LIABILITIES *(Continued)*

(b) Tax dispute between New Coast Hotel Inc. ("NCHI") and BIR for the calendar year of 2011 *(Continued)*

On 20 September 2016, NCHI received the final decision on disputed assessment from BIR (the "NCHI-Final Decision on Disputed Assessment for 2011") for the alleged deficiency taxes for the calendar year of 2011. BIR reduced the alleged deficiency taxes to approximately Peso17,781,000 (equivalent to approximately HK$2,848,000) inclusive of penalties and interest.

On 20 October 2016, NCHI filed with BIR its request for reconsideration of the NCHI-Final Decision on Disputed Assessment for 2011 by the Commissioner of Internal Revenue in the Philippines. It is anticipated that the final outcome of the tax dispute for the calendar year of 2011 will not be known for quite some time.

Based on the advice of the independent legal adviser of NCHI, the Directors believe that NCHI has valid arguments to defend the tax dispute. Accordingly, no provision has been made for the tax dispute in the consolidated financial statements of the Group for years ended 31 March 2017 and 2016. However, as there is at present a possible obligation (existence of which can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of such subsidiary) which may or may not require an initial outflow of resources, the Directors consider it prudent to estimate that as at 31 March 2017, the contingent liabilities in respect of the alleged deficiency taxes of NCHI covering the calendar year of 2011 as stated in the NCHI-Final Decision on Disputed Assessment for 2011 (but not taking into account of any possible additional penalties or interest liability, of which existence can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of such subsidiary) as being a total of approximately HK$2,748,000 as a possible outflow of resources.

30. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at 31 March 2017 and 31 March 2016 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 Directly 2017 %	Directly 2016 %	Indirectly 2017 %	Indirectly 2016 %	Principal activities
Lucky Genius Limited	BVI	Limited company	Ordinary	USD1	**100**	100	**–**	–	Investment holding
Fortune Growth Overseas Limited	BVI	Limited company	Ordinary	USD1	**100**	100	**–**	–	Investment holding
Maxprofit International Limited ("Maxprofit")	BVI	Limited company	Ordinary	USD100	**–**	–	**100** *(Note a)*	51	Investment holding
Starcharm Limited	BVI	Limited company	Ordinary	USD1	**–**	–	**100** *(Note a)*	51	Investment holding
Flexi-Deliver Holding Ltd.	BVI	Limited company	Ordinary	USD1	**–**	–	**100** *(Note a)*	51	Investment holding
CTF Hotel and Entertainment, Inc.	Philippines	Limited company	Ordinary	Peso10,468,600	**–**	–	**100** *(Note a)*	51	Investment holding
CTF Properties (Philippines), Inc.	Philippines	Limited company	Ordinary	Peso10,468,600	**–**	–	**100** *(Note a)*	51	Investment holding
MSPI	Philippines	Limited company	Ordinary	Peso2,722,930,653	**–**	–	**100** *(Note a)*	51	Property investment
NCHI	Philippines	Limited company	Ordinary	Peso621,444,867	**–**	–	**100** *(Note a)*	51	Hotel owner, operation of hotel business
Future Growth Limited	Hong Kong	Limited company	Ordinary	HK$2	**100**	100	**–**	–	General administration for the Group
East Fortune Holdings Limited	Hong Kong	Limited company	Ordinary	HK$1	**–**	–	**100**	100	Investment holding
VMS Private Investment Partners VIII Limited ("VMS") *(Note b)*	BVI	Limited company	Class B	USD9,500	**100**	100	**–**	–	Investment holding
			Class A	USD500	**–**	–	**–**	–	

Notes:

(a) On 3 October 2016, a wholly-owned subsidiary of the Company, completed the acquisition of the remaining 49% equity interest in Maxprofit at a consideration of HK$1,138,000,000, of which HK$788,000,000 was settled by cash and HK$350,000,000 was settled by way of the issuance of a promissory note in the principal amount of HK$350,000,000 by a wholly-owned subsidiary of the Company pursuant to the acquisition agreement. The difference between the fair value of the consideration paid by the Group as of the date of completion of the acquisition amounted to approximately HK$1,123,084,000 and the carrying amount of the non-controlling interests as of the same date of approximately HK$434,133,000, after re-attribution of the relevant equity component, there was approximately HK$475,665,000 recognised in equity as other reserve.

(b) On 2 September 2011, the Company subscribed 9,500 Class B shares of USD1 each, which represents 100% of Class B shares in VMS. 500 Class A shares of USD1 each were issued to an independent third party. Class A share is a voting, non-participating share and only entitled to 15% of the dividend distributed by VMS. Class B share is a voting, participating share to the assets of VMS and entitled to 85% of the dividend distributed by VMS. Both Class A share and Class B share have the same voting right.

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For the year ended 31 March 2017

30. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Save as disclosed above and in note 31, none of the subsidiaries of the Company 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.

The table below shows details of the non-wholly owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by the Company		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	**2017**	2016	**2017**	2016
				HK$'000	HK$'000	**HK$'000**	HK$'000
Maxprofit and its subsidiaries *(Note)* ("Maxprofit Group")	BVI	**–**	51%	**14,236**	13,511	**–**	565,872
Individually immaterial subsidiary with non-controlling interests	N/A	**N/A**	N/A	**8**	(2)	**81**	73
				14,244	13,509	**81**	565,945

Note: The Group has completed the acquisition of the remaining 49% equity interest in Maxprofit on 3 October 2016. Accordingly, the result and cash flows of Maxprofit Group was included below were up to the date of completion of such acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

30. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Summarised financial information in respect of Maxprofit Group that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Maxprofit Group

	2017 HK$'000	2016 HK$'000
Current assets	**N/A**	507,242
Non-current assets	**N/A**	806,732
Current liabilities	**N/A**	(29,529)
Non-current liabilities	**N/A**	(129,604)
Equity attributable to owners of the Company	**N/A**	588,969
Non-controlling interest	**N/A**	565,872
Revenue	**145,849**	330,939
Net expenses	**(116,792)**	(303,366)
Profit for the period/year	**29,057**	27,573
Profit for the period/year attributable to:		
Owners of the Company	**14,821**	14,062
Non-controlling interests	**14,236**	13,511
Profit for the period/year	**29,057**	27,573
Other comprehensive expense for the period/year attributable to:		
Owners of the Company	**(26,985)**	(15,726)
Non-controlling interests	**(25,927)**	(15,110)
Other comprehensive expense for the period/year	**(52,912)**	(30,836)
Total comprehensive expense for the period/year attributable to:		
Owners of the Company	**(12,164)**	(1,664)
Non-controlling interests	**(11,691)**	(1,599)
Total comprehensive expense for the period/year	**(23,855)**	(3,263)
Net cash inflow from operating activities	**18,415**	123,774
Net cash outflow from investing activities	**(3,574)**	(7,720)
Net cash outflow from financing activities	**(245,000)**	–
Net cash (outflow) inflow	**(230,159)**	116,054

31. COMPANY'S STATEMENT OF FINANCIAL POSITION

	2017 HK$'000	2016 HK$'000
ASSETS		
Investments in subsidiaries	**201,408**	140,265
Amount due from a subsidiary in form of promissory note *(Note a)*	**750,476**	–
Amounts due from subsidiaries in form of loan notes	**–**	54,250
Amounts due from subsidiaries	**342,163**	461,978
Others	**37,115**	648,445
	1,331,162	1,304,938
LIABILITIES	**5,514**	2,587
	1,325,648	1,302,351
Capital and reserves		
Share capital *(note 20)*	**1,179,157**	1,179,157
Reserves	**146,491**	123,194
	1,325,648	1,302,351

31. COMPANY'S STATEMENT OF FINANCIAL POSITION *(Continued)*

Information about the statement of movement in reserves of the Company during both years includes:

	Share premium HK$'000	Merger reserve HK$'000 *(Note b)*	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2015	1,122	53,022	(62,660)	651,797	643,281
Exchange difference arising on translation	–	–	(54,193)	–	(54,193)
Profit for the year	–	–	–	76,518	76,518
Total comprehensive (expense) income for the year	–	–	(54,193)	76,518	22,325
Dividends recognised as distribution	–	–	–	(542,412)	(542,412)
At 31 March 2016	1,122	53,022	(116,853)	185,903	123,194
Exchange difference arising on translation	–	–	(112,269)	–	(112,269)
Profit for the year	–	–	–	135,566	135,566
Total comprehensive (expense) income for the year	–	–	(112,269)	135,566	23,297
At 31 March 2017	1,122	53,022	(229,122)	321,469	146,491

Notes:

(a) During the year ended 31 March 2017, a subsidiary of the Company issued a non-interest bearing promissory note in the principal amount of HK$788,000,000 to the Company.

(b) Merger reserve of the Company 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.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017** **HK$'000**
Revenue	450,408	389,711	366,837	330,939	**290,714**
Profit before taxation	123,013	172,633	85,849	57,745	**93,130**
Income tax charge	(148,969)	(11,260)	(24,711)	(12,533)	**(27,020)**
(Loss) profit for the year	(25,956)	161,373	61,138	45,212	**66,110**
Attributable to:					
Owners of the Company	(23,367)	114,694	45,944	31,703	**51,866**
Non-controlling interests	(2,589)	46,679	15,194	13,509	**14,244**
	(25,956)	161,373	61,138	45,212	**66,110**

ASSETS AND LIABILITIES

	At 31 March				
	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017** **HK$'000**
Total assets	3,138,919	2,941,009	2,670,933	2,045,360	**1,078,306**
Total liabilities	(334,511)	(203,777)	(228,253)	(165,443)	**(481,524)**
	2,804,408	2,737,232	2,442,680	1,879,917	**596,782**
Equity attributable to owners of the Company	1,857,157	1,827,861	1,875,134	1,313,972	**596,701**
Non-controlling interests	947,251	909,371	567,546	565,945	**81**
	2,804,408	2,737,232	2,442,680	1,879,917	**596,782**

PARTICULARS OF PRINCIPAL PROPERTIES

Location	Existing use	Lease term
1588 M.H. Del Pilar cor. Pedro Gil, Malate Manila The Philippines	Hotel operations and leasing of properties (for casino and ancillary leisure and entertainment operations)	Medium-term lease