International Entertainment Corporation

國際娛樂有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 01009

Annual Report

2017/18

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Dr. CHOI Chiu Fai Stanley *(Chairman)*
Mr. ZHANG Yan Min *(Chief Executive Officer)*
(appointed as Chief Executive Officer on 6 July 2018)
Mr. CHAN Chun Yiu Thomas (appointed on 6 July 2018)
Mr. LAM Yat Ming (resigned on 6 July 2018)

INDEPENDENT NON-EXECUTIVE DIRECTORS
Ms. LU Gloria Yi
Mr. SUN Jiong
Mr. HA Kee Choy Eugene
Mr. REN Yunan (resigned on 6 July 2018)

EXECUTIVE COMMITTEE
Dr. CHOI Chiu Fai Stanley *(Committee Chairman)*
Mr. ZHANG Yan Min (appointed on 6 July 2018)
Mr. LAM Yat Ming (resigned on 6 July 2018)

AUDIT COMMITTEE
Mr. HA Kee Choy Eugene *(Committee Chairman)*
Ms. LU Gloria Yi
Mr. SUN Jiong
Mr. REN Yunan (resigned on 6 July 2018)

NOMINATION COMMITTEE
Ms. LU Gloria Yi *(Committee Chairman)*
Mr. HA Kee Choy Eugene
Mr. ZHANG Yan Min (appointed on 6 July 2018)
Mr. REN Yunan (resigned on 6 July 2018)

REMUNERATION COMMITTEE
Mr. SUN Jiong *(Committee Chairman)*
(appointed on 6 July 2018)
Ms. LU Gloria Yi
Mr. HA Kee Choy Eugene
Mr. REN Yunan (resigned on 6 July 2018)

COMPANY SECRETARY
Mr. WONG Chun Kit

AUTHORISED REPRESENTATIVES
Dr. CHOI Chiu Fai Stanley
Mr. WONG Chun Kit

COMPANY WEBSITE
http://www.ientcorp.com

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
18/F., Three Exchange Square
8 Connaught Place
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
SMP Partners (Cayman) Limited
Royal Bank House — 3rd Floor
24 Shedden Road
P. O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai
Hong Kong

PRINCIPAL BANKERS
BDO Unibank, Inc.
Chong Hing Bank Limited
Hang Seng Bank Limited
Maybank Philippines Inc.

AUDITOR
BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
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 2018.

During the year ended 31 March 2018, the Group maintained its emphasis on two core activities — hotel operations and leasing of properties equipped with entertainment equipment 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 2018 was approximately HK$296.4 million, representing an increase of 2.0%, as compared with approximately HK$290.7 million in the last year. Hotel operations and lease of properties contributed approximately 36.6% and 63.4% respectively to the revenue of the Group, as compared with approximately 36.8% and 63.2% for the year ended 31 March 2017. The Group recorded a loss of approximately HK$67.3 million for the year ended 31 March 2018, representing an increase of approximately 61.0%, as compared with a loss of approximately HK$41.8 million (restated) for the year ended 31 March 2017. The increase in the loss of the Group for the year ended 31 March 2018 was mainly attributable to, among other things, the combined effect of (i) an increase in gross profit as compared to the last corresponding year mainly due to increase in revenues from two core activities are relatively better than that of the last year; (ii) the increase in foreign exchange loss as compared with the foreign exchange gain for the year ended 31 March 2017; and (iii) a change in fair value of investment properties recognised for the year ended 31 March 2018. Loss per share for the year ended 31 March 2018 amounted to approximately 5.15 HK cents, compared with loss per share of approximately 2.63 HK cents (restated) for the year ended 31 March 2017.

Net cash generated from operating activities of the Group for the year ended 31 March 2018 was approximately HK$89.6 million, representing an increase of approximately 37.8%, as compared with approximately HK$65.0 million (restated) for the year ended 31 March 2017. Bank balances and cash of the Group as at 31 March 2018 amounted to approximately HK$696.6 million, representing an increase of approximately 129.4%, as compared with approximately HK$303.7 million as at 31 March 2017. Net assets attributable to the shareholders of the Company (the "Shareholders") as at 31 March 2018 amounted to approximately HK$2,082.4 million, representing an increase of approximately 13.5%, as compared with approximately HK$1,835.4 million (restated) as at 31 March 2017.

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.

Regarding the Group's core businesses of hotel operations and leasing of properties in the Philippines, we plan to continue to refine our services and facilities as well as deploy business diversify strategy. Considering the booming development of the hospitality and gaming industries, we tap into the poker game business by signing the cooperation agreement with the world's largest poker group, The Stars Group, and obtaining the exclusive rights to operate Poker Stars land-based live events and poker rooms in certain Asian countries in May 2018. Moreover, the Group is confident in the prospects of the football business in England and across the rest of Europe, and plans to acquire Wigan Athletic Holdings Limited, which operates Wigan Athletic Football Club based in Wigan, Greater Manchester, England and three properties, such as disused restaurant adjacent to the DW Stadium, sports academy facility and sports training ground. The directors of the Company (the "Directors") believe that the acquisition represents a good opportunity to diversify the income stream of the Group and broaden its revenue base for better return to the Shareholders.

CHAIRMAN'S STATEMENT

Looking forward, we strive to explore more opportunities of high potential to create synergies among businesses and support the long-term growth of the Group.

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, 22 June 2018

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's revenue for the year ended 31 March 2018 was approximately HK$296.4 million, representing an increase of approximately 2.0%, as compared with approximately HK$290.7 million in the last year. Both the revenue from the leasing of properties and the hotel operations for the year increased 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$225.2 million for the year under review, representing an increase of approximately 3.9%, as compared with approximately HK$216.7 million (restated) in the last year. Gross profit margin for the year ended 31 March 2018 was approximately 76.0%, representing an increase of approximately 1.5%, as compared to gross profit margin of approximately 74.5% (restated) for the year ended 31 March 2017.

Other income of the Group for the year ended 31 March 2018 was approximately HK$12.5 million, representing an increase of approximately 2.5%, as compared with approximately HK$12.2 million in the last year.

The Group recorded a slight loss of approximately HK$0.001 million on change in fair value of financial assets at fair value through profit or loss for the year ended 31 March 2018, while a slight gain on change in fair value of financial assets at fair value through profit or loss of approximately HK$0.2 million was recognised for the last year.

Other losses/gains of the Group mainly represented the net foreign exchange gain or loss. The Group recorded a net foreign exchange loss of approximately HK$1.4 million for the year ended 31 March 2018, while a net foreign exchange gain of approximately HK$29.9 million was recorded in the last year.

Selling and marketing expenses and general and administrative expenses of the Group increased by approximately 9.8% to approximately HK$153.6 million for the year ended 31 March 2018 from approximately HK$139.9 million (restated) in the last year. Included in these expenses for the year ended 31 March 2018, approximately 41.5% and 14.1% were the staff costs and the utilities expenses respectively. The staff costs for the year ended 31 March 2018 was approximately HK$63.7 million, representing an increase of approximately 5.8%, as compared with approximately HK$60.2 million in the last year. The utilities expenses for the year ended 31 March 2018 was approximately HK$21.6 million, representing an increase of approximately 22.0%, as compared with approximately HK$17.7 million in the last year.

Finance costs of the Group for the year ended 31 March 2018 was approximately HK$16.7 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, representing an increase of approximately 103.7% as compared with approximately HK$8.2 million in the last year.

Income tax expenses of the Group decreased by approximately 89.9% to approximately HK$3.3 million for the year ended 31 March 2018 from approximately HK$32.6 million (restated) in the last year. The decrease in income tax charge for the year was mainly due to a taxation charged by the Bureau of Internal Revenue (the "BIR") in the Philippines relating to the dividend distribution was made in July 2016.

The loss of the Group increased by approximately 61.0% to approximately HK$67.3 million for the year ended 31 March 2018 from approximately HK$41.8 million (restated) for the year ended 31 March 2017.

Loss per share for the year ended 31 March 2018 amounted to approximately 5.15 HK cents, as compared with loss per share of approximately 2.63 HK cents (restated) for the year ended 31 March 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The principal activities of the Group are hotel operations, and leasing of properties equipped with entertainment equipment.

1. Leasing of properties

The revenue derived from the leasing of properties represents the rental income from the premises of the Group leased to Philippine Amusement and Gaming Corporation ("PAGCOR"). The monthly rental income is based on an agreed percentage of net gaming revenue generated from the local gaming area 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 2018 was approximately HK$188.0 million, representing an increase of approximately 2.3%, as compared with approximately HK$183.8 million in the last year. The increase was mainly due to increase in the net gaming revenue from the local gaming area operated by PAGCOR as lessee of the Group's premises during the year. It contributed approximately 63.4% of the Group's total revenue during the year under review while it contributed approximately 63.2% 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 2018 was approximately HK$108.3 million, representing an increase of approximately 1.3%, as compared with approximately HK$106.9 million in the last year. The increase was mainly due to the increase in the room revenue during the year.

During the year under review, included in the revenue derived from the hotel operations, approximately 63.3% of the revenue was contributed by room revenue while it was approximately 62.3% in the last year. The room revenue for the year ended 31 March 2018 was approximately HK$68.5 million, representing an increase of approximately 2.9%, as compared with approximately HK$66.6 million in the last year. The increase was mainly due to increase in the average daily rate and the occupancy 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 riding on business environment to strive for exploring potential business opportunities. The Company plans to renovate its properties as well as facilities for travelers by creating a more seamless travel experience to establish their loyalty as well as expand the customer base.

The Group will also actively diversify its business portfolio whilst making efforts to expand its current business. Considering the poker games are thriving in Asia, the Group signed the cooperation agreement with the world's largest poker group, The Stars Group, in May 2018 and obtained the exclusive rights to operate Poker Stars land-based live events and poker rooms in certain Asian countries such as Vietnam, South Korea, Singapore, Macau, Malaysia, Myanmar, Japan and Cambodia.

Besides, the Group plans to acquire Wigan Athletic Holdings Limited, which operates Wigan Athletic Football Club based in Wigan, Greater Manchester, England and a sport stadium namely DW Stadium, with conference and other facilities. The Group will also acquire three properties, such as disused restaurant adjacent to the DW Stadium, sports academy facility and sports training ground. The Group will firstly invest and develop the football performance operation at academy and first team level, and will look to develop further the football performance model around elite performance and academy development to support the 1st team club operation. On the football business side, the Group will implement a business plan around increasing match day and non-match day revenues through development of sponsorship, hospitality, retail, ticketing and fan engagement strategies to increase overall turnover.

The Group believes that the deployment of expanding the above entertainment and sports related businesses will broaden its source of income and create synergies among the Group's businesses.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2018, the Group's net current assets amounted to approximately HK$701.8 million (as at 31 March 2017: HK$301.3 million). Current assets amounted to approximately HK$742.6 million (as at 31 March 2017: HK$343.6 million), of which approximately HK$696.6 million (as at 31 March 2017: HK$303.7 million) was bank balances and cash, approximately HK$22.4 million (as at 31 March 2017: HK$21.9 million) was trade receivables, approximately HK$21.7 million (as at 31 March 2017: HK$15.7 million) was other receivables, deposits and prepayments, and approximately HK$1.9 million (as at 31 March 2017: HK$2.2 million) was inventories.

As at 31 March 2018, the Group had current liabilities amounted to approximately HK$40.7 million (as at 31 March 2017: HK$42.3 million), of which approximately HK$5.3 million (as at 31 March 2017: HK$6.5 million (restated)) was trade payables, approximately HK$35.4 million (as at 31 March 2017: HK$35.8 million (restated)) was other payables and accrued charges.

The bank balances and cash of the Group as at 31 March 2018 was mainly denominated in Philippine Peso ("Peso"), HK$ and United States Dollars ("USD").

MANAGEMENT DISCUSSION AND ANALYSIS

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

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 International Limited ("Maxprofit") at a consideration of HK$1,138.0 million, of which HK$788.0 million was settled by cash and HK$350.0 million was settled by way of the issuance of a promissory note (the "Promissory Note") in the principal amount of HK$350.0 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 2018, the carrying value of the Promissory Note was approximately HK$339.1 million (as at 31 March 2017: HK$336.4 million).

Net cash generated from operating activities of the Group for the year under review was approximately HK$89.6 million, representing an increase of approximately 37.8%, as compared with approximately HK$65.0 million (restated) for the year ended 31 March 2017. Net assets attributable to the Shareholders as at 31 March 2018 amounted to approximately HK$2,082.4 million, representing an increase of approximately 13.5%, as compared with approximately HK$1,835.4 million (restated) as at 31 March 2017.

On 27 July 2017, the Company entered into a placing agreement with a placing agent (the "Placing Agreement"). The completion of the placing took place on 10 August 2017. Pursuant to the terms and conditions of the Placing Agreement, an aggregate of 190,000,000 placing shares were successfully placed by the placing agent at the placing price of HK$1.90 per placing share. The net proceeds from the placing, after deducting the placing commission and other related expenses payable by the Company, were approximately HK$358.50 million. The net proceeds from the placing were intended to be used as to (i) approximately HK$150.0 million for the renovation of a hotel of the Group in Manila City (the "Hotel"); (ii) approximately HK$100.0 million for the development of the parcels of land adjacent to the Hotel (the "New Hotel Land"), including but not limited to the construction of a carpark and amenities of the Hotel, and the provision of a facility to an independent third party for the acquisition of the New Hotel Land; (iii) approximately HK$70.0 million for the potential acquisition of, including but not limited to, lands in the Philippines for the construction of hotel(s) and/or casino(s); and (iv) the remaining proceeds for the general working capital of the Group. The Company used approximately 2.0% of the net proceeds during the year and the remaining balance will be used for the abovementioned purposes in the coming future.

The gearing ratio, measured in terms of the carrying values of total borrowings divided by total assets, was approximately 12.9% (as at 31 March 2017: 14.1% (restated)).

The Group financed its operations including but not limited to internally generated cash flows and the issuance of the Promissory Note.

MANAGEMENT DISCUSSION AND ANALYSIS

EVENTS AFTER THE END OF REPORTING PERIOD

(a) On 21 May 2018, the Company and Hamsard 3467 Limited ("Hamsard 3467"), an investment holding company incorporated in England and Wales, entered into the Share Purchase Agreement pursuant to which Hamsard 3467 has conditionally agreed to acquire the entire issued share capital (including both ordinary shares and preference shares) of Wigan Athletic Holdings Limited, a private company limited by shares incorporated in England and Wales and the shareholding of the Trustees of the Whelan Family Bare Trust in Wigan Athletic A.F.C. Limited, a company incorporated in England and Wales.

On the same date, the Company and Hamsard 3467 also entered into the Property Agreement A, the Property Agreement B and the Property Agreement C with the Property Seller A, the Property Seller B and the Property Seller C respectively for the acquisition of the Property A, the Property B and the Property C.

The capital commitment for this acquisition is the aggregate of:

(i) £15,900,000 (equivalent to approximately HK$169,494,000); and

(ii) the Working Capital Loans (in any event not exceeding £6,475,000 on the basis that the Long Stop Date was extended to 31 January 2019) (equivalent to approximately HK$69,023,500),

which shall be settled by cash. Further details are set out in the announcement dated 21 May 2018.

(b) On 15 June 2018, VMS Private Investment Partners VIII Limited ("VMS VIII"), a direct wholly-owned subsidiary of the Company, as limited partner, entered into the Subscription Agreement and the Limited Partnership Agreement with the General Partner, pursuant to which VMS VIII agreed to subscribe for the Interest in the Fund and commit a capital contribution of EUR26.20 million (approximately HK$242.35 million) to the Fund. Further details are set out in the announcement dated 15 June 2018.

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 the BIR.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 2018

Geographical Region	**Sewage discharged (cubic metre)**	**Solid waste disposed**	
		Recycled items (kilogram)	**Non-recycled items (kilogram)**
The Philippines	**209,031**	**25,649**	**34,199**

Note: Recycled items consist mainly of paper and plastic.

For the year ended 31 March 2017

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

Note: Recycled items consist mainly of paper and cans.

MANAGEMENT DISCUSSION AND ANALYSIS

ENVIRONMENTAL POLICY AND PERFORMANCE *(Continued)*

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.

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 2018

Geographical Region	**Electricity consumption (kilowatt hour)**	**Diesel consumption (litre)**	**Liquefied petroleum gas consumption (kilogram)**	**Water consumption (cubic metre)**
The Philippines	**10,571,763**	**14,624**	**204,488**	**141,292**

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

MANAGEMENT DISCUSSION AND ANALYSIS

ENVIRONMENTAL POLICY AND PERFORMANCE *(Continued)*

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)*	
	2018	2017
The Philippines	**6,799,393**	13,768,503

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.

Other data	Greenhouse gas emissions (kg CO_2e)	
	2018	2017
Direct emissions (Scope 1) *(Note i)*	**660,059**	4,668,985
Energy indirect emissions (Scope 2) *(Note ii)*	**6,139,334**	9,099,518
Total	**6,799,393**	13,768,503
Total greenhouse gas emissions per employee located in the Philippines	**23,691**	47,642

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

Save as otherwise mentioned in this annual report, during the year ended 31 March 2018, 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 2018 and 31 March 2017 respectively, there were no charges over any of the Group's assets.

MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

There was no acquisition or disposal of subsidiary and associated company or significant investments of the Group, which would have been required to be disclosed under the 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 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group was 311 as at 31 March 2018 (as at 31 March 2017: 298). The staff costs for the year ended 31 March 2018 was approximately HK$63.7 million (for the year ended 31 March 2017: HK$60.2 million). The remuneration policy of the Company is recommended by the remuneration committee of the Company. 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

Biographical information of the Directors the senior management of the Group as at the date of this annual report is set out as follows:

EXECUTIVE DIRECTORS

Dr. Choi Chiu Fai Stanley, aged 49, 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 was also an independent director of Guanghe Landscape Culture Communication Co., Ltd, Shanxi (山西廣和山水文化傳播股份有限公司) (stock code: 600234) from July 2016 to September 2016, the shares of which are listed on the Shanghai Stock Exchange. 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 of the Company (the "Shares") under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), representing approximately 55.82% of the issued share capital of the Company.

Mr. Lam Yat Ming, aged 58, 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. Mr. Lam will resign as (i) an executive Director; (ii) a director of various subsidiaries of the Company; and (iii) a member of the executive committee of the Company with effect from 6 July 2018.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS *(Continued)*

Mr. Zhang Yan Min, aged 62, joined the Company as an executive Director in May 2017. He is also a director of various subsidiaries of the Company. Mr. Zhang 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. from 1995 to 2000 for its subsidiary plants in Guangzhou, China. Mr. Zhang will be appointed as (i) the chief executive officer of the Company (the "Chief Executive Officer"); and (ii) a member of each of the executive committee and the nomination committee of the Company with effect from 6 July 2018.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ren Yunan, aged 42, 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. 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. Mr. Ren served as an independent non-executive director, the vice chairman and a non-executive director of China Child Care Corporation Limited (a company listed on the main board of the Stock Exchange, stock code: 1259) from February 2011 to October 2015, from October 2015 to January 2017 and from October 2015 to April 2018 respectively. Mr. Ren also served as a non-executive director and the chairman of AVIC Joy Holdings (HK) Limited (a company listed on the main board of the Stock Exchange, stock code: 260) from 6 November 2017 to 30 November 2017. Mr. Ren currently holds several directorships in different listed companies, including 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 previously held directorship as an independent director of SPI Energy Co., Ltd. (a company listed on the NASDAQ, stock code: SPI) (resigned on 16 May 2017). Mr. Ren will resign as (i) an independent non-executive Director; (ii) the chairman of the remuneration committee, and a member of each of the audit committee and the nomination committee of the Company with effect from 6 July 2018.

Ms. Lu Gloria Yi, aged 48, 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 49, 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 chief executive officer of E-autofinance (Shanghai) Limited. He also served as 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 from January 2014 to May 2018. 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. Sun will be appointed as the chairman of the remuneration committee of the Company with effect from 6 July 2018.

Mr. Ha Kee Choy Eugene, aged 61, 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. He holds a Master's Degree in Business Administration and is a fellow member of the Association of Chartered Certified Accountants. He has over 20 years of experience in the finance and banking industry and acts or/and acted as director of a number of private and listed companies in Hong Kong. Mr. Ha is the 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). The shares of these companies are listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. Chan Chun Yiu Thomas, aged 54, joined the Group in July 2017 and is the Group General Counsel of the Company. He is also a director of various subsidiaries of the Company. Mr. Chan is responsible for the legal affairs of the Group. He obtained a Bachelor of Laws degree in 1987, and the Postgraduate Certificate in Laws in 1988, both at the University of Hong Kong. He was admitted as a solicitor in Hong Kong in 1990, and as a solicitor in the United Kingdom in 1991. Following his admission in Hong Kong, he spent almost 15 years in private practice in Hong Kong with various local and international law firms in Hong Kong, specialising in banking, commercial and property areas. He then left private practice and joined the Société Générale Group in Hong Kong in March 2005, and left in August 2011 as Legal Counsel at Director level, acting as the Head of Structured Products/Funds Team, at its Legal Department, specialising in listed and unlisted structured products, retail funds, exchange traded funds and general banking advisory work. Subsequently, he joined CLSA Hong Kong Holdings Limited and served as the CLSA Group's Senior Legal Adviser from August 2011 to April 2015. Prior to joining the Company, he was a Consultant at LOD Consulting (Hong Kong) Limited. Mr. Chan will be appointed as an executive Director with effect from 6 July 2018.

Mr. Ng Kai Ming, aged 37, joined the Group in July 2017 and is the Chief Financial Officer of the Company. He is responsible for the accounting and financial management of the Group. Mr. Ng holds a master's degree in Business Administration. He is an associate member of the Hong Kong Institute of Certified Public Accountants, a certified practising accountant of CPA Australia, a chartered management accountant and a chartered global management accountant of the Chartered Institute of Management Accountants. He has over 18 years of experience in auditing, accounting and financial management in an international accounting firm and private companies in Hong Kong. He is also a director of various subsidiaries of the Company.

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 2018.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 28 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2018 are set out in the consolidated statement of comprehensive income on page 59 of this annual report.

The Board does not recommend the payment of any dividend for the year ended 31 March 2018 (for the year ended 31 March 2017: nil).

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2018 is set out in the section headed "Management Discussion and Analysis" on pages 5 to 14 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 63% 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 123 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 14 and 15 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 124 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 22 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 2018, 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$343,330,000.

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 61 of this annual report and note 30 to the consolidated financial statements respectively.

DONATIONS

During the year, the Group made donations amounting to approximately HK$15,400.

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)

REPORT OF THE DIRECTORS

DIRECTORS *(Continued)*

In accordance with article 84 of the Articles and the Corporate Governance Code set out in Appendix 14 to the Listing Rules, Dr. Choi Chiu Fai Stanley and Mr. Zhang Yan Min being executive Directors, shall retire from office by rotation at the forthcoming annual general meeting of the Company (the "AGM") to be held on Wednesday, 5 September 2018. All retiring Directors, being eligible, offer themselves for re-election at the AGM.

In accordance with article 83(3) of the Articles, Mr. Chan Chun Yiu Thomas, who will be appointed as a new Director with effect from 6 July 2018, shall hold office until the forthcoming AGM and shall then be eligible for re-election.

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 15 to 17 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 2018, 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.

Long positions in the Shares

	Number of Shares			
Name of Director	Personal interest	Corporate interest	Total	Approximate percentage of the number of issued Shares
Dr. Choi Chiu Fai Stanley ("Dr. Choi")	–	764,223,268 *(Note)*	764,223,268	55.82%

Note: These Shares were held by Brighten Path Limited ("Brighten Path"), a company wholly-owned by Head and Shoulders Direct Investment Limited ("Head and Shoulders") which in turn is wholly-owned by Dr. Choi, an executive Director.

REPORT OF THE DIRECTORS

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

Save as disclosed below, as at 31 March 2018, 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.

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	Beneficial owner	764,223,268	55.82%	
Head and Shoulders	Interest of a controlled corporation	764,223,268	55.82%	*Note 1*
Ideal Trader Limited ("Ideal Trader")	Person having a security interest in Shares	764,223,268	55.82%	*Note 2*
Huarong Investment Stock Corporation Limited ("Huarong Investment")	Person having a security interest in Shares	764,223,268	55.82%	*Note 3*
Right Select International Limited ("Right Select")	Person having a security interest in Shares	764,223,268	55.82%	*Note 4*
China Huarong International Holdings Limited ("China Huarong International")	Person having a security interest in Shares	764,223,268	55.82%	*Note 5*
China Huarong Asset Management Co., Ltd. ("China Huarong Asset")	Person having a security interest in Shares	764,223,268	55.82%	*Note 6*
Mediastar International Limited ("Mediastar")	Beneficial owner	118,000,000	8.62%	
Sky Warrior Investments Limited ("Sky Warrior")	Interest of a controlled corporation	118,000,000	8.62%	*Note 7*

REPORT OF THE DIRECTORS

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

Long positions in the Shares *(Continued)*

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares	Approximate percentage of the number of issued Shares	*Note*
Chow Tai Fook (Holding) Limited ("CTFHL")	Interest of a controlled corporation	118,000,000	8.62%	*Note 8*
Chow Tai Fook Capital Limited ("CTFC")	Interest of a controlled corporation	118,000,000	8.62%	*Note 9*
Cheng Yu Tung Family (Holdings II) Limited ("CYTFH-II")	Interest of a controlled corporation	118,000,000	8.62%	*Note 10*
Cheng Yu Tung Family (Holdings) Limited ("CYTFH")	Interest of a controlled corporation	118,000,000	8.62%	*Note 11*

Notes:

(1) Brighten Path is wholly-owned by Head and Shoulders which in turn is wholly-owned by Dr. Choi. Accordingly, each of Head and Shoulders and Dr. Choi was deemed to be interested in 764,223,268 Shares held by Brighten Path under the SFO.

(2) Ideal Trader has a security interest in 764,223,268 Shares. Accordingly, Ideal Trader was deemed to be interested in the 764,223,268 Shares representing approximately 55.82% of the total number of issued Shares under the SFO.

(3) Huarong Investment holds 100% indirect interest in Ideal Trader. Accordingly, under the SFO, Huarong Investment was deemed to be interested in 764,223,268 Shares in which Ideal Trader has a security interest.

(4) Right Select holds approximately 50.99% direct interest in Huarong Investment. Accordingly, under the SFO, Right Select was deemed to be interested in 764,223,268 Shares in which Ideal Trader has a security interest.

(5) Right Select is wholly-owned by China Huarong International. Accordingly, under the SFO, China Huarong International was deemed to be interested in 764,223,268 Shares in which Ideal Trader has a security interest.

(6) China Huarong Asset holds 100% indirect interest in China Huarong International. Accordingly, under the SFO, China Huarong Asset was deemed to be interested in 764,223,268 Shares in which Ideal Trader has a security interest.

(7) Mediastar was wholly-owned by Sky Warrior. Accordingly, under the SFO, Sky Warrior was deemed to be interested in 118,000,000 Shares held by Mediastar.

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

Long positions in the Shares *(Continued)*

Notes: (Continued)

(8) Sky Warrior was wholly-owned by CTFHL. Accordingly, under the SFO, CTFHL was deemed to be interested in 118,000,000 Shares held by Mediastar.

(9) CTFC held 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.

(10) CYTFH-II held 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.

(11) CYTFH held 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.

SHARE OPTION SCHEME

The share option scheme of the Company (the "Share Option Scheme") was conditionally adopted by the Shareholders on 1 November 2017 and became unconditional on 2 November 2017. A summary of the principal terms of the Share Option Scheme are as follows:

Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide incentives and/or rewards to eligible participants for their contributions to, and continuing efforts to promote the interests of, the Company.

Participants of the Share Option Scheme

The eligible participant(s) of the Share Option Scheme is/are full time or part time employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Group); and any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensee) or distributors, landlords or tenants (including any sub-tenants) of the Group or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group.

Maximum number of Shares available for issue

The maximum number of Shares which may be issued upon exercise of all options which may be granted under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the Shares in issue as at the date of the approval of the Share Option Scheme.

Maximum entitlement of each eligible participant

The total number of Shares issued and to be issued upon exercise of the options granted to each eligible participant or grantee (including exercised and outstanding options) in any twelve (12)-month period up to the date of grant shall not exceed 1% of the Shares in issue.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME *(Continued)*

Time of exercise of options

Subject to the terms of the Share Option Scheme, an option may be exercised in whole or in part at any time during the period to be determined and notified by the Directors to the grantee thereof at the time of making an offer provided that such period shall not exceed the period of ten (10) years from the date of the grant of the particular option but subject to the provisions for early termination but subject to the early termination of the Share Option Scheme.

There is no specified minimum period under the Share Option Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms of the Share Option Scheme.

Acceptance of options

An offer of the grant of an option shall be made to eligible participants in writing (and unless so made shall be invalid) in such form as the Board may from time to time determine and shall remain open for acceptance by the eligible participant concerned for a period of twenty-one (21) days inclusive of, from the date upon which it is made provided that no such offer shall be open for acceptance after the earlier of the date falling 10 years after the adoption date or the termination of the Share Option Scheme.

A non-refundable nominal consideration of HK$1.00 is payable by the grantee upon acceptance of an option. An option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the option duly signed by the eligible participant together with the said consideration of HK$1.00 is received by the Company.

Exercise price

The subscription price for Shares under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the Shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the offer date, which must be a business day; (ii) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five (5) business days immediately preceding the offer date; and (iii) the nominal value of the Share on the offer date.

Duration of the Share Option Scheme

The Share Option Scheme shall continue in force for the period commencing from the adoption date and expiring at the close of business on the date which falls ten (10) years after the adoption date, after such period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in respect of any options granted before its expiry or termination but not yet exercised.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME *(Continued)*

Duration of the Share Option Scheme *(Continued)*

Movements relating to the share options granted during the year ended 31 March 2018 were as follows:

		Number of share options							
Date of grant	Capacity	At 1 April 2017	Granted	Exercised	Lapsed	Cancelled	At 31 March 2018	Validity period	Exercise price HK$
4 December 2017	Business partners	–	13,691,572	–	–	–	13,691,572	4 December 2017 to 3 December 2027	1.94
		–	13,691,572	–	–	–	13,691,572	4 December 2017 to 3 December 2027	1.94
		–	13,691,572	–	–	–	13,691,572	4 December 2017 to 3 December 2027	1.94
		–	13,691,572	–	–	–	13,691,572	4 December 2017 to 3 December 2027	1.94
		–	54,766,288	–	–	–	54,766,288		

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.

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 26 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.

REPORT OF THE DIRECTORS

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year, no Directors or their respective associates (as defined in the Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Company.

CONNECTED TRANSACTIONS

The Group had the following connected transactions during the year ended 31 March 2018:

Hotel Management Agreement and Sales and Marketing Agreement (as respectively supplemented by the Hotel Management Supplemental Agreement and the Sales and Marketing Supplemental Agreement)

On 24 June 2014, New Coast Hotel, Inc. ("NCHI"), an indirect 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).

On 29 June 2017, NCHI entered into (i) the hotel management supplemental agreement (the "Hotel Management Supplemental Agreement") with NWHM (Philippines) pursuant to which NCHI and NWHM (Philippines) agreed to, among other things, extend the operating term under the Hotel Management Agreement for a period of three years from 1 January 2018 to 31 December 2020 (both dates inclusive); and (ii) the sales and marketing supplemental agreement (the "Sales and Marketing Supplemental Agreement") with NWHML pursuant to which NCHI and NWHML agreed to, among other things, extend the operating term under the Sales and Marketing Agreement for a period of three years from 1 January 2018 to 31 December 2020 (both dates inclusive) and amend the sales and marketing service (base) fee.

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

The annual caps for the transactions contemplated under the Hotel Management Agreement and the Sales and Marketing Agreement (as respectively supplemented by the Hotel Management Supplemental Agreement and the Sales and Marketing Supplemental Agreement) for the period from 1 January 2018 to 31 March 2018, the financial years ending 31 March 2019 and 2020, and for the period from 1 April 2020 to 31 December 2020 are HK$2,000,000, HK$7,500,000, HK$8,000,000 and HK$6,500,000 respectively.

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 (as respectively supplemented by the Hotel Management Supplemental Agreement and the Sales and Marketing Supplemental Agreement) for the period from 1 April 2017 to 31 March 2018 was approximately HK$3,979,000, which did not exceed the annual cap of HK$11,400,000. Details of the Hotel Management Agreement and the Sales and Marketing Agreement (as respectively supplemented by the Hotel Management Supplemental Agreement and the Sales and Marketing Supplemental Agreement) have been set out in the announcements of the Company dated 24 June 2014 and 29 June 2017.

CONNECTED TRANSACTIONS *(Continued)*

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 (as respectively supplemented by the Hotel Management Supplemental Agreement and the Sales and Marketing Supplemental 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.

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 2018 are disclosed in note 26 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 2018.

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

During the year ended 31 March 2018, 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.

REPORT OF THE DIRECTORS

AUDITOR

Deloitte Touche Tohmatsu, Certified Public Accountants, retired and did not seek for re-appointment as the auditor of the Company with effect from the conclusion of the AGM held on 27 September 2017. Ernst & Young ("EY"), Certified Public Accountants, was appointed as the new auditor of the Company following the retirement of Deloitte Touche Tohmatsu, Certified Public Accountants. EY has resigned as the auditor of the Company with effect from 12 April 2018 as the Company and EY could not reach a consensus on the overseas audit arrangements in respect of the Group following the proposed acquisition in the United Kingdom. With the recommendation of the audit committee of the Company, BDO Limited, Certified Public Accountants, has been appointed as the new auditor of the Company with effect from 12 April 2018 to fill the casual vacancy following the resignation of EY and to hold office until the conclusion of the next AGM. A resolution will be proposed at the forthcoming AGM to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board

Dr. Choi Chiu Fai Stanley
Chairman

Hong Kong, 22 June 2018

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 2018, 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. Sun Jiong, an independent non-executive Director, was unable to attend the AGM held on 27 September 2017 as he had another business engagement at the time of such meeting.

Ms. Lu Gloria Yi, an independent non-executive Director, was unable to attend the extraordinary general meeting of the Company (the "EGM") held on 1 November 2017 as she 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 2018.

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. As at the date of this annual report, 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. Mr. Zhang Yan Min will be appointed as the Chief Executive Officer with effect from 6 July 2018. The roles and division of responsibilities between the Chairman and the Chief Executive Officer will be clearly established. 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 15 to 17 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 ten meetings during the year ended 31 March 2018. 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 ten Board meetings, the AGM held on 27 September 2017 and the EGM held on 1 November 2017 are set out below:

	Attendance		
	Board Meetings	AGM	EGM
Executive Directors			
Dr. Cheng Kar Shun *(Note 1)*	0/1	0/0	0/0
Mr. Lo Lin Shing, Simon *(Note 2)*	0/1	0/0	0/0
Mr. To Hin Tsun, Gerald *(Note 3)*	0/1	0/0	0/0
Mr. Cheng Kam Chiu, Stewart *(Note 3)*	0/1	0/0	0/0
Mr. Cheng Kam Biu, Wilson *(Note 3)*	0/1	0/0	0/0
Dr. Cheng Chi Kong *(Note 3)*	0/1	0/0	0/0
Mr. Cheng Chi Him *(Note 3)*	0/1	0/0	0/0
Dr. Choi Chiu Fai Stanley *(Chairman)* *(Note 5)*	10/10	1/1	1/1
Mr. Lam Yat Ming *(Note 6)*	10/10	1/1	1/1
Mr. Zhang Yan Min *(Note 6)*	8/10	0/1	0/1
Independent non-executive Directors			
Mr. Cheung Hon Kit *(Note 4)*	0/1	0/0	0/0
Mr. Kwee Chong Kok, Michael *(Note 4)*	0/1	0/0	0/0
Mr. Lau Wai Piu *(Note 4)*	0/1	0/0	0/0
Mr. Tsui Hing Chuen, William *(Note 4)*	0/1	0/0	0/0
Mr. Ren Yunan *(Note 7)*	10/10	1/1	1/1
Ms. Lu Gloria Yi *(Note 7)*	10/10	1/1	0/1
Mr. Sun Jiong *(Note 7)*	6/10	0/1	1/1
Mr. Ha Kee Choy Eugene *(Note 7)*	10/10	1/1	1/1

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.

CORPORATE GOVERNANCE REPORT

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 27 September 2017 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 2018 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 2018. A summary of the training received by each of the Directors during the year ended 31 March 2018 is as follows:

	Type of continuous professional development	
	Training on corporate governance, regulatory development or other relevant topics	Reading material relevant to the directors' duties and responsibilities
Executive Directors		
Dr. Choi Chiu Fai Stanley	–	✓
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

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.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The remuneration committee of the Company (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 2018, the Remuneration Committee held two meetings 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)*	0/1
Mr. Cheung Hon Kit *(Note 2)*	0/1
Mr. Kwee Chong Kok, Michael *(Note 2)*	0/1
Mr. Tsui Hing Chuen, William *(Note 2)*	0/1
Mr. Ren Yunan *(Chairman)* *(Note 3)*	2/2
Ms. Lu Gloria Yi *(Note 4)*	2/2
Mr. Ha Kee Choy Eugene *(Note 4)*	2/2

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 2018, 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)*	0/1
Mr. Cheng Kam Biu, Wilson *(Note 2)*	0/1
Mr. Cheung Hon Kit *(Note 2)*	0/1
Mr. Kwee Chong Kok, Michael *(Note 2)*	0/1
Mr. Lau Wai Piu *(Note 2)*	0/1
Mr. To Hin Tsun, Gerald *(Note 2)*	0/1
Ms. Lu Gloria Yi *(Chairman)* *(Note 3)*	2/2
Mr. Ren Yunan *(Note 4)*	2/2
Mr. Ha Kee Choy Eugene *(Note 4)*	2/2

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 two 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 2017 and the annual report of the Company for the year ended 31 March 2018.

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)*	0/0
Mr. Lau Wai Piu *(Note 2)*	0/0
Mr. Tsui Hing Chuen, William *(Note 2)*	0/0
Mr. Ha Kee Choy Eugene *(Chairman)* *(Note 3)*	2/2
Mr. Ren Yunan *(Note 4)*	2/2
Ms. Lu Gloria Yi *(Note 4)*	2/2
Mr. Sun Jiong *(Note 4)*	2/2

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 2018, the remuneration in relation to audit services paid or payable to the auditor of the Company was approximately HK$1,500,000 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$1,182,000.

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.

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 2018. 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 55 to 58 of this annual report.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Mr. Wong Chun Kit ("Mr. Wong"), is engaged and appointed by the Company from an external secretarial services provider as its Company Secretary. The primary corporate contact person of the Company is Dr. Choi Chiu Fai Stanley, an executive Director. Mr. Wong confirmed that he has received 15 hours professional trainings under the requirement of Rule 3.29 of the Listing Rules during the year under review.

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

There have been no changes in the Company's constitutional documents during the year ended 31 March 2018. 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

REPORTING SCOPE AND STANDARD

Being a responsible enterprise, we are not only concerned with its financial growth but also its non-financial performance. We adhere to making a positive contribution to the sustainability development of the environment and society by integrating the socially responsible practices in its daily operation as well as the communities. We believe that sustainability is one of the key elements to reinforce the foundation of the Group for long-term development and success.

We provide an overview of the environmental, social and governance performance of our major operations in the Group's core business operations in the Philippines including the leasing of properties and hotel operations. All the Group's revenue for the reporting period was generated from the hotel business operations in the Philippines. The report has been prepared in accordance with the Environment, Social and Governance Reporting Guide of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited (HKEx ESG Reporting Guide).

STAKEHOLDERS' ENGAGEMENT AND MATERIALITY ASSESSMENT

We have maintained adequate communication with its stakeholders through third-party independent advisers and has striven to ensure the information disclosed herein is in compliance with the four reporting principles of materiality, quantitative, balance and consistency under the ESG Reporting Guide required by the Stock Exchange. We will continue to strengthen its collection of reporting information, so as to enhance its performance of social responsibilities and relevant disclosures. The following table summarizes stakeholders' participation channels and their expectations and demands.

Stakeholders	Participation Channels	Topics concerned
Shareholders/Investors	• General meetings • Annual reports • Direct communications • Group website	• Financial results • Sustainability business development • Environmental responsibility • Company transparency
Clients	• Customer service • Daily communication	• Product quality • Protection and management on customer information • Environmental responsibility • Integrity and business behaviors
Employees	• Regular performance appraisals • Frequent meetings • Training programs	• Career development • Health and safety • Remuneration and benefits • Sustainability development
Suppliers	• Close communication • Order/contract execution	• Corporate contribution • Product quality • Environmental responsibility
Communities	• Donation and support to the community	• Social contribution

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL PROTECTION

We believe in harmony between man and nature which is same as that of the business development and environmental protection must also be coordinated. It is our pivotal responsibility to strictly comply with the environmental protection laws and regulations formulated by the local government handling environment policies, and to proactively respond to environmental protection policies issued by the government.

We strive to conserve energy and natural resources, reduce pollution, and inspire consciousness and participation in order to achieve the benefits of environmental protection. In our business operations, we incorporate principles, requirements, and objectives of environmental protection to optimise resource consumption. The adopted environmental policies with a focus on the following:

— Ensuring full compliance with applicable legislation and requirements

— Promoting environmental awareness among staff

— Adopting eco-friendly practices in daily operation

— Disposing of waste in an environmentally responsible way

— Reducing waste and where practicable, reusing and recycling materials

— Communicating the policy to the key stakeholder and encouraging it to integrate the environmental concerns into its operation process

ENERGY CONSUMPTION AND EMISSIONS

The main source of carbon emission comes from the electricity and water consumption, so we target to maintain greenhouse gas emission to the minimal level by carrying out a series of green initiatives. In relation to the daily management and treatment of emission, we have taken several steps to reduce our energy consumption and carbon footprint.

From the office, during the year under review we started appending an automatic footnote to all outgoing emails requesting recipients to consider the environment before printing, issued reminder to employees on observance of the Group’s green office measures.

For the purpose of matching up our concern over environmental protection, the AG New World Manila Bay Hotel, the “Hotel”, being the main operation vehicle, as takes proactive steps toward this end and the outcome was a significant reduction of energy consumption. Under the year of review, we have:

— installed VFD to regulate the speed of large capacity motors

— replaced incandescent lighting with the ESL Lamp and LED light in the hotel areas and guestrooms

— adopted thermal controls in hotel areas

— reduced the overall number of light tubes

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENERGY CONSUMPTION AND EMISSIONS *(Continued)*

In water consumption, we made efforts to reduce the water wasted such as repairing water pipes to address water leaks for the hotel. The water results are all acceptable in safety standard due to yearly cleaning of water tanks and quarterly replacement of water filters.

We conducted yearly genset emission test to ensure genset is compliant with environmental standards. We have complied with the submission requirement of the quarterly Self-Monitoring Report (SMR) to the Department of Environment and Natural Resources (DENR) under the Environmental Management Bureau in the Philippines. In the SMR, all the activities of the operation which has impact to the environment are stated and where compliance with existing environmental laws are monitored.

WASTE MANAGEMENT

We have implemented a variety of measures regarding waste management and reduction in order to create more sustainable operations. Through these mitigation efforts, we hope to inspire consciousness and participation in green efforts to promote a more sustainable business and operating practice.

Management of waste in daily operations

Under the year of review, the adoption of waste management in daily operation as following:

— provided the guidelines of discharges of the wastes

— classified the waste in to Wet/Organic and Dry/Non Organic for disposal

— recycled the waste by type, with separate bins for metal, paper, and plastic

— disposed of or scrap all toxic material items properly such as computer hardware, computer UPS, batteries, printer, ink cartridges, etc. by using outside third parties separately

— discarded the food waste separately

— operated the Garbage room under the supervision of stewarding team leader to ensure proper disposal are strictly followed

— specified the time of disposal

— checked the hauling of garbage by security personnel and coordinated to stewarding team leader for proper handling

— recorded the arrival of Garbage Truck by Security Personnel every day

— wearing boots and gloves during garbage sorting and witnessed under supervision

— prioritized the Garbage from rooms for recovery of hotel items/materials

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

WASTE MANAGEMENT *(Continued)*

Management of waste in daily operations *(Continued)*

— maintained the cleaning by stewarding on daily basis and general cleaning is conducted by stewarding after reception of all garbage by the hauler

— disposal of used oil is recorded and pictures taken prior disposal by Security Personnel

— cleaned and sanitized the plastic bins for the organic waste after time of usage before putting it back to its area of origin

— applied the physical treatment system in components of screening, equalization and grit removal which to improve handling and the physical characteristic of the waste, decrease the surface area across which transfer or loss of contained pollutants can occur, and limit the solubility of, or detoxify, any hazardous constituents contained in the wastes.

Wastewater management

The approach adopted for wastewater disposal, sorting and discharging domestic wastewater are according to national standards. Wastewater was generated from production process, washing and cleaning, cooling, domestic wastewater and recycled water, will be discharged into municipal sewage pipes. We installed additional sewage treatment plant equipment in this year to recycle the plant effluent to maintain the sewage treatment plant in a working condition when incoming flow is low. We invested a waste water treatment system with the capacity of 1200 cubic meter to reduce the water pollution of Manila Bay due to the wastewater generated in our operation. By using the flow measurement for counting the waste water discharged can be detected accurately and reliably, management can be effectively response in any situation of the waste water discharged. The waste water treatment system were functional and none of any major interruptions due to such as equipment breakdown or maintenance in the operation throughout the year. We applied and submitted quarterly Self-Monitoring Report to The Philippines' Laguna Lake Development Authority (LLDA) in quarterly by comply with the Republic Act 4850. We obtained the LLDA Discharged Permit on April 5, 2017. In the meantime, we filed the renewal of LLDA Discharged Permit on June 4, 2017 for 2017/2018. The SMR report for 3rd quarter of 2017/2018 was also submitted last April 4, 2018.

Types of pollutants and relevant emission data are set out as follows:

Emissions	Tonnes
Nitrogen oxides (NO_x)	37,814
Sulphur Oxides (SO_x)	188

Greenhouse Gas Emission	Tonnes
Direct emissions (Scope 1)	660,059
Indirect emissions (Scope 2)	6,139,334
Other indirect emissions (Scope 3)	139,788

WASTE MANAGEMENT *(Continued)*

Wastewater management *(Continued)*

Resources usage and emission	
Electricity consumption (kilowatt hours)	10,571,763
Liquefied Petroleum Gas consumption (kilograms)	204,487
Diesel consumption (litres)	220,837
Water consumption (cubic metres)	209,031
Refrigerant consumption (kilograms)	681
Paper consumption (kilograms)	19,451
Resources recycled	
Paper (kilograms)	19,451
Plastic (kilograms)	3,553
Glass Bottles (kilograms)	720
Can (kilograms)	1,925
Oil (litres)	5,205
Resources non recycled	
Wet (kilograms)	6,019
Dry (kilograms)	28,180

EMPLOYMENT AND LABOUR PRACTICES

Employment

We believe employees are foundation and valuable asset of our prosperous enterprise. Our premium services and products are the results of the effort made by our employees. We committed to maintaining a high-quality and caring work environment through consistent training and development opportunities, competitive benefits package, and maintaining a healthy and safe workplace for all employees.

Working conditions

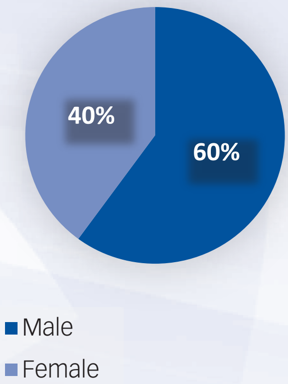
We continually take positive action to ensure equal opportunity in the conduct of employment activities: recruitment, hiring, compensation, training and promotion for all persons, regardless of race, color ancestry, national origin, religion, sex, marital status, age, sexual orientation, disability or veteran status. At the same time, forced or child labour is specifically prohibited to protect the human rights of our employees. All pay decisions, including merit increases, promotions and discretionary performance bonus are linked to individual contributions towards the Company's performance as a whole. In addition to the pay mechanism, we provide our staffs with sample benefits and remuneration. On the other hand, all of our employees are eligible to join our insurance benefits program. They are covered by the medical insurance scheme and business travel insurance, etc. This wide range of protection exhibits how we value our employees. We strictly follow the compliance with labor standards pursuant to provisions of the Labor Code of the Philippines and other applicable laws, rules and regulations and has a zero tolerance policy to unethical employment terms involving child or forced labour. We obtained the certificate of compliance on general labor standards issued by Department of labor and employment in National Capital Region since 2017. During the reporting period, we are not aware of any business branch that hire child or forced labour. As at 31 March 2018, the group has 311 employees. The numbers of employees from the Philippine and other regions are 303 and 8 respectively. During the Reporting Period, 24 employees in the Philippines resigned, representing a turnover rate of 7.7%.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

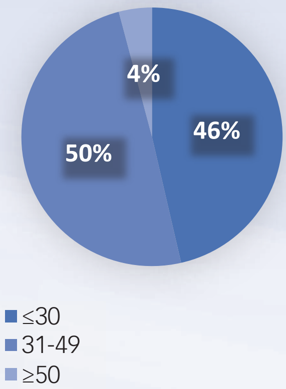
EMPLOYMENT AND LABOUR PRACTICES *(Continued)*

Human Resources Profile

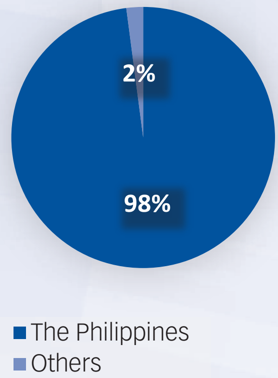
By Gender



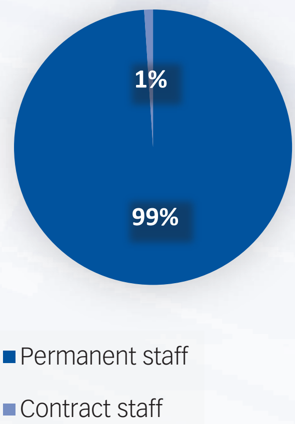
By Age



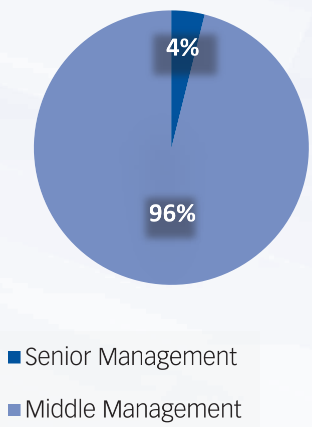
By Region



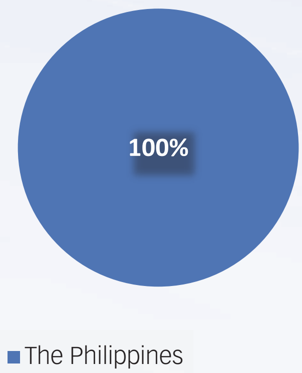
By Employment Type



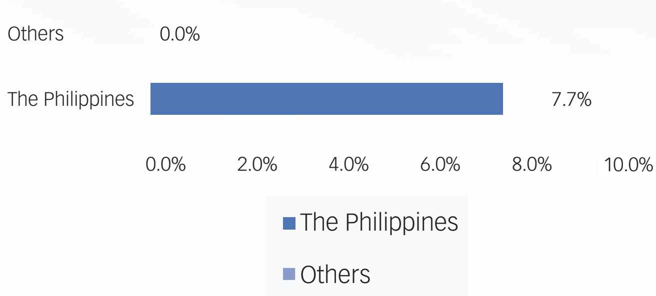
By Employment Category



By Employee Turnover



By Employee Turnover Rate



EMPLOYMENT AND LABOUR PRACTICES *(Continued)*

Health and safety

We take the health of our employees seriously and safe working environment is the foundation and security for the sustainable development of an enterprise. A comprehensive work safety management and supervision system is vital for enhancing safety performance. We complied with the Occupational and Safety and Health Standards and other relevant regulations which promotes to safeguard the worker's social and economic well-being as well as their physical safety and health. We obtained the certificate of compliance on occupational safety and health standards issued by Department of labor and employment in National Capital Region since 2017. We had established a series of policies in this regard with an emphasis on:

— Preventing accidents and cases of work-related ill health and provide adequate control of health and safety risks arising from work activities

— Providing adequate training to ensure employees are competent to do their work

— Engaging and consulting with employees on day-to-day health and safety conditions and provide advice and supervision on occupational health

— Implementing emergency procedures — evacuation in case of fire or other significant incident

— Maintaining safe and healthy working conditions, provide and maintain plant, equipment and machinery, and ensure safe storage/use of substances

— Displaying the Health and safety law poster

Management of health and safety in daily operations

Under the year of review, the adoption of health and safety management in daily operation as following:

— ensuring the facilities and equipment are maintain high standards of cleanliness and tidiness in their workplace

— compliance with non-smoking rule inside the workplace including the administrative areas and specified areas, Non-Smoking posters are displayed in eye catching location

— reporting any accident, injury or unsafe conditions discovered in time to respective supervisor

— equipping the first aid kit, supplies and box in working place and giving full instructions of the location and usage to all employees

— providing well education and continuous training to our Company nurse including participating the training organized by Occupational Health Nurses Association of the Philippines (OHNAP) which awarding certification to nurses who have successfully underwent occupational health training while Hotel's Safety Officer attends the Basic Occupational Safety and Health

— controlling access by using password or electronic access card in working place and restrict entry and exist only to staff and permitted visitors

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

EMPLOYMENT AND LABOUR PRACTICES *(Continued)*

Health and safety *(Continued)*

Management of health and safety in daily operations *(Continued)*

— maintaining prevention awareness in high level of all employees to safeguard the life on fire, including given instructions on the location of the nearest fire exit and assembly points, the use of fire alarms and fire extinguishers and prohibition of storing explosives in the workplace and conducting the fire drills on a regular basis

— providing regular training of associates on Fire Safety Training, Hotel Emergency procedure which includes Earthquake, Bomb Threat, Anti-Bribery, and Criminal Modus Operandi once a year. Certifying training by the Red Cross of the Philippines in terms of First Aid and Basic Life Support Training had been done annually

— conducting severe weather environment guidelines to ensure safety of employees are protected such as the typhoon and rainstorm policies which give clear instructions on reporting duties, working arrangement and actions to be taken during bad weather conditions

During the year under review, we were not aware of any non-compliance with relevant laws and regulations that had a significant impact on it relating to employment, health and safety, and labour standards as mentioned in aspects B1, B2 and B4 of the Guide. We successfully achieved our goal of zero fatalities.

The fatality rate and injury rate are as below under the review period:

Number of incidents of work related injury	69
Number of lost days due to work injury	51 days

Development and training

Training and development is defined as learning undertaken by employees to maintain and advance their skills, knowledge and competencies. We are committed providing associates to achieve their personal and professional goals and to grow within the company. To maintain and advance employees' skills, knowledge and competencies, a series of formal training course, on-the-job training, collaboration, mentoring and participating in activities of professional organizations are offered which including service skills training, language training, cross exposure training, and occupational safety and health. There was and undergoing training, on-the-job training, in the hotel has a recommendation letter from the school advising the specific number of hours that he/she should be trained for. During the year under review, all employees were trained including who taking part as senior to general, and average training hours completed by Senior, Middle-level and General are 23.65 hours, 13.25 hours and 10.00 hours respectively.

Employees trained	Percentage	Average training hours completed
Senior	100%	23.65
Middle-level	100%	13.25
General	100%	10.00

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

LABOUR STANDARDS

Anti-Child and Forced labour

We are well aware that child labour and forced labour violate fundamental human rights. We engage in nor tolerate any use of child or forced labour and specifically restricts employ children below 18 years old. The Human Resources Department ensure all employees are fulfilling the job requirements underlying their respective positions. Apart from it, we regularly review the employment practice and guidelines on staff recruitment to ensure that it is in full compliance with the Employment Ordinance and Republic Act No. 9231 and other regulations related to, among other things, prevention of child labour and forced labour.

We are not aware of (i) any material non-compliance with laws and regulations on employment and labour practices, occupational health and safety that have a significant impact on the Group; or (ii) any incident that has a significant impact on the Group relating to the use of child or forced labour during the reporting period.

SUPPLY CHAIN MANAGEMENT

Responsible Procurement Practices

We have an extensive supplier base providing a variety of products and services for our businesses and operations. Sustainability is one of the factors that we consider when choosing our suppliers. Suppliers must demonstrate an environmental awareness and commitment to sustainability. It is important to us that we are sourcing from sustainable, environmentally conscious suppliers.

We developed a series of policy on supply chain which requires nominated suppliers to:

— Provide skillful, experienced and lawful labours during the service and production periods

— Employ only legal workers for product or services provisions

— Fully protect suppliers' employees by the local labour ordinances

— Provide appropriate insurance during the service or production periods

— Fully comply with the local workplace and food hygiene safety ordinance during the production or service periods

All approved suppliers of the hotel have been provided with the Group's Supplier Code of Conduct, which requires them to promote safe and healthy working conditions, use fair hiring practices, treat their employees with dignity and respect and adhere to environmentally responsible practices in their operations. Any breach of the Supplier Code of Conduct by a supplier may result in its business relationship with the Group being terminated. If any supplier's performance is determined to be below expectations, it would not be re-invited to future bids or tenders.

We evaluated and monitored the performance of its suppliers to ensure their compliance with service standards, contract conditions and quality provisions. In line with its commitment to business integrity, we have established an open and fair procurement process. There must be internal written records of the reasons for any non-inclusion or suspension of contractors or suppliers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUPPLY CHAIN MANAGEMENT *(Continued)*

Responsible Procurement Practices *(Continued)*

We strive not to over-rely on a specific supplier so as to ensure the stability of our supply chain. The following table is an overview of data in relation to supply chain management:

Number of suppliers in terms of geographical locations	
The Philippines	459
Europe	8
Hong Kong	6
USA	6
China	3
Other regions	2
Total Suppliers with Purchases/Payments	484

Maintaining Products and Services Quality

We are committed to delivering superior customer services and to handle queries from customers in a timely and efficient manner. In line with this approach, customer services teams of the hotel have been established. Follow-up services are provided to visitors to assist them with transportation, telecommunications and other services. Regular inspections are carried out by the hotel in order to ensure the quality of the hotel being maintained and to be delivered by our staffs. In order to enhance the hotel's products and services on a continuous basis, customers are encouraged to provide feedback on their experience, and the Group has established procedures for handling customers' queries and complaints. To engage with customers, customer service platform has been set up online. Well trained representatives are always ready to promptly respond to enquiries, requests and complaints. All escalated cases will be examined thoroughly and passed to the relevant department for developing resolutions and enhancement.

We have been in compliance with relevant laws and regulations, and have not been assessed any fines or penalties that have a material and adverse impact on our business operation.

Services Quality

We take care of the all compliant from our stakeholders as we believes our quality of service is first priority. To meet and exceed guest expectations, any guest requests, complaints and preferences have to be properly followed up, recorded and shared between Departments. We performed as:

— All associates must make a point of obtaining the guest preferences at each contact with the guests.

— Update guest profile in the Hotel's Opera Property Management System for any requests/comments that have been received either directly from the guest or associates of other departments in order to make sure all guest preference are met for every stay.

— Department Head concerned must be immediately informed for any unfavorable comments about the Hotel's services or facilities.

— Monitor the follow-up progress, courtesy call to guests in a timely manner to ensure all the requests are properly handled and the results are up to their satisfaction.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUPPLY CHAIN MANAGEMENT *(Continued)*

Maintaining Products and Services Quality *(Continued)*

Services Quality *(Continued)*

— All complaints are handled in a courteous, professional and efficient way, with a positive attitude.

— All efforts are to be made to solve the problem on the spot and that follow up action is taken with all concerned to prevent similar situations in the future.

— Complaints are to be recorded, reported to the concerned Department Head/General Manager and followed up by personal call or letter as maybe required.

Performance of Services Quality

We required all associates handling problem resolution must listen carefully, so that the problem is clearly understood before solutions are offered. Guest's problems/resolutions should be logged for further follow up as maybe needed. Feedback from the concerned department within 15 minutes to ensure the task is completed. Problem resolution should be completed to the guest's satisfaction, prior to their leaving the hotel.

Major issues for the period are aircon leaking, aircon not cooling, aircon shutdown, parking space unavailability, implementation of additional security measures, minibar not working, noise disturbance, unavailability of preferred TV channel, TV signal not good, water interruption, implementation of EO26(nonsmoking), toilet not flushing, TV defective, safety deposit box defective, intermittent internet connection or no signal, paint smell, water leak, no hot water, noise from the pool.

Service Quality review during the Reporting Period	
Complaints received during the Reporting Period (in cases)	1,606
Average number of minutes to solve	8

Product responsibility

All linen and bathroom amenities in Hotel used by the customers are in compliance with the brand and specifications/standards as set by us to ensure creating the same comfort level and brand consistency to our guests. Items that do not comply with Hotel's specifications are to be rejected and returned to Supplier.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PERSONAL PRIVACY AND PROTECTION OF PERSONAL DATA

Privacy policies on personal data

To safeguard the personal data of employees, customers and stakeholders, 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. We adopted privacy policies with focused which set out:

— purpose of personal data collection;

— use of personal data;

— transfer of personal data;

— retention of personal data;

— security on personal data; and

— procedures to access or update personal data with reference to relevant laws and regulations.

We ensured that associate information is kept on file; in a confidential manner, ensuring that individual files are accurately and correctly administered at all times. Access to associate files is limited to assigned persons only. All assigned associates have continuing responsibility to protect sensitive information at all times, and prevent unauthorized use or disclosure of sensitive information.

Protection of personal data

We established policies which require to enforce security and control measures relating to computer software, email, domains and websites; including compliance with intellectual property rights. These measures include but not limited to:

— Restrictions on allowable software and emails to be installed in the associates workstations

— Password protected workstations, network and applications applying complexity and expiration

— Access are provided based on job requirements

— USB port restrictions on workstations

— Antivirus protection is implemented and regularly updated

— Prohibits the use of illegal or unauthorized computer software on the computer within the workplace

— Procures authorized computer software for corporate use by authorized suppliers

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ANTI-CORRUPTION

Anti-Bribery and Anti-Corruption

We are highly cautious about misconduct related to bribery and conflict of interest and prohibits corruption practices by all means. We adopted a zero-tolerance policy on bribery, extortion, fraud and money laundering. It is also the responsibility of all employees to maintain ethical behavior. We adopted on corruption prevention or anti-corruption enable employees to exercise judgment on corruption prevention and apply practice on anti-corruption in their daily work by aiming 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.

In the daily operation, we had:

— followed policy on the acceptance of benefits stipulated in the staff guideline and compliance with all relevant laws and regulations relating to bribery, extortion, fraud and money laundering by all employees including the directors.

— Unless agreed by the Company, employees are not allowed to offer, request or accept any advantages from people who have a stake in our business such as customers, suppliers, authorities, or any other stakeholders.

— Employees are also obligated to follow the rules and to keep the Company notified about the conflict of interests' related issues.

— All employees are expected to comply with the staff handbook; employees who breach the staff handbook will be subject to disciplinary action or even termination in serious offense.

— All employees are encouraged to raise any related concerns to the senior management in a strictly confidential manner.

— Any matters of genuine concern are to be thoroughly investigated and actions will be taken accordingly.

We are not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering during the reporting period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

COMMUNITY INVESTMENT

Contributions to Society

As a responsible corporate citizen, we strive to remain a company that is regarded as trustworthy and reliable by members of society and make its shares of contributions towards enhancing the well-being of society through community investment. To that end, we are working to clarify the division of control, oversight, and operational responsibilities between operating companies and the holding company and to deepen mutual understanding and cooperation with all of those who support our business, including shareholders, customers, suppliers, and local communities. At the same time, we are committed to achieving tangible, sustainable fulfillment of our corporate social responsibilities. We are focused on conducting our business activities with a balance among three dimensions — economic, social, and environmental. We followed the 10 Corporate Social Responsibility Fundamentals to conserve natural resources, give back to society and foster the personal and professional growth of associates. We embraced social responsibility by encouraging our employee to volunteer and to contribute to good causes.

To integrate and implement the Corporate Social Responsibility "CSR" activities of the Hotel and operating companies, we formed the CSR Promotion Committee, which determines Group wide CSR activity policies and communicates those policies to five specialized subcommittees in the fields of corporate ethics and compliance, fair trade, social contribution, environmental management, and information management. Each subcommittee, to the greatest extent possible, formulates clear, measurable objectives, evaluates and verifies the efforts of each operating company, and reports to the CSR Promotion Committee on an annual basis. After receiving these reports, the committee deliberates and decides upon appropriate responses. Every year, each associate will be given an opportunity to take part or be involved in various aspects of CSR. A notice board on CSR activities is dedicated to continuously informed associates as a form of education and awareness.

In social contribution activities, we are implementing social activities that are closely linked to local communities. We are particularly develops programs that support the hotel's commitment to the communities' participation in at least two charitable activities per year with a locally relevant organization or charity such as an orphanage, home for the elderly, help center for persons with critical illnesses, education, or rural area development program. For example, we used our distribution capabilities to local communities in concerning hospitalized children and we rose fund for supporting Kythe Foundation, a non-profit, non-stock organization aimed towards improving the quality of life among hospitalized children with cancer and other chronic illness. We facilitated a fund raising activity that includes selling of Christmas Village in December which generated a total amount of Php 300,000 donation to Kythe Foundation. Apart from donation activities, we also participated in the hospital visit to the cancer patients of the Philippine General Hospital (PGH) in Ermita Manila. There were a total of 35 associate volunteers who spent their time to be with the patients to spread love and compassion, give gifts and also snacks or food.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

COMMUNITY INVESTMENT *(Continued)*

Contributions to Society *(Continued)*

Aiming to promoting rural area development program, we have partnered with Room to Read, a global organization transforming the lives of millions of children in low-income countries by focusing on literacy and gender equality in education. In the belief that one of the best ways to alleviate poverty lies in the schooling of young women, Rosewood provides special support to Room to Read's Girls' Education Programme by providing funds to educate 100 young women in secondary schools in Siem Reap, Cambodia. The Girls' Education Programme reinforces girls' commitment to their own education, works with them to develop essential life skills and increases support for girls' education among their parents, school staff and communities. We have donated a total of Php 112,779 to the Room to Read which was generated from various internal donation drive activities such as Family Day Event, sales of used and hotel items, and mojito drinks and wishing well donations at the Lobby from guests and hotel partners.

INDEPENDENT AUDITOR'S REPORT

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong
Telephone: (852) 2218 8288
Telefax: (852) 2815 2239

TO THE SHAREHOLDERS 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 (together as the "Group") set out on pages 59 to 122, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the 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.

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.

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 2018 and 2017 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 14 to the consolidated financial statements, as at 31 March 2018, the carrying amount of the Hotel Property was approximately HK$258.5 million (2017: 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 Directors assess 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 accounting policy, significant accounting judgements and estimates, key assumptions used in the impairment model and disclosures are included in note 14 to the consolidated financial statements.

Our response:

Our procedures in relation to the Directors' impairment assessment of the hotel property included:

- Discussing the impairment indicators of the Hotel Property with the Directors and inspecting the operating results and financial forecast of the hotel operation;
- Assessing the valuation methodology;
- 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; and
- Challenging the reasonableness of key 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 Directors, available market data for comparable properties and the historical operating performances of the Group's hotel segment.

INDEPENDENT AUDITOR'S REPORT

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards 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.

The Directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the Directors in discharging their responsibility in this regard.

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. This report is made solely to you, as a body, in accordance with the terms of our 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 the Audit Committee 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 the Audit Committee 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 the Directors, 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.

BDO Limited
Certified Public Accountants

Ng Wai Man
Practising Certificate number P05309

Hong Kong, 22 June 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	**2018 HK$'000**	2017 HK$'000 (Restated)
Revenue	6	**296,380**	290,714
Cost of sales		**(71,228)**	(74,064)
Gross profit		**225,152**	216,650
Other income	8	**12,473**	12,206
Other (losses)/gains		**(735)**	29,853
Change in fair value of financial assets at fair value through profit or loss		**(1)**	231
Change in fair value of investment properties	15	**(130,605)**	(119,948)
Selling and marketing expenses		**(5,676)**	(6,232)
General and administrative expenses		**(147,890)**	(133,663)
Finance costs		**(16,700)**	(8,236)
Loss before taxation	9	**(63,982)**	(9,139)
Income tax expenses	11	**(3,296)**	(32,631)
Loss for the year		**(67,278)**	(41,770)
Other comprehensive (loss)/income that will not be reclassified to profit or loss:			
— Remeasurement of defined benefit obligations		**1,748**	(51)
— Exchange differences arising on translation of presentation currency		**(51,957)**	(223,447)
		(50,209)	(223,498)
Other comprehensive income that may be subsequently reclassified to profit or loss:			
— Exchange differences arising on translation of foreign operations		**–**	1,130
Total comprehensive loss for the year		**(117,487)**	(264,138)
Loss for the year attributable to:			
— Owners of the Company		**(67,278)**	(31,486)
— Non-controlling interests		**–**	(10,284)
		(67,278)	(41,770)
Total comprehensive loss for the year attributable to:			
— Owners of the Company		**(117,487)**	(190,450)
— Non-controlling interests		**–**	(73,688)
		(117,487)	(264,138)
		HK Cents	HK Cents (restated)
Loss per share attributable to owners of the Company	13		
— Basic		**(5.15)**	(2.63)
— Diluted		**(5.15)**	(2.63)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	Notes	31 March 2018 HK$'000	31 March 2017 HK$'000 (Restated)	1 April 2016 HK$'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	14	**299,979**	317,127	356,432
Investment properties	15	**1,527,000**	1,699,000	1,977,000
Loan receivable	16	**50,902**	–	–
Financial assets at fair value through profit or loss	17	**784**	20,521	20,290
Other receivables, deposits and prepayments		**11,468**	6,200	5,926
		1,890,133	2,042,848	2,359,648
Current assets				
Inventories		**1,944**	2,206	2,546
Trade receivables	18	**22,389**	21,943	20,211
Other receivables, deposits and prepayments		**21,654**	15,726	16,071
Bank balances and cash	27	**696,568**	303,711	1,179,500
		742,555	343,586	1,218,328
Total assets		**2,632,688**	2,386,434	3,577,976
Current liabilities				
Trade payables	19	**5,295**	6,464	6,094
Other payables and accrued charges	19	**35,442**	35,845	28,015
Provision for taxation		**–**	–	1,730
		40,737	42,309	35,839
Total assets less current liabilities		**2,591,951**	2,344,125	3,542,137
Non-current liabilities				
Deferred tax liabilities	20	**166,085**	166,843	194,335
Other liabilities		**4,355**	5,506	5,170
Promissory note	24	**339,116**	336,416	–
		509,556	508,765	199,505
NET ASSETS		**2,082,395**	1,835,360	3,342,632
EQUITY				
Equity attributable to owners of the Company				
Share capital	22	**1,369,157**	1,179,157	1,179,157
Share premium and reserves		**713,238**	656,122	878,465
		2,082,395	1,835,279	2,057,622
Non-controlling interests		**–**	81	1,285,010
TOTAL EQUITY		**2,082,395**	1,835,360	3,342,632

The financial statements on pages 59 to 122 were approved by the Board of Directors on 22 June 2018 and were 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 2018

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium account HK$'000	Merger reserve HK$'000 *(note a)*	Other reserves HK$'000 *(note b)*	Exchange reserves HK$'000	Share-based compensation reserve HK$'000 *(note c)*	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2016										
As previously reported	1,179,157	1,122	53,022	362,982	(70,066)	–	(212,245)	1,313,972	565,945	1,879,917
Prior year adjustment *(note 4)*	–	–	–	–	2,430	–	741,220	743,650	719,065	1,462,715
As restated	1,179,157	1,122	53,022	362,982	(67,636)	–	528,975	2,057,622	1,285,010	3,342,632
Loss for the year	–	–	–	–	–	–	(31,486)	(31,486)	(10,284)	(41,770)
Remeasurement of defined benefit obligations	–	–	–	–	–	–	286	286	(337)	(51)
Exchange differences arising on translation	–	–	–	–	(159,250)	–	–	(159,250)	(63,067)	(222,317)
Total comprehensive loss for the year	–	–	–	–	(159,250)	–	(31,200)	(190,450)	(73,688)	(264,138)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(120,050)	(120,050)
Acquisition of additional interest in subsidiaries (restated)	–	–	–	(475,665)	(22,958)	–	466,730	(31,893)	(1,091,191)	(1,123,084)
At 31 March 2017 (restated)	1,179,157	1,122	53,022	(112,683)	(249,844)	–	964,505	1,835,279	81	1,835,360
As previously reported	**1,179,157**	**1,122**	**53,022**	**(112,683)**	**(141,402)**	**–**	**(382,515)**	**596,701**	**81**	**596,782**
Prior year adjustment *(note 4)*	**–**	**–**	**–**	**–**	**(108,442)**	**–**	**1,347,020**	**1,238,578**	**–**	**1,238,578**
As restated	**1,179,157**	**1,122**	**53,022**	**(112,683)**	**(249,844)**	**–**	**964,505**	**1,835,279**	**81**	**1,835,360**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(67,278)**	**(67,278)**	**–**	**(67,278)**
Remeasurement of defined benefit obligations	**–**	**–**	**–**	**–**	**–**	**–**	**1,748**	**1,748**	**–**	**1,748**
Exchange differences arising on translation	**–**	**–**	**–**	**–**	**(51,957)**	**–**	**–**	**(51,957)**	**–**	**(51,957)**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(51,957)**	**–**	**(65,530)**	**(117,487)**	**–**	**(117,487)**
Shares placing *(note 22)*	**190,000**	**169,167**	**–**	**–**	**–**	**–**	**–**	**359,167**	**–**	**359,167**
Capital injection in a subsidiary *(note 28)*	**–**	**–**	**–**	**–**	**–**	**–**	**3**	**3**	**(3)**	**–**
Dividend paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(78)**	**(78)**
Equity settled share-based transactions *(note 23)*	**–**	**–**	**–**	**–**	**–**	**5,433**	**–**	**5,433**	**–**	**5,433**
At 31 March 2018	**1,369,157**	**170,289**	**53,022**	**(112,683)**	**(301,801)**	**5,433**	**898,978**	**2,082,395**	**–**	**2,082,395**

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 reserves represent 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.

(c) Share-based compensation reserve comprises the value of the unexercised share option granted by the Company recognised in accordance with the accounting policy adopted for share-based payments in note 3.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	2018 HK$'000	2017 HK$'000 (Restated)
OPERATING ACTIVITIES		
Loss before taxation	**(63,982)**	(9,139)
Adjustments for:		
Interest income	**(5,459)**	(5,861)
Interest expenses on promissory note	**16,700**	8,236
Allowance/(reversal of allowance) for bad debts for trade receivables, net	**8**	(2)
Change in fair value of financial assets at fair value through profit or loss	**1**	(231)
Realised gain on disposal of financial assets at fair value through profit or loss	**(627)**	–
Change in fair value of investment properties	**130,605**	119,948
Depreciation of property, plant and equipment	**27,926**	29,934
Share-based payment expenses	**5,433**	–
Loss on disposal of property, plant and equipment	**3**	–
Dividend income from financial assets at fair value through profit or loss	**(782)**	(1,552)
Net foreign exchange loss/(gain)	**1,359**	(29,853)
Operating cash flows before movements in working capital	**111,185**	111,480
Decrease in inventories	**208**	136
Increase in trade receivables	**(1,055)**	(3,528)
Increase in other receivables, deposits and prepayments	**(10,699)**	(2,682)
Decrease in trade payables	**(1,021)**	(1,584)
(Decrease)/increase in other payables and accrued charges	**(9,643)**	6,793
Increase in other liabilities	**597**	769
Cash generated from operations	**89,572**	111,384
Income taxes paid	**–**	(46,349)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**89,572**	65,035

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	2018 HK$'000	2017 HK$'000 (Restated)
INVESTING ACTIVITIES		
Interest received	4,150	6,736
Dividends received from financial assets at fair value through profit or loss	782	1,552
Additions to property, plant and equipment	(9,970)	(19,670)
Proceeds received on disposal of property, plant and equipment	1,220	442
Purchase of financial asset at fair value through profit or loss	(3,785)	–
Proceeds from disposal of financial asset at fair value through profit or loss	24,148	–
Increase in loan receivables	(50,902)	–
NET CASH USED IN INVESTING ACTIVITIES	(34,357)	(10,940)
FINANCING ACTIVITIES		
Dividends paid to non-controlling interests	(78)	(120,050)
Net proceeds from issue of shares	359,167	–
Interest paid for promissory note	(14,000)	–
Additional capital contribution from non-controlling interests	–	(788,000)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	345,089	(908,050)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	400,304	(853,955)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(7,447)	(21,834)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	303,711	1,179,500
CASH AND CASH EQUIVALENTS AT END OF YEAR represented by bank balances and cash	696,568	303,711

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

1. GENERAL

International Entertainment Corporation (the "Company") was incorporated in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As of the date of this report, Brighten Path Limited ("Brighten Path") and Head and Shoulders Direct Investment Limited ("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 Company is an investment holding company. The Group were principally involved in hotel operations and leasing of properties equipped with entertainment equipment at the hotel complex of the Group in Metro Manila in the Philippines. The principal activities of its subsidiaries are set out in note 28.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs — effective 1 April 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 — Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the notes to the cash flow statement, note 27(b).

The adoption of these revised HKFRSs except abovementioned has no material impact on the Group's financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(Continued)

(b) Potential impact arising on HKFRSs not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's operations, have been issued but are not yet effective and have not been early adopted by the Group.

Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards[1]
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) Potential impact arising on HKFRSs not yet effective *(Continued)*

Those new/revised HKFRSs that might have material impact on the Group's financial statements are set out below:

HKFRS 9 — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Based on the assessment so far, the Group considers that the initial application of HKFRS 9 will not have a significant impact on the Group's results of operations and financial position.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) Potential impact arising on HKFRSs not yet effective *(Continued)*

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework 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 and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps 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 each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Based on the assessment so far, the Group considers that the initial application of HKFRS 15 will not have a significant impact on the Group's results of operations and financial position.

Amendments HKFRS 15 — Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

Based on the assessment so far, the Group considers that the initial application of Amendments to HKFRS 15 will not have a significant impact on the Group's results of operations and financial position.

Amendments to HKAS 40, Investment Property — Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

Based on the assessment so far, the Group considers that the initial application of Amendments to HKAS 40 will not have a significant impact on the Group's results of operations and financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(Continued)

(b) Potential impact arising on HKFRSs not yet effective *(Continued)*

HK(IFRIC)-Int 22 — Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Based on the assessment so far, the Group considers that the initial application of Amendments HK(IFRIC)-Int 22 will not have a significant impact on the Group's results of operations and financial position.

HKFRS 16 — Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statement of both lessors and lessees. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of lease arrangement. Right-of-use asset includes the amount of initial measurement of lease liability, any lease payment made to the lessor at or before the lease commencement date, estimated cost to be incurred by the lessee for dismantling or removing the underlying assets from and restoring the site, as well as any other initial direct cost incurred by the lessee. Lease liability represents the present value of the lease payments. Subsequently, depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirement of HKAS 16 "Property, Plant and Equipment", while lease liability will be increased by the interest accrual, which will be charged to profit or loss, and deducted by lease payments.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for a number of properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 25, at 31 March 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to HK$48,710,000 for land and properties under operating leases, the majority of which is payable either between 2 and 5 years or over 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) Potential impact arising on HKFRSs not yet effective *(Continued)*

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Except as described above, the Directors anticipate that the application of other new and revised HKFRSs will have no material impact on the Group's consolidated financial statements in the future.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out below.

Functional and presentation currency

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 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").

Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination and basis of consolidation *(Continued)*

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

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	3–15 years
Furniture, fixtures and equipments	3–15 years
Entertainment equipments	5–15 years
Computer equipments	3 years
Motor vehicles	5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

Construction in progress is stated at cost less any impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are property 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 measured at its fair value. The Group's property interest held under operating leases to earn rentals or for capital appreciation purposes is classified and accounted for as investment properties and are measured using the fair value model. Gain or loss arising from change in the fair value of investment properties are included in profit or loss for the period in which they arise.

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 its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to 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 generated from the local gaming area (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 generated from the local gaming area 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.

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) 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 fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. The Group's financial assets are classified into one of the two categories, comprising financial assets at fair value through profit or loss and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at FVTPL

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

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

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments;
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

For Loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which has been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of an asset, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against the corresponding asset directly and any amounts held in the allowance account relating to that asset are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, other payables and accrued charges and promissory note are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Effective interest method

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

Equity instruments

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

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.

Inventories

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

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.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income taxes

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.

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.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (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. Nonmonetary 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 noncontrolling interests as appropriate).

Employee benefits

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(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.

Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. When the entity cannot estimate reliably the fair value of goods or services received, they are indirectly measured by reference to the fair value of the equity instruments granted. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

When the option is exercised, the amount recognised in the share-based compensation reserve is transferred to share premium account. When the option lapses, the amount recognised in the share-based compensation reserve is released directly to retained profits.

Impairment of non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and investment property 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Provisions and contingent liabilities

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).

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of key management personnel of the Group or the Company's parent.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a party, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

The Group accounted for investment properties using the cost model in previous years. In order to more accurately reflect the value of investment properties held by the Group and provide more relevant information to the users of the financial statements of the Group, the Directors have approved changes in the accounting policies of the Group for the investment properties from cost model to fair value model with effect from 1 April 2017.

The Group has adopted the change in accounting policy of investment property retrospectively.

The effects of the changes in the Group's accounting policies described above on the results for the preceding years by line items presented in the consolidated statement of comprehensive income are as follows:

	2017 HK$'000
Impact on profit or loss for the year	
Decrease in depreciation in cost of sales	17,679
Fair value loss of investment properties	(119,948)
Increase in income tax expenses	(5,611)
Increase in loss for the year	**(107,880)**
Impact on other comprehensive income for the year:	
Increase in exchange differences on translation to presentation currency	(116,257)
Increase in total comprehensive loss for the year	(224,137)
Increase in loss for the year attributable to:	
— Owners of the Company	(83,352)
— Non-controlling interests	(24,528)
	(107,880)
Increase in total comprehensive loss for the year attributable to:	
— Owners of the Company	(165,905)
— Non-controlling interests	(58,232)
	(224,137)

	2017 HK Cents
Impact on basic and diluted loss per share	
Basic and diluted loss per share before adjustments	4.40
Adjustments arising from changes in accounting policies	(7.07)
Adjusted basic and diluted loss per share	(2.67)

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

The effects of the changes in accounting policies described above on the financial positions of the Group as at the end of the immediately preceding financial year, 31 March 2017, are as follows:

	31 March 2017 HK$'000 (Previously reported)	Adjustments arising from changes in the accounting policies HK$'000	31 March 2017 HK$'000 (Restated)
Increase in investment properties	390,872	1,308,128	1,699,000
Increase in deferred tax liabilities	(97,293)	(69,550)	(166,843)
Total effects on net assets	293,579	1,238,578	1,532,157
Decrease in exchange reserve	(141,402)	(108,442)	(249,844)
Increase in retained profits	(382,515)	1,347,020	964,505
Total effect on equity	(523,917)	1,238,578	714,661

	1 April 2016 HK$'000 (Previously reported)	Adjustments arising from changes in the accounting policies HK$'000	1 April 2016 HK$'000 (Restated)
Increase in investment properties	444,384	1,532,616	1,977,000
Increase in deferred tax liabilities	(124,434)	(69,901)	(194,335)
Total effects on net assets	319,950	1,462,715	1,782,665
Decrease in exchange reserve	(70,066)	2,430	(67,636)
Increase in retained profits	(212,245)	741,220	528,975
Increase in non-controlling interests	565,945	719,065	1,285,010
Total effect on equity	283,634	1,462,715	1,746,349

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, 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 differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimated useful lives of property, plant and equipment

The Group estimates the useful lives of its 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 Directors regularly review 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.

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$107,113,000 (2017: HK$241,426,000) (details disclosed in note 20). 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.

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

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 2018 and 2017. The carrying amounts of property, plant and equipment is approximately HK$299,979,000 (2017: HK$317,127,000).

Fair value of measurement

The Group's financial assets at fair value through profit or loss and investment properties are measured at fair value.

The fair value measurements of the Group's financial assets and investment properties utilise market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

A more detailed information in relation to the fair value measurement of these assets is disclosed in note 15.

6. REVENUE

Revenue represents the aggregate of amounts received and receivable from third parties, less returns and allowance and is analysed as follows:

	2018 HK$'000	2017 HK$'000
Hotel		
Room revenue	**68,478**	66,562
Food and beverages	**37,460**	37,596
Other hotel service income	**2,398**	2,769
	108,336	106,927
Leasing of properties equipped with entertainment equipment	**188,044**	183,787
	296,380	290,714

7. SEGMENT REPORTING

Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The chief operating decision-maker has been identified as the executive Directors.

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Directors in order to allocate resources and assess performance of the segment.

The executive Directors have determined that the Group had two reportable segments — "Hotel" and "Leasing". The hotel segment represents the operation of hotel business in the Philippines; the leasing segment represents leasing of investment properties equipped with entertainment equipment to PAGCOR.

7. SEGMENT REPORTING *(Continued)*

Reportable segments *(Continued)*

Segment information about these reportable segments is presented below:

For the year ended 31 March 2018	Hotel HK$'000	Leasing HK$'000	Consolidated HK$'000
Revenue — external	108,336	188,044	296,380
Segment results	(10,030)	(13,633)	(23,663)
Unallocated other income			4,033
Other gains/(losses)			2,204
Change in fair value of financial assets at FVTPL			(1)
Auditor's remuneration			(2,682)
Legal and professional fees			(6,576)
Salaries and allowances			(16,824)
Finance costs			(16,700)
Unallocated expenses			(7,069)
Loss for the year			(67,278)

At 31 March 2018	Hotel HK$'000	Leasing HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	356,268	1,885,066	2,241,334
Unallocated assets			
Bank balances and cash			385,703
Financial assets at FVTPL			784
Others			4,867
Consolidated total assets			2,632,688
LIABILITIES			
Segment liabilities	46,411	154,738	201,149
Unallocated liabilities			
Promissory note with interest payable			346,135
Others			3,009
Consolidated total liabilities			550,293

7. SEGMENT REPORTING *(Continued)*

Reportable segments *(Continued)*

Other information

For the year ended 31 March 2018	Hotel HK$'000	Leasing HK$'000	Unallocated HK$'000	Consolidated HK$'000
Depreciation of property, plant and equipment	**15,793**	**12,099**	**34**	**27,926**
Addition to property, plant and equipment	**11,479**	**8,536**	**148**	**20,163**
Allowance for bad debts for trade receivables, net	**8**	**–**	**–**	**8**
Change in fair value of investment properties	**–**	**130,605**	**–**	**130,605**
Interest income	**(651)**	**(4,493)**	**(315)**	**(5,459)**
Write off of property, plant and equipment	**(2,872)**	**(3,033)**	**(599)**	**(6,504)**
Income tax expenses	**(874)**	**4,170**	**–**	**3,296**

For the year ended 31 March 2017 (Restated)	Hotel HK$'000	Leasing HK$'000	Consolidated HK$'000
Revenue — external	106,927	183,787	290,714
Segment results	(11,805)	(44,630)	(56,435)
Unallocated other income			3,987
Other gains/(losses)			43,440
Change in fair value of financial assets at FVTPL			231
Auditor's remuneration			(2,002)
Legal and professional fees			(6,902)
Salaries and allowances			(7,201)
Finance cost			(8,236)
Unallocated expenses			(8,652)
Loss for the year			(41,770)

7. SEGMENT REPORTING *(Continued)*

Reportable segments *(Continued)*

At 31 March 2017 (Restated)	Hotel HK$'000	Leasing HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	400,466	1,925,171	2,325,637
Unallocated assets			
Bank balances and cash			39,239
Financial assets at FVTPL			20,521
Others			1,037
Consolidated total assets			2,386,434
LIABILITIES			
Segment liabilities	51,275	150,521	201,796
Unallocated liabilities			
Promissory note with interest payable			343,320
Others			5,958
Consolidated total liabilities			551,074

Other information

For the year ended 31 March 2017 (Restated)	Hotel HK$'000	Leasing HK$'000	Unallocated HK$'000	Consolidated HK$'000
Depreciation of property, plant and equipment	15,178	14,746	10	29,934
Addition to property, plant and equipment	4,160	15,789	8	19,957
Reversal of allowance for bad debts for trade receivables, net	(2)	–	–	(2)
Change in fair value of investment properties	–	119,948	–	119,948
Interest income	(1,037)	(2,434)	(2,390)	(5,861)
Write off of property, plant and equipment	1,734	9,759	138	11,631
Income tax expenses	(2,920)	35,551	–	32,631

Geographical information

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 2018 and 2017, the non-current assets excluded financial assets at FVTPL were mainly located in the Philippines.

Information about major customers

Included in the revenue generated from hotel segment and leasing segment of approximately HK$nil (2017: HK$2,420,000) and HK$188,044,000 (2017: HK$183,787,000) respectively were contributed by the Group's largest customer and the aggregate revenue from this customer represented approximately 63% (2017: 64%) of the total revenue of the Group. There are no other single customers contributing over 10% of the Group's total revenue.

8. OTHER INCOME

	2018 HK$'000	2017 HK$'000
Interest income	5,459	5,861
Dividend income from financial assets at FVTPL	782	1,552
Sundry income	6,232	4,793
	12,473	12,206

9. LOSS BEFORE TAXATION

	2018 HK$'000	2017 HK$'000 (restated)
Loss before taxation has been arrived at after charging/(crediting):		
Directors' emoluments *(note 10)*	4,410	3,650
Staff costs (excluding Directors' emoluments):		
Salaries and allowances	58,135	55,309
Retirement benefits scheme contributions	1,164	1,199
Total staff costs	63,709	60,158
Net foreign exchange loss/(gain) (included in other gains and losses)	1,359	(29,853)
Loss on disposal of property, plant and equipment	3	–
Realised gain on disposal of financial assets at FVTPL	(627)	–
Auditor's remuneration		
— Audit services	1,500	1,995
— Non-audit services	1,182	–
Share-based payment expenses	5,433	–
Cost of inventories recognised as an expense	19,304	18,495
Minimum lease payment under non-cancellable lease arrangements	6,334	5,708
Allowance/(reversal of allowance) for bad debts for trade receivables, net *(note 18)*	8	(2)
Depreciation of property, plant and equipment *(note 14)*	27,926	29,934
Change in fair value of financial assets at FVTPL	1	(231)
Change in fair value of investment properties *(note 15)*	130,605	119,948
Interest expenses on promissory note (included in finance costs)	16,700	8,236
Legal and professional fees	7,231	7,430

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

10. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

	2018 HK$'000	2017 HK$'000
Directors' fees		
Executive Directors	2,975	2,860
Independent non-executive Directors	998	790
Basic remuneration, allowances and benefits in kind	387	–
Retirement benefits scheme contributions	50	–
	4,410	3,650

The emoluments paid or payable to each of the eighteen (2017: eleven) directors were as follows:

For the year ended 31 March 2018

	Fees HK$'000	Basic remuneration, allowances and benefits in kind HK$'000	Retirement benefits Scheme contributions HK$'000	Total HK$'000
Executive Directors				
Dr. Choi Chiu Fai Stanley*	1,055	–	17	1,072
Mr. Lam Yat Ming*	527	–	16	543
Mr. Zhang Yan Min*	844	387	17	1,248
Dr. Cheng Kar Shun#	163	–	–	163
Mr. Lo Lin Shing, Simon#	127	–	–	127
Mr. To Hin Tsun, Gerald#	106	–	–	106
Mr. Cheng Kam Chiu, Stewart#	38	–	–	38
Mr. Cheng Kam Biu, Wilson#	38	–	–	38
Dr. Cheng Chi Kong#	38	–	–	38
Mr. Cheng Chi Him#	38	–	–	38
Independent non-executive Directors				
Mr. Ren Yunan*	212	–	–	212
Ms. Lu Gloria Yi*	212	–	–	212
Mr. Sun Jiong*	212	–	–	212
Mr. Ha Kee Choy Eugene*	212	–	–	212
Mr. Cheung Hon Kit#	38	–	–	38
Mr. Kwee Chong Kok, Michael#	37	–	–	37
Mr. Lau Wai Piu#	38	–	–	38
Mr. Tsui Hing Chuen, William#	38	–	–	38
	3,973	387	50	4,410

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

10. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS *(Continued)*

For the year ended 31 March 2017

	Fees HK$'000	Basic remuneration, allowances and benefits in kind HK$'000	Retirement benefits Scheme contributions HK$'000	Total HK$'000
Executive directors				
Dr. Cheng Kar Shun#	850	–	–	850
Mr. Lo Lin Shing, Simon#	660	–	–	660
Mr. To Hin Tsun, Gerald#	550	–	–	550
Mr. Cheng Kam Chiu, Stewart#	200	–	–	200
Mr. Cheng Kam Biu, Wilson#	200	–	–	200
Dr. Cheng Chi Kong#	200	–	–	200
Mr. Cheng Chi Him#	200	–	–	200
Independent non-executive directors				
Mr. Cheung Hon Kit#	200	–	–	200
Mr. Kwee Chong Kok, Michael#	190	–	–	190
Mr. Lau Wai Piu#	200	–	–	200
Mr. Tsui Hing Chuen, William#	200	–	–	200
	3,650	–	–	3,650

No emoluments were paid by the Group to any of the Directors as an inducement to join, or upon joining the Group or as a compensation for loss of office for the year (2017: Nil). In addition, none of the Directors had waived any emoluments during the current or prior year.

Notes:

These executive directors and independent non-executive directors have been resigned on 10 June 2017.

* These executive directors and independent non-executive directors have been appointed on 15 May 2017.

10. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS *(Continued)*

Highest paid individuals

The five individuals with the highest emoluments in the Group did not include any Directors for both years. The emoluments of the five (2017: five) individuals, of which two (2017: two) individuals were senior management of the Group, in the Group were as follows:

	2018 HK$'000	2017 HK$'000
Basic salaries and allowances	**10,843**	13,401
Retirement benefits scheme contributions	**50**	206
Discretionary or performance related incentive payments	**835**	782
	11,728	14,389

The emoluments were within the following bands:

	2018 Number of individuals	2017 Number of individuals
HK$1,000,001 to HK$1,500,000	**2**	–
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
HK$5,000,001 to HK$5,500,000	**–**	1
HK$5,500,001 to HK$6,000,000	**1**	–
	5	5

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:

	2018 Number of individuals	2017 Number of individuals
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,500,001 to HK$3,000,000	**–**	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 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

11. INCOME TAX EXPENSES

The amount of tax recognised in the consolidated statement of comprehensive income represents:

	2018 HK$'000	2017 HK$'000 (Restated)
Current tax		
The Philippines Income Tax for the year	–	44,619
Deferred tax expenses/(credit) *(note 20)*	**3,296**	(11,988)
Income tax expenses	**3,296**	32,631

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 as a result of dividend distributed by a subsidiary of the Company in the Philippines to its overseas immediate holding company.

11. INCOME TAX EXPENSES *(Continued)*

	The Philippines		Hong Kong		Total	
	2018 HK$'000	2017 HK$'000 (Restated)	**2018 HK$'000**	2017 HK$'000 (Restated)	**2018 HK$'000**	2017 HK$'000 (Restated)
Loss before taxation	**(12,708)**	(14,852)	**(51,274)**	5,713	**(63,982)**	(9,139)
Taxation at the domestic rates applicable to profits in the country concerned	**(3,812)**	(4,456)	**(8,460)**	943	**(12,272)**	(3,513)
Tax effect of expenses not deductible for tax purpose	**41,547**	33,074	**939**	6,511	**42,486**	39,585
Tax effect of income not taxable for tax purpose	**(893)**	(1,050)	**(19)**	(10,462)	**(912)**	(11,512)
Tax effect of net income derived from leasing of properties to PAGCOR not taxable for tax purpose	**(35,202)**	(36,614)	**–**	–	**(35,202)**	(36,614)
Tax effect of utilisation of tax losses and deductible temporary difference not previously recognised	**–**	–	**–**	(72)	**–**	(72)
Tax effect of tax losses and deductible temporary differences not recognised	**1,991**	4,404	**7,561**	3,080	**9,552**	7,484
Provision of deferred tax, net	**(62)**	37,588	**(21)**	–	**(83)**	37,588
Others	**(273)**	(315)	**–**	–	**(273)**	(315)
Income tax expenses for the year	**3,296**	32,631	**–**	–	**3,296**	32,631

At 31 March 2018, there are tax dispute cases between Marina Square Properties, Inc. ("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 which were pending for final decision of the court. Based on the advice of the independent legal advisor of the subsidiary, the Directors believe that MSPI has valid legal arguments to defend the tax disputes and conclude that the possibility of additional tax liabilities is remote.

At 31 March 2018, there are tax dispute cases between NCHI, a subsidiary of the Company principally engaging in the hotel operations in the Philippines, and BIR for the calendar year of 2011 which were pending for final decision of the court. Based on the advice of the independent legal adviser of the subsidiary, the Directors believe that NCHI has valid legal arguments to defend the tax disputes and conclude that the possibility of additional tax liabilities is remote.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

12. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2018 (2017: nil).

13. LOSS PER SHARE

The basic and diluted loss per share attributable to the owners of the Company are calculated as follows:

	2018 **HK$'000**	2017 HK$'000 (Restated)
Loss for the year		
Loss for the purpose of basic and diluted loss per share	**(67,278)**	(31,486)

	2018 **'000**	2017 '000 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,307,439**	1,198,496
Effect of dilutive potential ordinary shares:		
— Share options	**500**	–
	1,307,939	1,198,496

	2018 **HK Cents**	2017 HK Cents (Restated)
Loss per share		
— Basic	**(5.15)**	(2.63)
— Diluted	**(5.15)**	(2.63)

As mentioned in note 22, on 10 August 2017, the Company completed a share placing of 190,000,000 shares at placing price of HK$1.9. The weighted average number of ordinary shares for the purpose of basic loss per share has been retrospectively adjusted to assume that the bonus element of the share placing were in effect since 1 April 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Machinery HK$'000	Furniture, fixtures and equipments HK$'000	Entertainment equipments HK$'000	Computer equipments HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:								
At 1 April 2016	519,436	4,223	93,914	64,747	148,649	382	964	832,315
Additions	164	–	1,550	2,154	15,679	8	402	19,957
Disposals	–	–	(90)	(45)	(415)	–	(187)	(737)
Written-off	–	–	(1,175)	(590)	(9,735)	(131)	–	(11,631)
Exchange adjustments	(42,692)	(312)	(7,729)	(5,362)	(12,430)	–	(88)	(68,613)
At 31 March 2017	476,908	3,911	86,470	60,904	141,748	259	1,091	771,291
Additions	–	22	6,417	5,146	8,293	87	198	20,163
Disposals	–	–	–	(64)	(5,894)	–	–	(5,958)
Written-off	–	(428)	(1,374)	(1,571)	(2,893)	(238)	–	(6,504)
Exchange adjustments	(12,570)	(92)	(2,389)	(1,679)	(3,727)	–	(33)	(20,490)
At 31 March 2018	**464,338**	**3,413**	**89,124**	**62,736**	**137,527**	**108**	**1,256**	**758,502**
Amortisation and impairment:								
At 1 April 2016	203,998	1,938	89,233	61,432	118,062	371	849	475,883
Provision for the year	12,562	169	1,414	1,385	14,288	10	106	29,934
Elimination on disposal	–	–	(88)	(44)	(2)	–	(161)	(295)
Elimination on written-off	–	–	(1,175)	(590)	(9,735)	(131)	–	(11,631)
Exchange adjustments	(17,249)	(131)	(7,339)	(5,061)	(9,878)	–	(69)	(39,727)
At 31 March 2017	199,311	1,976	82,045	57,122	112,735	250	725	454,164
Provision for the year	12,025	164	2,135	1,807	11,639	27	129	27,926
Elimination on disposal	–	–	–	(62)	(4,673)	–	–	(4,735)
Elimination on written-off	–	(428)	(1,374)	(1,571)	(2,896)	(235)	–	(6,504)
Exchange adjustments	(5,515)	(44)	(2,179)	(1,508)	(3,060)	–	(22)	(12,328)
At 31 March 2018	**205,821**	**1,668**	**80,627**	**55,788**	**113,745**	**42**	**832**	**458,523**
Carrying amount:								
At 31 March 2018	**258,517**	**1,745**	**8,497**	**6,948**	**23,782**	**66**	**424**	**299,979**
At 31 March 2017	277,597	1,935	4,425	3,782	29,013	9	366	317,127

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

Impairment tests for Property, plant and equipment

As the Group continued to record a loss for the hotel segment during the year, the Directors considered there was indication for impairment for the property, plant and equipment in this segment.

For the purpose of impairment testing, the recoverable amount of property, plant and equipment in the hotel segment was determined with reference to the valuation prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), an independent valuer not connected to the Group by income capitalisation approach. Key assumptions used in calculating the recoverable amount are as follows:

	2018	2017
Growth rate of revenue	**5.0%**	5.0%
Discount rate	**11.5%**	11.0%
Capitalisation rate	**6.5%**	6.0%

The Directors believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount. As at 31 March 2018, the Directors determine that there is no impairment on property, plant and equipment.

15. INVESTMENT PROPERTIES

	Total HK$'000 (Restated)
FAIR VALUE	
At 1 April 2016	1,977,000
Fair value loss	(119,948)
Exchange adjustment	(158,052)
At 31 March 2017	1,699,000
Fair value loss	(130,605)
Exchange adjustment	(41,395)
At 31 March 2018	**1,527,000**

The above investment properties are located in the Philippines. The Group's property interest held to earn rentals is measured using the fair value model and is classified and accounted for as investment property.

The fair value of the Group's investment properties at 31 March 2018 was approximately HK$1,527,000,000 (2017:HK$1,699,000,000). The fair value has been arrived at based on a valuation carried out by JLL, an independent valuer not connected with the Group. JLL is a member of the Hong Kong Institute of Surveyors.

15. INVESTMENT PROPERTIES *(Continued)*

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. Key assumptions used in calculating the recoverable amount are as follows:

	2018	2017
Growth rate of revenue	**3.0%**	3.0%
Discount rate	**12.5%**	12.5%
Capitalisation rate	**7.5%**	7.5%

The fair value of the investment properties at 31 March 2018 and 2017 were measured using valuation techniques with significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy. There were no transfer into or out of Level 3 during the year.

16. LOAN RECEIVABLE

The Group's loan receivable represents a loan to a third party granted on 3 August 2017. The loan is interest bearing at 3.5% per annum, repayable annually and the whole principal amount is repayable on 3 August 2033.

The loan was secured by two parcel of land owned by the borrower. The Directors considered that the estimated fair value of these collaterals was not less than the carrying amount of the respective loan receivable as at 31 March 2018.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at FVTPL include the following:

	2018 HK$'000	2017 HK$'000
Non-current assets		
8% perpetual subordinated capital securities listed overseas *(note)*	**–**	20,521
Deutsche Far Eastern DWS Asia High Yield Bond Income Fund	**784**	–
	784	20,521

Note:

The 8% perpetual subordinated capital securities were financial assets designated as at FVTPL at initial recognition. During the year, all the capital securities were disposed of with a gain of HK$627,000 recognised in profit or loss.

18. TRADE RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	**22,399**	26,177
Less: Allowance for bad debts for trade receivables	**(10)**	(4,234)
	22,389	21,943

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 bad debts presented based on invoice date which approximate the respective revenue recognition date at the end of the reporting period.

	2018 HK$'000	2017 HK$'000
0–30 days	**20,047**	21,044
31–60 days	**1,985**	760
61–90 days	**24**	139
Over 90 days	**333**	–
	22,389	21,943

Before accepting any new customer, the Group will assess the potential customer's credit quality and define credit limits by customer. At 31 March 2018, trade receivables with an aggregate carrying amount of approximately HK$20,047,000 (2017: HK$21,044,000) were neither past due nor impaired. The Directors consider these trade receivables are of good credit quality.

The ageing of trade receivables which are past due but not impaired are as follows:

	2018 HK$'000	2017 HK$'000
31–60 days	**1,985**	760
61–90 days	**24**	139
Over 90 days	**333**	–
	2,342	899

18. TRADE RECEIVABLES *(Continued)*

The below table reconciled the movement in the allowance for bad debts for trade receivables for the year:

	2018 HK$'000	2017 HK$'000
At 1 April	**4,234**	4,617
Exchange adjustments	**(20)**	(379)
Impairment losses recognised/(reversal of impairment losses)	**8**	(2)
Amounts written off as uncollectible	**(4,212)**	(2)
At 31 March	**10**	4,234

At 31 March 2018, included in the allowance for bad debts are individually impaired trade receivables with an aggregate balance of approximately HK$10,000 (2017: HK$4,234,000) which have been in severe financial difficulty.

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.

	2018 HK$'000	2017 HK$'000 (Restated)
0–30 days	**3,586**	3,712
31–60 days	**280**	273
61–90 days	**159**	156
Over 90 days	**1,270**	2,323
	5,295	6,464

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For the year ended 31 March 2018

20. DEFERRED TAX LIABILITIES

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 the subsidiaries in the Philippine.

	Fair value adjustments on Property, plant and equipment	Fair value adjustments on investment properties	Withholding tax on undistributed earnings	Unrealised foreign exchange gain	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2016					
As previously stated	28,520	50,549	28,640	16,725	124,434
Prior year adjustment *(note 4)*	–	69,901	–	–	69,901
As restated	28,520	120,450	28,640	16,725	194,335
(Credited)/charged to profit or loss for the year *(note 11)*	(1,135)	5,611	(12,642)	(3,822)	(11,988)
Exchange adjustments	(2,300)	(10,114)	(1,864)	(1,226)	(15,504)
At 31 March 2017	25,085	115,947	14,134	11,677	166,843
As previously stated	25,085	46,397	14,134	11,677	97,293
Prior year adjustment *(note 4)*	–	69,550	–	–	69,550
As restated	25,085	115,947	14,134	11,677	166,843
(Credited)/charged to profit or loss for the year *(note 11)*	(1,087)	5,624	–	(1,241)	3,296
Exchange adjustments	(638)	(3,135)	–	(281)	(4,054)
At 31 March 2018	**23,360**	**118,436**	**14,134**	**10,155**	**166,085**

20. DEFERRED TAX LIABILITIES *(Continued)*

At 31 March 2018, the Group had estimated unused tax losses of approximately HK$107,113,000 (2017: HK$241,426,000) and deductible temporary differences of approximately HK$6,268,000 (2017: HK$10,369,000) arising from certain companies within the Group that are suffering from losses for years available for offset against future profits. At 31 March 2018 and 2017, 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$58,253,000 (2017: HK$205,883,000) may be carried forward indefinitely. The remaining tax losses will be expired as follows:

	2018 **HK$'000**	2017 HK$'000
Year 2017	**–**	378
Year 2018	**17,958**	18,469
Year 2019	**15,082**	15,557
Year 2020	**12,330**	1,139
Year 2021	**3,490**	–
	48,860	35,543

21. RETIREMENT BENEFIT COSTS

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

	2018 **HK$'000**	2017 HK$'000
Hong Kong	**190**	105
The Philippines	**1,024**	1,094
	1,214	1,199

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 2018 was approximately HK$190,000 (2017: HK$105,000).

21. RETIREMENT BENEFIT COSTS *(Continued)*

	2018 HK$'000	2017 HK$'000
Net defined benefit obligations	**4,355**	5,506

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.

(a) The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

	2018 HK$'000	2017 HK$'000
Present value of defined benefit obligations	**4,402**	5,553
Fair value of plan assets	**(47)**	(47)
Net liability arising from defined benefit obligations	**4,355**	5,506

(b) Movements in the present value of the defined benefit obligations for both the years ended 31 March 2018 and 2017 are as follows:

	2018 HK$'000	2017 HK$'000
At 1 April	**5,553**	5,224
Current service costs	**734**	840
Interest cost	**292**	257
Actuarial gains	**(1,748)**	51
Benefits paid	**(254)**	(336)
Exchange realignment	**(175)**	(483)
	4,402	5,553

21. RETIREMENT BENEFIT COSTS *(Continued)*

(c) Movements in the fair value of the plan assets for both the years ended 31 March 2018 and 2017 are as follows:

	2018 HK$'000	2017 HK$'000
At 1 April	**47**	55
Interest income	**3**	3
Return on plan assets	**–**	(6)
Actuarial losses	**(2)**	–
Exchange realignment	**(1)**	(5)
	47	47

(d) Amounts recognised in the consolidated statement of comprehensive income in respect of these defined benefit plans are as follows:

	2018 HK$'000	2017 HK$'000
Service cost:		
Current service costs	**734**	840
Net interest expense	**289**	254
Components of defined benefit costs recognised in profit or loss	**1,023**	1,094
Remeasurement on the net defined benefit liability:		
Actuarial gains	**1,748**	(51)
	1,748	(51)

The defined benefit cost of HK$1,023,000 (2017: HK$1,094,000) has been included in the administrative expenses. The remeasurement of the net defined benefit liability is included in other comprehensive income.

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.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligations at 31 March 2018 were carried out by E.M. Zalamea Actuarial Services, Inc. and Institutional Synergy, Inc. (2017: E.M. Zalamea Actuarial Services, Inc. and Institutional Synergy, 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.

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For the year ended 31 March 2018

21. RETIREMENT BENEFIT COSTS *(Continued)*

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

	2018	2017
Discount rate	**7.00%–7.91%**	5.07%–6.02%
Expected rate of salary increase	**4.00%–5.00%**	4.00%–5.00%

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 2018 and 2017.

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$1,000 (2017: HK$3,000).

The weighted average duration of the defined benefit obligations is 13.5 years (2017: 9.6 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 (2017: nil).

22. SHARE CAPITAL

	2018 HK$'000	2017 HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
2,000,000,000 ordinary shares	**2,000,000**	2,000,000
Issued and fully paid:		
1,179,157,235 (2017: 1,179,157,235) ordinary shares at beginning of year	**1,179,157**	1,179,157
Issuance of ordinary shares *(Note)*	**190,000**	–
1,369,157,235 (2017: 1,179,157,235) ordinary shares at end of year	**1,369,157**	1,179,157

Note:

On 10 August 2017, the Company completed a share placing to not less than 6 placees for an aggregate of 190,000,000 shares at placing price of HK$1.9. The net proceeds from the placing was amounted to HK$359,167,000, net of placing commission and other related expenses.

23. SHARE-BASED PAYMENT

On 4 December 2017, a total of 54,766,288 share options were granted to eligible persons and entitled the grantees to subscribe for ordinary shares at an exercise price of HK$1.94 per share, with closing price per share immediately before the date on which the share options were granted at HK$1.88. The options may be exercisable during the period from 4 December 2017 to 3 December 2027.

Fair value of share options granted during the year and assumptions are as follows:

Fair value at grant date	HK$1.096
Expected volatility	64.42%
Risk free rate	1.83%
Expected dividend rate	0%
Exercise multiple	2.86

The volatility assumption is measured at the average of the comparable companies' share price return volatility over the same period.

Share options were granted with no vesting condition. There were no market conditions associated with the share option grants.

The fair value of the share options granted during the year was approximately HK$5,433,000, all of which was recognised an equity-settled share-based payment expenses during the year.

24. PROMISSORY NOTE

The promissory note was issued on 3 October 2016 by Fortune Growth Overseas Limited, a wholly-owned subsidiary of the Company, to a subsidiary of Chow Tai Fook (Holding) Limited ("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).

25. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for but not yet accounted for at the end of the reporting period in the financial statements is as follows:

	2018 HK$'000	2017 HK$'000
Property, plant and equipment	**5,314**	3,452

(b) 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$3,686,877,000). The monthly rental is based on a certain percentage of net gaming revenue generated from the local gaming area operated by PAGCOR or a fixed amount of Peso100,000 (equivalent to approximately HK$15,000 (as at 31 March 2017: HK$16,000)), whichever is higher. Rental income arising from such agreement during the year end 31 March 2018 was approximately HK$188,044,000 (2017: HK$183,787,000), representing contingent rental income.

(c) Operating lease commitments — the Group as lessee

At 31 March 2018, the Group had outstanding minimum commitments under non-cancellable operating leases which fall due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**5,611**	5,567
In the second to fifth year inclusive	**16,031**	17,356
Over five years	**27,068**	31,917
	48,710	54,840

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.

26. RELATED PARTY TRANSACTIONS

(a) The Group entered into the following transactions with related parties in 2017, other than those disclosed in notes 24 and 29:

	2018 HK$'000	2017 HK$'000
Accommodation and beverages income	–	102
Rental expenses	–	1,570
Expenses incurred under the hotel management agreement and the sales and marketing agreement	–	4,981
Interest expense on promissory note	–	6,904

All the transactions above were incurred with subsidiaries indirectly controlled by CTFHL, the former intermediate parent of the Group. On 10 February 2017, CTFHL ceased to be the Group's intermediate parent. Accordingly, all the transactions with subsidiaries indirectly controlled by CTFHL were not classified as related party transactions since 10 February 2017.

(b) Compensation of key management personnel

The remuneration of the Directors and other members of key management of the Group are disclosed in note 10. 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.

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27. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents comprise:

	2018 **HK$'000**	2017 HK$'000
Cash available on demand	**413,197**	101,883
Short-term deposits *(Note)*	**283,371**	201,828
	696,568	303,711

Note:

The balance represents 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 2% (2017: 0.001% to 1.470%) 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 3% (2017: 0.050% to 1.750%) per annum.

(b) Reconciliation of liabilities arising from financing activities:

	Promissory note *(note 24)* HK$'000
At 1 April 2017	*336,416*
Interest paid	(14,000)
Total changes from financing cash flows	(14,000)
Other changes:	
Interest expenses	16,700
At 31 March 2018	*339,116*

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28. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 March 2018 were as follows:

Name of subsidiary	Form of business	Place of incorporation and operations	Issued and fully paid share capital/ registered capital	Percentage held by the Company Directly %	Percentage held by the Company Indirectly %	Principal activities
Lucky Genius Limited	Corporation	BVI	US$1	100	–	Investment holding
Mediamaster Limited	Corporation	BVI	US$1	100	–	Investment holding
Success Gold Holdings Limited	Corporation	BVI	US$1	100	–	Investment holding
Fortune Growth Overseas Limited	Corporation	BVI	US$1	100	–	Investment holding
Newworth Ventures Limited	Corporation	BVI	US$1	100	–	Investment holding
Maxprofit International Limited ("Maxprofit")	Corporation	BVI	US$100	–	100	Investment holding
Flexi-Deliver Holding Ltd.	Corporation	BVI	US$1	–	100	Investment holding
CTF Hotel and Entertainment, Inc.	Corporation	Philippines	Peso10,468,600	–	100	Investment holding
CTF Properties (Philippines), Inc.	Corporation	Philippines	Peso10,468,600	–	100	Investment holding
Marina Square Properties, Inc. ("MSPI")	Corporation	Philippines	Peso2,722,930,653	–	100	Property investment

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For the year ended 31 March 2018

28. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Form of business	Place of incorporation and operations	Issued and fully paid share capital/ registered capital	Percentage held by the Company Directly %	Percentage held by the Company Indirectly %	Principal activities
New Coast Hotel, Inc. ("NCHI")	Corporation	Philippines	Peso621,444,867	–	100	Hotel owner, operation of hotel business
Future Growth Limited	Corporation	Hong Kong	HK$2	100	–	General administration for the Group
East Fortune Holdings Limited	Corporation	Hong Kong	HK$1	–	100	Investment holding
VMS Private Investment Partners VIII Limited ("VMS") *(Note)*	Corporation	BVI	Class B: US$9,500	100	–	Investment holding
			Class A: US$500	100 (2017: Nil)	–	

Note:

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. On 12 December 2017, the Group increased its ownership interests in VMS to 100% through acquiring the remaining 500 shares held by minority shareholders at the nominal value of US$500. The transaction has been accounted for as an equity transaction with the non-controlling interests.

Saved as disclosed in note 24, none of the subsidiaries had any debt securities outstanding at the end of the year or at any time 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.

29. NON-CONTROLLING INTERESTS

On 3 October 2016, a wholly-owned subsidiary of the Company, completed the acquisition (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. Prior to the Acquisition, Maxprofit had material non-controlling interests.

Summarised financial information for the period from 1 April 2016 to 3 October 2016 in relation to the non-controlling interests ("NCI") of Maxprofit before intra-group eliminations, is presented below:

	1 April 2016 to 3 October 2016 HK$'000
For the period ended	
Revenue	145,849
Loss for the period	(20,988)
Total comprehensive income	(153,149)
Loss for the period attributable to NCI	(10,284)
Total comprehensive income for the period attributable to NCI	(75,043)
Dividend paid during the period to NCI	120,050

The NCI of all other subsidiaries that are not 100% owned by the Group are considered to be immaterial.

30. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY

(a) Statement of financial position of the Company

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Investments in subsidiaries	30(c)	**251,409**	201,408
Financial assets at fair value through profit or loss		**–**	20,521
Amount due from a subsidiary in form of promissory note		**750,476**	750,476
Amount due from a subsidiary		**356,386**	342,163
		1,358,271	1,314,568
Current assets			
Other receivables, deposits and prepayments		**489**	430
Bank balances		**356,651**	16,164
		357,140	16,594
Current liabilities			
Other payables and accrued charges		**2,924**	5,514
NET ASSETS		**1,712,487**	1,325,648
Equity attributable to owners of the Company			
Share capital	22	**1,369,157**	1,179,157
Reserves	30(b)	**343,330**	146,491
TOTAL EQUITY		**1,712,487**	1,325,648

The statement of financial position of the Company was approved by the Board of Director on 22 June 2018 and was signed on its behalf by:

Dr. Choi Chiu Fai Stanley
DIRECTOR

Mr. Lam Yat Ming
DIRECTOR

30. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY *(Continued)*

(b) Reserves movement of the Company

	Share premium HK$'000	Other reserve HK$'000	Exchange reserve HK$'000	Share-option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2016	1,122	53,022	(116,854)	–	185,904	123,194
Exchange difference arising on translation to presentation currency	–	–	(112,269)	–	–	(112,269)
Total comprehensive income for the year	–	–	–	–	135,566	135,566
At 31 March 2017	1,122	53,022	(229,123)	–	321,470	146,491
Shares issued for cash consideration	169,167	–	–	–	–	169,167
Share options issued	–	–	–	5,433	–	5,433
Exchange difference arising on translation to presentation currency	–	–	(37,480)	–	–	(37,480)
Total comprehensive income for the year	–	–	–	–	59,719	59,719
At 31 March 2018	**170,289**	**53,022**	**(266,603)**	**5,433**	**381,189**	**343,330**

(c) Investments in subsidiaries

	2018 HK$'000	2017 HK$'000
Investment, Unlisted share, at cost	**88**	74
Deemed investments	**290,828**	235,534
Impairment loss recognised	**(11,200)**	(11,200)
Exchange adjustments	**(28,307)**	(23,000)
	251,409	201,408

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31. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the financial assets and financial liabilities recognised at the end of reporting period were categorised as follows:

	2018 HK$'000	2017 HK$'000
Financial assets		
Fair value through profit or loss	**784**	20,521
Loans and receivables at amortised cost (including bank balances and cash)	**782,722**	333,623
	783,506	354,144
Financial liabilities		
Financial liabilities at amortised cost	**378,853**	372,748

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

— the fair value of investments held for trading with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market price; and

— the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

HKFRS 13 requires disclosures for financial instruments that are measured at fair value by level of the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: 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 for the asset or liability that are not based on observable market data.

31. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 March 2018				
Financial assets at FVTPL				
Deutsche Far Eastern DWS Asia High Yield Bond Income Fund	**784**	**–**	**–**	**784**
At 30 March 2017				
Financial assets at FVTPL				
8% perpetual subordinated capital securities listed overseas	20,521	–	–	20,521

32. CAPITAL RISK MANAGEMENT

The Group's objectives of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital. There was no change in capital management policies and objectives from prior periods.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position and makes adjustment to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings representing outstanding promissory note as shown in the consolidated statement of financial position less cash and bank balances. Total capital is calculated as equity as shown in the consolidated statement of financial position, plus net debt (excess of borrowings over cash and bank balances), as appropriate.

During the year ended 31 March 2018, the Group's strategy, which was unchanged from 2017, was to maintain a zero or minimal gearing ratio.

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32. CAPITAL RISK MANAGEMENT *(Continued)*

The gearing ratio as at 31 March 2017 and 2018 were as follows:

	2018 **HK$'000**	2017 HK$'000 (Restated)
Total borrowings (Promissory note)	**339,116**	336,416
Less: Bank balances and cash	**(696,568)**	(303,711)
Net debt	**(357,452)**	32,705
Total capital	**2,082,395**	1,835,360
Gearing ratio	**N/A**	1.8%

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(a) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables and financial assets at FVTPL. The Directors have a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Normally, the Group does not obtain collateral from customers.

At 31 March 2018, the Group had concentration of credit risk in respect of trade receivable from PAGCOR of approximately HK$16,798,000 (2017: HK$16,748,000). 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 2018 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 creditrating agencies.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) 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 Directors to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group of 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.

The Group	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but Less than 5 years HK$'000
2018					
Non-derivatives:					
Trade payables	**5,295**	**5,295**	**5,295**	**–**	**–**
Other payables and accruals	**35,442**	**35,442**	**35,442**	**–**	**–**
Promissory note	**339,116**	**406,000**	**14,000**	**28,000**	**364,000**
	379,853	**446,737**	**54,737**	**28,000**	**364,000**
2017					
Non-derivatives:					
Trade payables	6,464	6,464	6,464	–	–
Other payables and accruals	22,964	22,964	22,964	–	–
Promissory note	336,416	420,000	14,000	28,000	378,000
	365,844	449,428	43,428	28,000	378,000

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Interest rate risk

The Group's interest rate risk arises from its financial assets at FVTPL (note 17) and variable-rate bank balances (note 27) and promissory note (note 24). 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 Directors monitor 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 (2017: 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 Directors. 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$805,000 (2017: HK$731,000). A 30 basis points (2017: 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 (2017: 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$64,000 (2017: HK$57,000).

(d) Other price risk

At 31 March 2018, the Group is exposed to price risk through its financial assets at FVTPL in respect of the investment in Deutsche Far Eastern DWS Asia High Yield Bond Income Fund. The Directors have 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 Directors monitor 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 investment in Deutsche Far Eastern DWS Asia High Yield Bond Income Fund, price risk (including fair value interest rate risk) arising from financial assets at FVTPL. If the prices of respective financial instruments had been 10% higher/lower, the Group's post-tax profit for the year would increase/decrease by approximately HK$78,000 as a result of the change in fair value of financial assets at FVTPL at 31 March 2018.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(e) Currency risk

The Group is exposed to currency risk primarily through the financial assets at FVTPL, other receivables, bank balances and cash, other payables and promissory note that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars and Hong Kong dollar.

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:

	Liabilities		Assets	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
USD	**3,409**	2,814	**63,766**	70,723
HK$	**342,040**	348,414	**357,885**	41,500

The Group currently does not have foreign currency hedging policy. However, the Directors monitor foreign currency exposure for each business segment and review 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$/USD exchange rates. As a result, the Directors consider that the sensitivity of the Group's exposure towards the change in foreign exchange rates between USD/HK$ 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' sensitivity to a 10% (2017:10%) increase and decrease in Peso against USD and HK$. 10% (2017: 10%) represents the assessment of the reasonably possible change in foreign exchange rates made by the Directors. The sensitivity analysis includes only outstanding foreign currency denominated monetary items. The table below indicates the impact on post-tax profit for the year where the Peso weaken 10% (2017: 10%) against foreign currencies, and vice versa.

	HK$ impact		USD impact	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Increase/(decrease) in post-tax profit for the year *(Note)*	**1,076**	(11,742)	**4,973**	10,065

Note:

For a 10% (2017: 10%) strengthening of Peso against foreign currencies, there would be an equal and opposite impact on the post-tax profit for the year.

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34. MATERIAL INTEREST OF DIRECTORS IN TRANSACTION, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance to which the Company was a party and in which the Directors or an entity connected with the Directors had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

35. EVENT AFTER THE END OF REPORTING PERIOD

(a) On 21 May 2018, the Company and Hamsard 3467 Limited ("Hamsard 3467"), an investment holding company incorporated in England and Wales, entered into the Share Purchase Agreement pursuant to which Hamsard 3467 has conditionally agreed to acquire the entire issued share capital (including both ordinary shares and preference shares) of Wigan Athletic Holdings Limited, a private company limited by shares incorporated in England and Wales and the shareholding of the Trustees of the Whelan Family Bare Trust in Wigan Athletic A.F.C. Limited, a company incorporated in England and Wales.

On the same date, the Company and Hamsard 3467 also entered into the Property Agreement A, the Property Agreement B and the Property Agreement C with the Property Seller A, the Property Seller B and the Property Seller C respectively for the acquisition of the Property A, the Property B and the Property C.

The capital commitment for this acquisition is the aggregate of: (i) £15,900,000 (equivalent to approximately HK$169,494,000); and (ii) the Working Capital Loans (in any event not exceeding £6,475,000 on the basis that the Long Stop Date was extended to 31 January 2019) (equivalent to approximately HK$69,023,500), which shall be settled by cash. Further details are set out in the announcement dated 21 May 2018.

(b) On 15 June 2018, VMS Private Investment Partners VIII Limited ("VMS VIII"), a direct wholly-owned subsidiary of the Company, as limited partner, entered into the Subscription Agreement and the Limited Partnership Agreement with the General Partner, pursuant to which VMS VIII agreed to subscribe for the Interest in the Fund and commit a capital contribution of EUR26.20 million (approximately HK$242.35 million) to the Fund. Further details are set out in the announcement dated 15 June 2018.

36. COMPARATIVE AMOUNTS

Certain comparatives in the consolidated financial position, consolidated statement of comprehensive income and the related notes are reclassified during the year to conform to current year's presentation of the consolidated financial statements.

37. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were reviewed by the Audit Committee and approved and authorised for issue by the Board of Directors on 22 June 2018.

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 March				
	2014	2015	2016	2017	**2018**
			(Restated)	(Restated)	
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	389,711	366,837	330,939	290,714	**296,380**
Profit/(loss) for the year	161,373	61,138	1,502,134	(41,770)	**(67,278)**
Profit/(loss) attributable to:					
Owners of the Company	114,694	45,944	774,773	(31,486)	**(67,278)**

NET ASSETS

	As at 31 March				
	2014	2015	2016	2017	**2018**
			(Restated)	(Restated)	
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	2,941,009	2,670,933	3,577,976	2,386,434	**2,632,688**
Total liabilities	(203,777)	(228,253)	(235,344)	(551,074)	**(550,293)**
	2,737,232	2,442,680	3,342,632	1,835,360	**2,082,395**
Equity attributable to:					
Owners of the Company	1,827,861	1,875,134	2,057,622	1,835,279	**2,082,395**

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 (equipped with entertainment equipment)	Medium-term lease