CONTENTS

CORPORATE INFORMATION

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

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. CHEUNG Hon Kit
Mr. KWEE Chong Kok, Michael
Mr. LAU Wai Piu
Mr. TSUI Hing Chuen, William

EXECUTIVE COMMITTEE
Dr. CHENG Kar Shun *(Committee Chairman)*
Mr. TO Hin Tsun, Gerald
Mr. CHENG Kam Biu, Wilson

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

NOMINATION COMMITTEE
Mr. TSUI Hing Chuen, William *(Committee Chairman)*
Mr. TO Hin Tsun, Gerald
Mr. CHENG Kam Biu, Wilson
Mr. CHEUNG Hon Kit
Mr. KWEE Chong Kok, Michael
Mr. LAU Wai Piu

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

COMPANY SECRETARY
Mr. KWOK Chi Kin

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

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Rooms 1207–8
New World Tower 1
16–18 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
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.
Public Bank (Hong Kong) Limited

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

STOCK CODE
01009

COMPANY WEBSITE
http://www.ientcorp.com

CHAIRMAN'S STATEMENT

INTERNATIONAL ENTERTAINMENT CORPORATION

DR. CHENG KAR SHUN *Chairman*

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 2016.

During the year ended 31 March 2016, the Group maintained emphasis on two core activities — hotel operations and leasing of properties for casino and ancillary leisure and entertainment operations at the hotel complex of the Group in Metro Manila in the Republic of the Philippines (the "Philippines").

On 18 December 2015, Marina Square Properties, Inc. ("MSPI"), a subsidiary of the Company operating in the Philippines, as lessor entered into a lease agreement (the "Lease Agreement") with Philippine Amusement and Gaming Corporation ("PAGCOR"), a corporation incorporated in the Philippines and controlled and owned by the government of the Philippines, as lessee for the renewal of the original lease of certain premises in the hotel complex of the Group, which expired on 31 March 2016, for gaming and/or support functions for gaming and office space for PAGCOR's executive headquarters and office administration functions. The term of the Lease Agreement commences from 1 April 2016 and will expire 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 Philippine Peso ("Peso") 24.5 billion.

The tourism industry in the Philippines experienced steady growth during the year ended 31 March 2016. Higher disposable incomes, increasingly discerning market demographic and other positive factors are driving the booming development of the hospitality and gaming industries. However, despite the economic growth of the Philippines, the Group's business operations have been encountering challenges from new hotels and casinos in the vicinity of the Group's properties. We remain optimistic for the growth of our hotel operations and leasing of properties business in long term.

CHAIRMAN'S STATEMENT

The revenue of the Group for the year ended 31 March 2016 was approximately HK$330.9 million, representing a decrease of approximately 9.8%, as compared with approximately HK$366.8 million in the last year. Hotel operations and lease of properties contributed approximately 32.8% and 67.2% respectively to the revenue of the Group, as compared with approximately 36.0% and 64.0% for the year ended 31 March 2015. The Group recorded a profit of approximately HK$45.2 million for the year ended 31 March 2016, representing a decrease of approximately 26.0%, as compared with a profit of approximately HK$61.1 million for the year ended 31 March 2015. Earnings per share for the year ended 31 March 2016 amounted to approximately 2.69 HK cents, compared with earnings per share of approximately 3.90 HK cents for the year ended 31 March 2015.

Net cash generated by the operations of the Group for the year ended 31 March 2016 was approximately HK$138.1 million, representing a decrease of approximately 17.9%, as compared with approximately HK$168.2 million for the year ended 31 March 2015. Bank balances and cash of the Group as at 31 March 2016 amounted to approximately HK$1,179.5 million, representing a decrease of approximately 25.9%, as compared with approximately HK$1,591.5 million as at 31 March 2015. Net assets attributable to the shareholders of the Company (the "Shareholders") as at 31 March 2016 amounted to approximately HK$1,314.0 million, representing a decrease of approximately 29.9%, as compared with approximately HK$1,875.1 million as at 31 March 2015. The decrease in bank balances and cash as well as the net assets attributable to the Shareholders was mainly due to the payments of a final dividend of HK$0.01 per share and a special dividend of HK$0.45 per share in respect of the year ended 31 March 2015, amounting to an aggregate of approximately HK$542.4 million to the Shareholders, during the year ended 31 March 2016.

In addition to introducing innovative marketing and promotional strategies, we will strive to continue to refine our services and facilities, and will put in place a renovation plan for the Group's properties to meet the increasingly-competitive market. Integrated cost-control measures will also be adopted to reinforce our financial position. In the coming year, the Group will remain focused on existing business operations and investments in the Philippines, and will make good use of cash on hand for investment for better return to the Shareholders. We will also review the Group's financial structure and the composition of its assets and liabilities from time to time, as we remain of the view that the existing business operations in the Philippines will continue to contribute significantly towards the Group's revenue and results.

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

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. Cheng Kar Shun
Chairman

Hong Kong, 24 June 2016

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's revenue for the year ended 31 March 2016 was approximately HK$330.9 million, representing a decrease of approximately 9.8%, as compared with approximately HK$366.8 million in the last year. All of the Group's revenue for the year under review was generated from the business operations in the Philippines. Both the revenue from the leasing of properties and the hotel operations for the year decreased as compared with the last year. The Group reported a gross profit of approximately HK$154.4 million for the year under review, representing a decrease of approximately 3.5%, as compared with approximately HK$160.0 million in the last year.

Other income of the Group for the year ended 31 March 2016 was approximately HK$12.6 million, representing a decrease of approximately 46.4%, as compared with approximately HK$23.5 million in the last year. The decrease was mainly due to the decrease in interest income during the year.

The Group recorded a loss of approximately HK$21.2 million on change in fair value of financial assets at fair value through profit or loss for the year ended 31 March 2016, while a gain on change in fair value of financial assets at fair value through profit or loss of approximately HK$51.4 million was recognised for the last year.

Other gains and losses of the Group represented the net foreign exchange gain or loss, a gain on change in fair value of contingent consideration provision in relation to a tax indemnity provided to the purchaser of a subsidiary of the Company disposed of by the Group during the year ended 31 March 2011 and the reversal of allowance for loan receivable recognised during the year under review. The Group recorded a net foreign exchange gain of approximately HK$34.2 million for the year ended 31 March 2016, representing an increase of approximately HK$30.4 million, as compared with a net foreign exchange gain of approximately HK$3.8 million in the last year. There was no allowance or reversal of allowance for loan receivable recognised for the year ended 31 March 2016, while an allowance for loan receivable of HK$6.0 million was reversed for the year ended 31 March 2015. During the year ended 31 March 2016, the Group recognised a gain of approximately HK$16.6 million on change in fair value of contingent consideration provision in relation to a tax indemnity provided to the purchaser of a subsidiary of the Company disposed of by the Group during the year ended 31 March 2011.

Selling and marketing expenses, and general and administrative expenses of the Group decreased by approximately 12.6% to approximately HK$138.8 million for the year ended 31 March 2016 from approximately HK$158.9 million in the last year. Included in these expenses for the year ended 31 March 2016, approximately 42.3% and 13.5% were the staff costs and the utilities expenses respectively. The staff costs for the year ended 31 March 2016 was approximately HK$58.7 million, representing an increase of approximately 1.4%, as compared with approximately HK$57.9 million in the last year. The utilities expenses for the year ended 31 March 2016 was approximately HK$18.7 million, representing a decrease of approximately 7.4%, as compared with approximately HK$20.2 million in the last year.

Income tax charge of the Group decreased by approximately 49.4% to approximately HK$12.5 million for the year ended 31 March 2016 from approximately HK$24.7 million in the last year.

The profit of the Group decreased by approximately 26.0% to approximately HK$45.2 million for the year ended 31 March 2016 from approximately HK$61.1 million for the year ended 31 March 2015.

Earnings per share for the year ended 31 March 2016 amounted to approximately 2.69 HK cents, as compared with earnings per share of approximately 3.90 HK cents for the year ended 31 March 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

1. Leasing of properties

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

The revenue derived from the leasing of properties for the year ended 31 March 2016 was approximately HK$222.2 million, representing a decrease of approximately 5.3%, as compared with approximately HK$234.6 million in the last year. The decrease was mainly due to the decrease in the net gaming revenue from the local gaming area of the casino operated by PAGCOR as lessee of the Group's premises during the year, which was due to the new independent casinos coming into operation in the vicinity. It contributed approximately 67.2% of the Group's total revenue during the year under review while it contributed approximately 64.0% of the Group's total revenue in the last year.

As announced by the Company on 18 December 2015, MSPI, an indirect non-wholly owned subsidiary of the Company operating in the Philippines, as lessor entered into the Lease Agreement with PAGCOR as lessee for the renewal of the lease of certain premises of the Group. The term of the Lease Agreement commences from 1 April 2016 and will expire 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$4.1 billion).

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 2016 was approximately HK$108.8 million, representing a decrease of approximately 17.7%, as compared with approximately HK$132.2 million in the last year. The decrease was mainly due to the decrease in both the room revenue and the food and beverage sales for the year.

Included in the revenue derived from the hotel operations, approximately 62.7% of the revenue was contributed by room revenue for the year under review while it was approximately 63.7% in the last year. The room revenue for the year ended 31 March 2016 was approximately HK$68.2 million, representing a decrease of approximately 19.0%, as compared with approximately HK$84.2 million in the last year.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE OUTLOOK

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

The directors of the Company (the "Directors") will continue to review the Group's financial structure and the composition of its assets and liabilities periodically. The Directors consider that the existing business operations in the Philippines will continue to contribute significantly towards the Group's revenue and results.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2016, the Group's net current assets amounted to approximately HK$1,182.5 million (as at 31 March 2015: approximately HK$1,588.5 million). Current assets amounted to approximately HK$1,218.3 million (as at 31 March 2015: approximately HK$1,695.5 million), of which approximately HK$1,179.5 million (as at 31 March 2015: approximately HK$1,591.5 million) was bank balances and cash, approximately HK$20.2 million (as at 31 March 2015: approximately HK$25.9 million) was trade receivables, approximately HK$16.1 million (as at 31 March 2015: approximately HK$20.2 million) was other receivables, deposits and prepayments, financial assets at fair value through profit or loss became nil (as at 31 March 2015: approximately HK$54.8 million), and approximately HK$2.5 million (as at 31 March 2015: approximately HK$3.1 million) was inventories.

As at 31 March 2016, the Group had current liabilities amounted to approximately HK$35.8 million (as at 31 March 2015: approximately HK$107.1 million), of which approximately HK$6.1 million (as at 31 March 2015: approximately HK$5.9 million) was trade payables, approximately HK$28.0 million (as at 31 March 2015: approximately HK$42.7 million) was other payables and accrued charges, and approximately HK$1.7 million (as at 31 March 2015: approximately HK$58.5 million) was tax liabilities.

The bank balances and cash of the Group as at 31 March 2016 was mainly denominated in Peso, Hong Kong Dollars ("HK$") and United States Dollars ("USD").

During the year ended 31 March 2016, the Company had paid a final dividend of HK$0.01 per share and a special dividend of HK$0.45 per share in respect of the year ended 31 March 2015, amounting to an aggregate of approximately HK$542.4 million, to the Shareholders, and the Group had paid the withholding tax amounted to approximately HK$57.6 million in respect of the dividend distributed by a subsidiary of the Company in the Philippines to its overseas immediate holding company.

Net cash generated by the operations of the Group for the year under review was approximately HK$138.1 million, representing a decrease of approximately 17.9%, as compared with approximately HK$168.2 million for the year ended 31 March 2015. Net assets attributable to the Shareholders as at 31 March 2016 amounted to approximately HK$1,314.0 million, representing a decrease of approximately 29.9%, as compared with approximately HK$1,875.1 million as at 31 March 2015.

The gearing ratio, measured in terms of total borrowings divided by total assets, was zero as at 31 March 2016 and 31 March 2015 respectively.

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

MANAGEMENT DISCUSSION AND ANALYSIS

SUBSEQUENT EVENTS

The Group does not have any important events affecting the Group's financial performance and/or financial position significantly that have occurred since the end of the financial year ended 31 March 2016.

RISKS AND UNCERTAINTIES

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

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

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

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group dedicates its effort in minimising the impact of the Group's business operations to the environment and believes that it is responsible to protect the environment. It emphasises on 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 to 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 by the Group's business operations in the Philippines during the year under review.

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

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

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

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)*
The Philippines	13,418,881

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

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

Other data	Greenhouse gas emissions (kg CO_2e)
Direct emissions (Scope 1) *(Note i)*	3,681,778
Energy indirect emissions (Scope 2) *(Note ii)*	9,737,103
Total	13,418,881
Total greenhouse gas emissions per employee located in the Philippines	45,955

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

1. Employees

The Group understands the importance of human capital and the continuous supports and contributions from employees are the key elements to its success. It pays strong emphasis on recruiting the right person, providing comprehensive developing program to the employees, retaining employees as well as providing a healthy and safety 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 bans 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. To assemble the customer satisfaction information, different communication channels are available to communicate with its customers, including customer service hotline, customer service email, the websites, or through the customer satisfactory questionnaire to ensure that the Group can hear its inadequacies 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 2016, there was no incidence of non-compliance with the relevant laws and regulations of the places in which the Group operates that which has significant impact on the business operations of the Group.

CHARGES ON GROUP ASSETS

As at 31 March 2016 and 31 March 2015 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 2016.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group will continue to explore the market and identify any business opportunities, and will consider enlarging the Group's existing investment portfolio in the Philippines which may provide its growth and development potential, enhance the profitability, and strive for better return to the Shareholders. The Group will also 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

CONTINGENT LIABILITIES

As at 31 March 2016, the Group had (a) contingent liabilities of approximately HK$460.2 million (31 March 2015: approximately HK$311.6 million) relating to the tax disputes between a subsidiary of the Company principally engaging in the business of leasing of properties in the Philippines and BIR for the calendar years of 2008 and 2012, as well as the potential income tax (but not taking into account any possible additional penalties or interest liability) that may be assessed by BIR for the taxable years which are not yet barred by prescription under the relevant laws, rules and regulations in the Philippines; and (b) contingent liabilities of approximately HK$8.8 million (31 March 2015: approximately HK$17.3 million) relating to the tax disputes between another subsidiary of the Company principally engaging in the hotel operations in the Philippines and BIR for the calendar year of 2011 (31 March 2015: for the calendar year of 2010) (but not taking into account any possible additional penalties or interest liability).

Details of the aforesaid contingent liabilities are set out in note 28 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group was 299 as at 31 March 2016 (as at 31 March 2015: 308). The staff costs for the year ended 31 March 2016 was approximately HK$58.7 million (for the year ended 31 March 2015: approximately HK$57.9 million). The remuneration policy of the Company is recommended by the remuneration committee of the Company (the "Remuneration Committee"). The remuneration of the Directors and the employees of the Group is based on the performance and experience of the individuals and is determined with reference to the Group's performance, the remuneration benchmark in the industry and the prevailing market conditions. In addition to the salaries, the employees of the Group are entitled to benefits including medical, insurance and retirement benefits. Besides, the Group regularly provides internal and external training courses for the employees of the Group to meet their needs.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Dr. Cheng Kar Shun *GBS*, aged 69, was appointed as an executive Director in July 2004 and became the chairman of the Company in November 2004. He is also the chairman of the executive committee of the Company. Dr. Cheng is the chairman and an executive director of Chow Tai Fook Jewellery Group Limited (stock code: 1929), New World Development Company Limited (stock code: 17) and NWS Holdings Limited (stock code: 659), the chairman and the managing director of New World China Land Limited (stock code: 917), the chairman and a non-executive director of New World Department Store China Limited (stock code: 825) and Newton Resources Ltd (stock code: 1231), an independent non-executive director of HKR International Limited (stock code: 480) and Hang Seng Bank Limited (stock code: 11), and a non-executive director of SJM Holdings Limited (stock code: 880), all of which are companies whose issued shares are listed on the Stock Exchange. Dr. Cheng was appointed as the chairman and non-executive director of FSE Engineering Holdings Limited (stock code: 331), the shares of which have been listed on the Stock Exchange since 10 December 2015, on 28 August 2015.

He is also a director of Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, Chow Tai Fook Capital Limited, Chow Tai Fook (Holding) Limited, Sky Warrior Investments Limited and Mediastar International Limited, which are the substantial Shareholders. He is also a director of various subsidiaries of the Company. Dr. Cheng was awarded an Honorary Doctor of Laws from The University of Western Ontario, an Honorary Doctor of Business Administration in Hospitality Management from Johnson & Wales University and a Doctor of Social Sciences *honoris causa* from The University of Hong Kong. Dr. Cheng is the chairman of the Advisory Council for The Better Hong Kong Foundation and a Standing Committee Member of the Twelfth National Committee of Chinese People's Political Consultative Conference of the People's Republic of China. In 2001, he was awarded the Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong").

Dr. Cheng previously held directorship as a non-executive director of Lifestyle International Holdings Limited (stock code: 1212), a company whose issued shares are listed on the Stock Exchange (retired on 4 May 2015).

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

Mr. Lo Lin Shing, Simon, aged 60, joined the Company as a non-executive Director in May 2001 and was re-designated as an executive Director in September 2004. He was appointed as the deputy chairman of the Company in January 2008. Mr. Lo possesses over 30 years of experience in the financial, securities and futures industries, including many trans-border transactions. He has been a member of Chicago Mercantile Exchange and International Monetary Market (Division of Chicago Mercantile) since 1986. Mr. Lo holds a Bachelor of Business Administration degree. Mr. Lo is the chairman and an executive director of Mongolia Energy Corporation Limited (stock code: 276) and Vision Values Holdings Limited (stock code: 862), both of which are companies whose issued shares are listed on the Stock Exchange. He is also a director of various subsidiaries of the Company.

Mr. To Hin Tsun, Gerald, aged 67, was appointed as an executive Director in June 2006 and as the compliance officer of the Company in January 2008. He is also a member of the executive committee and the nomination committee of the Company. Mr. To has been a practising solicitor in Hong Kong since 1975. He is also qualified as a solicitor in the United Kingdom, as well as an advocate and solicitor in Singapore. Mr. To is also a non-executive director of Mongolia Energy Corporation Limited (stock code: 276) and NWS Holdings Limited (stock code: 659), both of which are companies whose issued shares are listed on the Stock Exchange. He is also a director of various subsidiaries of the Company.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS *(Continued)*

Mr. Cheng Kam Chiu, Stewart, aged 61, was appointed as an executive Director in January 2008 and is the authorised representative of the Company. Mr. Cheng holds a Bachelor's degree in Civil and Environmental Engineering from the University of Wisconsin-Madison; a Master's degree in Civil Engineering from the University of California, Berkeley, the United States of America; and a Master's degree in Business Administration from the Chinese University of Hong Kong. Being a member of The Hong Kong Institution of Engineers, Mr. Cheng is a professional engineer with extensive experience in property development and construction management. Mr. Cheng is a member of the Shunde District, Foshan City Committee of the Chinese People's Political Consultative Conference since November 2006.

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

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

Mr. Cheng Kam Biu, Wilson, aged 57, was appointed as an executive Director in January 2008. He is also a member of the executive committee and the nomination committee of the Company. He graduated from the University of Hawaii, Honolulu with a Bachelor of Arts degree in Economics. He has over 25 years of experience in administration and finance of jewellery retail business. Mr. Cheng is the vice-president of The Chinese Gold and Silver Exchange Society. He is a non-executive director of Chow Tai Fook Jewellery Group Limited (stock code: 1929), a company whose issued shares are listed on the Stock Exchange. He is also a director of Sky Warrior Investments Limited and Mediastar International Limited, which are the substantial Shareholders. He is also a director of various subsidiaries of the Company.

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

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS *(Continued)*

Dr. Cheng Chi Kong, aged 36, was appointed as an executive Director in January 2008. He is the executive vice-chairman and joint general manager of New World Development Company Limited (stock code: 17), an executive director of New World China Land Limited (stock code: 917), New World Department Store China Limited (stock code: 825) and Chow Tai Fook Jewellery Group Limited (stock code: 1929), and a non-executive director of Giordano International Limited (stock code: 709) and Modern Media Holdings Limited (stock code: 72), all of which are companies whose issued shares are listed on the Stock Exchange. He is also a director of Chow Tai Fook (Holding) Limited, which is the substantial Shareholder. Dr. Cheng worked in a major international bank prior to joining the New World Group in September 2006 and has substantial experience in corporate finance. Dr. Cheng holds a Bachelor of Arts Degree (cum laude) from Harvard University, and was conferred the Honorary Doctorate of Humanities by the Savannah College of Art and Design. He is the vice-chairman of the Youth Federation of the Central State-owned Enterprises, the vice-chairman of All-China Youth Federation, a member of the Tianjin Municipal Committee of The Chinese People's Political Consultative Conference, the chairman of China Young Leaders Foundation, the chairman of New World Group Charity Foundation Limited, the honorary chairman of K11 Art Foundation and a member of Board of the West Kowloon Cultural District Authority.

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

Mr. Cheng Chi Him, aged 37, was appointed as an executive Director in January 2008. Mr. Cheng is an executive director of New World China Land Limited (stock code: 917), and the chairman and a non-executive director of Greenheart Group Limited (stock code: 94) (appointed as the chairman on 22 March 2016), all of which are companies whose issued shares are listed on the Stock Exchange. He graduated from University of Toronto in Canada with a Bachelor of Arts degree in Statistics.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Hon Kit, aged 62, joined the Company as an independent non-executive Director in May 2001. He is also the chairman of the audit committee, and a member of the remuneration committee and the nomination committee of the Company. Mr. Cheung has over 38 years of experience in real estate development, property investment and corporate finance. He has worked in key executive positions in various leading property development companies in Hong Kong. Mr. Cheung graduated from the University of London with a bachelor of arts degree. Currently, Mr. Cheung is the chairman and an executive director of ITC Properties Group Limited (stock code: 199) and an independent non-executive director of Future Bright Holdings Limited (stock code: 703), all of which are companies whose issued shares are listed on the Stock Exchange.

Mr. Cheung previously held directorship as the chairman and an executive director of Rosedale Hotel Holdings Limited (stock code: 1189), a company whose issued shares are listed on the Stock Exchange (resigned with effect from 30 December 2014).

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Kwee Chong Kok, Michael, aged 69, was appointed as an independent non-executive Director in September 2004. He is also a member of the remuneration committee and the nomination committee of the Company. Mr. Kwee graduated with a Bachelor's Degree in Economics from Le Moyne College, Syracuse, New York, a Master's Degree in Science from American Graduate School of International Management in Phoenix, Arizona and completed a Programme for Management Development at the Harvard Business School, all in the United States of America. Mr. Kwee is the chairman and the chief executive officer of PAMA Group Inc. He was a member of the Hong Kong Advisory Committee on Legal Education from 1998 to 2004 and also served as a member of the Hong Kong Financial Secretary's Economic Advisory Committee from 1995 to 2004.

Mr. Lau Wai Piu, aged 52, joined the Company as an independent non-executive Director in July 2008. He is also the chairman of the remuneration committee, and a member of the audit committee and the nomination committee of the Company. Mr. Lau possesses over 20 years of extensive experience in accounting and financial management. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. He is also an independent non-executive director of Mongolia Energy Corporation Limited (stock code: 276), Haitong International Securities Group Limited (stock code: 665) and Vision Values Holdings Limited (stock code: 862), all of which are companies whose issued shares are listed on the Stock Exchange.

Mr. Tsui Hing Chuen, William *JP*, aged 64, joined the Company as an independent non-executive Director in July 2008. He is also the chairman of the nomination committee, and a member of the audit committee and the remuneration committee of the Company. Mr. Tsui is the founding partner of Messrs. Lo, Wong & Tsui, Solicitors & Notaries since 1980. He has been a solicitor of the High Court of Hong Kong since 1977, a solicitor of the Supreme Court of England & Wales since 1980 as well as a barrister and solicitor of the Supreme Court of Victoria, Australia since 1983. He has also been an advocate and solicitor of the Supreme Court of Republic of Singapore since 1985 and a notary public appointed by the Archbishop of Canterbury, England since 1988. Mr. Tsui was appointed as a Justice of the Peace by the Government of Hong Kong in 1997. He was admitted to the Roll of Honour of the Law Society of Hong Kong in 2013. He is currently an independent non-executive director of Mongolia Energy Corporation Limited (stock code: 276), Haitong International Securities Group Limited (stock code: 665) and Vision Values Holdings Limited (stock code: 862), all of which are companies whose issued shares are listed on the Stock Exchange.

SENIOR MANAGEMENT

Mr. Tse Cho Tseung, aged 62, joined the Group as Chief Operating Officer in November 2005. Mr. Tse is responsible for overall general operation of the Group. He holds a Diploma in Accounting from The Hong Kong Baptist University and has over 30 years of experience in accounting and finance, construction, property development and investment, hotel operations, and trading business.

Mr. Kwok Chi Kin, aged 39, joined the Group in May 2004 and is the Chief Financial Officer and Company Secretary of the Company. He is also the authorised representative of the Company. He is responsible for the accounting and financial management, company secretarial matters and corporate governance functions of the Group. Mr. Kwok holds a Degree of Bachelor of Business Administration in Finance with First Class Honors from Hong Kong University of Science and Technology. He is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and a member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. He has over 15 years of experience in auditing, accounting and financial management, company secretarial practice, and corporate governance. Prior to joining the Group, he worked for an international accounting firm and was a senior executive of a listed company in Hong Kong.

REPORT OF THE DIRECTORS

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2016.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 29 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2016 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 36 to 37 of this annual report.

The Board does not recommend the payment of any dividend for the year ended 31 March 2016 (2015: final dividend of HK$0.01 per share and special dividend of HK$0.45 per share).

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2016 is set out in the section headed "Management Discussion and Analysis" on pages 5 to 12 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 68% and 72% respectively of the Group's total revenue for the year.

The percentage of purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 10% and 39% respectively 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 103 of this annual report.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 13 and 14 respectively to the consolidated financial statements.

PRINCIPAL PROPERTIES OWNED BY THE GROUP

Particulars of the principal properties of the Group are set out on page 104 of this annual report.

REPORT OF THE DIRECTORS

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES

The reserves of the Company available for distribution to the Shareholders as at 31 March 2016, 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$123,194,000.

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 40 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$17,000.

DIRECTORS

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

Executive Directors

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

Independent non-executive Directors

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

In accordance with article 87A of the Articles and the Corporate Governance Code set out in Appendix 14 to the Listing Rules, Mr. Cheng Kam Chiu, Stewart, Dr. Cheng Chi Kong and Mr. Cheng Chi Him, being the executive Directors, shall retire from office by rotation at the forthcoming annual general meeting of the Company (the "AGM") to be held on Wednesday, 17 August 2016. All retiring Directors, being eligible, offer themselves for re-election at the AGM.

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

Biographical information of the Directors is set out in the section headed "Board of Directors and Senior Management" on pages 13 to 16 of this annual report.

REPORT OF THE DIRECTORS

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of Mr. Cheung Hon Kit, Mr. Kwee Chong Kok, Michael, Mr. Lau Wai Piu and Mr. Tsui Hing Chuen, William an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all the independent non-executive Directors remain 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 2016, 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 of the Company (the "Shares")

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

Note: These Shares were held by Wellington Equities Inc., a company wholly-owned by Mr. Lo Lin Shing, Simon, an executive Director.

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

	Number of ordinary shares of USD1.00 each in the share capital of Maxprofit			
Name of Director	Personal interest	Corporate interest	Total	Approximate percentage of shareholding
Mr. To Hin Tsun, Gerald	–	11 *(Note)*	11	11%

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

REPORT OF THE DIRECTORS

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

Long positions in the ordinary shares of Chow Tai Fook Jewellery Group Limited ("CTFJGL"), an associated corporation of the Company

	Number of ordinary shares of HK$1.00 each in the share capital of CTFJGL				
Name of Director	Personal interest	Spouse interest	Corporate interest	Total	Approximate percentage of shareholding
Dr. Cheng Kar Shun	–	1,900,000	–	1,900,000	0.02%
Dr. Cheng Chi Kong	–	–	20,000 *(Note)*	20,000	0.00%

Note: 20,000 shares were held by Woodbury Capital Management Limited, a company wholly-owned by Dr. Cheng Chi Kong, 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 2016, 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	Number of Shares	Approximate percentage of the number of issued Shares
Mediastar International Limited ("Mediastar")	Beneficial owner	881,773,550	74.78%
Sky Warrior Investments Limited ("Sky Warrior")	Interest of a controlled corporation	881,773,550 *(Note 1)*	74.78%
Chow Tai Fook (Holding) Limited ("CTFHL")	Interest of a controlled corporation	881,773,550 *(Notes 1, 2)*	74.78%
Chow Tai Fook Capital Limited ("CTFC")	Interest of a controlled corporation	881,773,550 *(Notes 1, 3)*	74.78%
Cheng Yu Tung Family (Holdings II) Limited ("CYTFH-II")	Interest of a controlled corporation	881,773,550 *(Notes 1, 4)*	74.78%
Cheng Yu Tung Family (Holdings) Limited ("CYTFH")	Interest of a controlled corporation	881,773,550 *(Notes 1, 5)*	74.78%

Notes:

(1) Mediastar is wholly-owned by Sky Warrior. Accordingly, Sky Warrior was deemed to be interested in 881,773,550 Shares held by Mediastar under the SFO.

(2) Sky Warrior is wholly-owned by CTFHL. Accordingly, CTFHL was deemed to be interested in 881,773,550 Shares held by Mediastar under the SFO.

(3) CTFC is interested in approximately 78.58% of the issued share capital of CTFHL. Accordingly, CTFC was deemed to be interested in 881,773,550 Shares held by Mediastar under the SFO.

(4) CYTFH-II is interested in approximately 46.65% of the issued share capital of CTFC. Accordingly, CYTFH-II was deemed to be interested in 881,773,550 Shares held by Mediastar under the SFO.

(5) CYTFH is interested in approximately 48.98% of the issued share capital of CTFC. Accordingly, CYTFH was deemed to be interested in 881,773,550 Shares held by Mediastar under the SFO.

REPORT OF THE DIRECTORS

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 27 to the consolidated financial statements, there were no other contracts of significance between the Company, or any of its subsidiaries, and a controlling Shareholder or any its subsidiaries subsisting at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

The following Directors are considered to have interests in the business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules, particulars of which are set out below:

Name of Director	Name of entity which business is considered to compete or likely to compete with the business of the Group	Description of business of the entity which is considered to compete or likely to compete with the business of the Group	Nature of interest in the entity
Dr. Cheng Kar Shun	New World Development Company Limited ("NWD") and its subsidiaries	Hotel operations in Makati, Manila, the Philippines	executive director and shareholder *(Note 1)*
Dr. Cheng Chi Kong	NWD and its subsidiaries	Hotel operations in Makati, Manila, the Philippines	executive director and optionholder *(Note 2)*

Notes:

(1) As at 31 March 2016, Dr. Cheng Kar Shun's spouse was personally interested in 600,000 shares of NWD, representing approximately 0.01% of the number of issued shares of NWD.

(2) As at 31 March 2016, Dr. Cheng Chi Kong was personally interested in 4,500,000 share options of NWD, representing approximately 0.05% of the number of issued shares of NWD.

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

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

The Group had the following continuing connected transactions during the year ended 31 March 2016:

(1) Lease of Premises

On 17 October 2012, Future Growth Limited, a wholly-owned subsidiary of the Company, entered into an offer letter with New World Tower Company Limited ("NWT"), an associate of a substantial Shareholder, to renew the lease of office premises at Rooms 1207–8, 12th Floor, New World Tower, Nos. 16–18 Queen's Road Central, Hong Kong with gross floor area of approximately 1,800 square feet (the "Premises") for three years commencing from 15 November 2012 to 14 November 2015 (both dates inclusive) at a monthly rental of HK$126,360 together with monthly air-conditioning charges and management charges of HK$9,540 (subject to adjustment by NWT or the management company of the building). The monthly air-conditioning charges and management charges have been revised to HK$11,160 per month with effect from 1 January 2015.

For the period from 1 April 2015 to 14 November 2015, the total amount of rental, air-conditioning and management charges in respect of the lease of the Premises paid and payable by the Group to NWT was approximately HK$1,027,000, which did not exceed the annual cap of HK$1,100,000. Details of the lease of the Premises have been set out in the announcement of the Company dated 17 October 2012.

(2) Hotel Management Agreement and Sales and Marketing Agreement

On 24 June 2014, New Coast Hotel, Inc. ("NCHI"), an indirect non-wholly owned subsidiary of the Company, entered into (i) the hotel management agreement (the "Hotel Management Agreement") with NWH Management Philippines, Incorporated ("NWHM (Philippines)"), a connected person of the Company, 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"), a connected person of the Company, 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).

The aggregate annual values paid and payable by the Group to NWHM (Philippines) and NWHML for the transactions contemplated under the Hotel Management Agreement and the Sales and Marketing Agreement for the period from 1 April 2015 to 31 March 2016 was approximately HK$5,024,000, which did not exceed the annual cap of HK$10,600,000. Details of the Hotel Management Agreement and the Sales and Marketing Agreement have been set out in the announcement of the Company dated 24 June 2014.

On 29 December 2015, NWHM (Philippines) and NWHML became the indirect wholly-owned subsidiaries of Chow Tai Fook Enterprises Limited ("CTFE"). CTFE is wholly-owned by CTFHL, which is an indirect controlling Shareholder. Therefore, NWHM (Philippines) and NWHML continue to be the connected persons of the Company under the Listing Rules and the transactions contemplated under the Hotel Management Agreement and the Sales and Marketing Agreement remain continuing connected transactions for the Company and are subject to annual reporting and annual review requirements under Chapter 14A of the Listing Rules.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS *(Continued)*

Annual Review of Continuing Connected Transactions

The independent non-executive Directors have reviewed the continuing connected transactions arising from the lease of the Premises, the Hotel Management Agreement and the Sales and Marketing Agreement and confirmed that the respective 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 2016 are disclosed in note 27 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 2016.

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

REPORT OF THE DIRECTORS

AUDITOR

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

On behalf of the Board

Dr. Cheng Kar Shun
Chairman

Hong Kong, 24 June 2016

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 2016, 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. Lau Wai Piu, an independent non-executive Director and the chairman of the Remuneration Committee, was unable to attend the annual general meeting of the Company held on 21 August 2015 as he had another business engagement at the time of such meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

The Company, having made specific enquiries of all the Directors, was not aware of any non-compliance with the required standard provided in the Model Code and the Code on Securities Transactions throughout the year ended 31 March 2016.

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 takes primary responsibility for ensuring that good corporate governance practices and procedures are established, and is responsible for the management of the Board and ensures that all Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings. The Company does not have any Chief Executive Officer. The Board is primarily responsible for the overall management of the Company and oversight of the management. The management is responsible for the day-to-day operations of the Company. 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.

As at 31 March 2016, the Board comprised eleven Directors, of whom seven were executive Directors and four were independent non-executive Directors. 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 13 to 16 of this annual report.

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

BOARD OF DIRECTORS *(Continued)*

The Board held five meetings during the year ended 31 March 2016. 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.

The attendance of each Director at the said five Board meetings and the annual general meeting of the Company held on 21 August 2015 are set out below:

	Attendance	
	Board Meetings	Annual General Meeting
Executive Directors		
Dr. Cheng Kar Shun *(Chairman)*	3/5	1/1
Mr. Lo Lin Shing, Simon *(Deputy Chairman)*	5/5	0/1
Mr. To Hin Tsun, Gerald	5/5	1/1
Mr. Cheng Kam Chiu, Stewart	4/5	1/1
Mr. Cheng Kam Biu, Wilson	5/5	1/1
Dr. Cheng Chi Kong	4/5	0/1
Mr. Cheng Chi Him	5/5	0/1
Independent non-executive Directors		
Mr. Cheung Hon Kit	5/5	1/1
Mr. Kwee Chong Kok, Michael	5/5	1/1
Mr. Lau Wai Piu	4/5	0/1
Mr. Tsui Hing Chuen, William	5/5	1/1

The external auditor also attended the annual general meeting of the Company held on 21 August 2015 to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

During the year, the Chairman also held a meeting with the independent non-executive Directors without the presence of the executive Directors.

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 is subject to re-election at the next general meeting of the Company.

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

CORPORATE GOVERNANCE REPORT

CONTINUING PROFESSIONAL DEVELOPMENT

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.

All Directors have provided the Company with their training records for the year ended 31 March 2016 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 2016. A summary of the training received by each of the Directors during the year ended 31 March 2016 is as follows:

	Type of continuous professional development	
	Training on corporate governance, regulatory development or other relevant topics	Attending seminars, courses or workshops relevant to directors' duties or other relevant topics
Executive Directors		
Dr. Cheng Kar Shun *(Chairman)*	✓	–
Mr. Lo Lin Shing, Simon *(Deputy Chairman)*	✓	–
Mr. To Hin Tsun, Gerald	✓	✓
Mr. Cheng Kam Chiu, Stewart	✓	–
Mr. Cheng Kam Biu, Wilson	✓	–
Dr. Cheng Chi Kong	✓	–
Mr. Cheng Chi Him	✓	–
Independent non-executive Directors		
Mr. Cheung Hon Kit	✓	–
Mr. Kwee Chong Kok, Michael	✓	✓
Mr. Lau Wai Piu	✓	✓
Mr. Tsui Hing Chuen, William	✓	✓

EXECUTIVE COMMITTEE

The executive committee of the Company (the "Executive Committee") comprises three executive Directors, namely Dr. Cheng Kar Shun (Chairman of the Executive Committee), Mr. To Hin Tsun, Gerald and Mr. Cheng Kam Biu, Wilson. 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 comprises all four independent non-executive Directors, Mr. Lau Wai Piu (Chairman of the Remuneration Committee), Mr. Cheung Hon Kit, Mr. Kwee Chong Kok, Michael and Mr. Tsui Hing Chuen, William, 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 2016, the Remuneration Committee held one meeting to review the remuneration policy of the Company and make recommendations to the Board on the remuneration of the Directors and the senior management of the Group. The attendance records of the members of the Remuneration Committee are set out below:

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

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") comprises six members, with all four independent non-executive Directors, namely Mr. Tsui Hing Chuen, William (Chairman of the Nomination Committee), Mr. Cheung Hon Kit, Mr. Kwee Chong Kok, Michael and Mr. Lau Wai Piu; and two executive Directors, namely Mr. To Hin Tsun, Gerald and Mr. Cheng Kam Biu, Wilson, 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.

NOMINATION COMMITTEE *(Continued)*

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 2016, the Nomination Committee held one meeting 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; and to consider the qualifications of the retiring Directors standing for election at the annual general meeting of the Company.

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

Committee members	Attendance
Mr. Tsui Hing Chuen, William *(Chairman)*	1/1
Mr. Cheng Kam Biu, Wilson	1/1
Mr. Cheung Hon Kit	1/1
Mr. Kwee Chong Kok, Michael	1/1
Mr. Lau Wai Piu	1/1
Mr. To Hin Tsun, Gerald	1/1

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely Mr. Cheung Hon Kit (Chairman of the Audit Committee), Mr. Lau Wai Piu and Mr. Tsui Hing Chuen, William, with written terms of reference which are available on the website of the Stock Exchange and the website of the Company. One of the members of the Audit Committee possesses appropriate professional accounting qualification as defined under the Listing Rules. The primary duties of the Audit Committee are, *inter alia*, to oversee the relationship with the external auditor, to review the financial information of the Group, and to review and supervise the financial reporting process, internal controls and risk management functions of the Group.

During the year, the Audit Committee held three meetings to review the financial reporting process, internal controls and risk management functions 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 annual report of the Company for the year ended 31 March 2016.

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

Committee members	Attendance
Mr. Cheung Hon Kit *(Chairman)*	2/3
Mr. Lau Wai Piu	3/3
Mr. Tsui Hing Chuen, William	3/3

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

For the year ended 31 March 2016, the remuneration in relation to audit services paid or payable to the auditor of the Company was approximately HK$1,995,000 and the remuneration in relation to non-audit services (including review of interim results, tax consultancy and other non-audit services) paid or payable to the auditor of the Company and its affiliated firm was approximately HK$427,000.

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;

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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 review covered the controls over the financial, operational and compliance of the Group. After the internal audit function conducted the review, the internal audit function submitted internal audit reports to the Audit Committee with the key audit findings and recommendations to improve the risk management and internal control systems of the Group which are also presented at the Board meetings.

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.

FINANCIAL REPORTING

The Board acknowledges its responsibility for preparing the consolidated financial statements of the Group for the year ended 31 March 2016. 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 34 to 35 of this annual report.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The company secretary of the Company (the "Company Secretary"), Mr. Kwok Chi Kin, is an employee of the Company and has day-to-day knowledge of the Company's affairs. He reports to the Chairman of the Board and is responsible for advising the Board on governance matters and facilitating induction and professional development of the Directors. He also supports the Board by ensuring good information flow and that the policies and procedures adopted by the Board are followed. During the year ended 31 March 2016, he had taken no less than 15 hours of relevant professional training. The biographical details of Mr. Kwok are set out in the "Board of Directors and Senior Management" section of this annual report.

SHAREHOLDERS' RIGHTS

Procedures for the Shareholders to convene an extraordinary general meeting of the Company ("EGM")

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 Company's principal place of business in Hong Kong, for the attention of the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, 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 such meeting shall be reimbursed by the Company to such Shareholder(s).

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

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. The notice period to be given to all the registered Shareholders for an EGM varies according to the nature of the business specified in the written requisition:

   — at least twenty-one (21) clear days' and not less than ten (10) clear business days' notice in writing if the business constitutes a special resolution of the Company, which cannot be amended other than a mere clerical amendment to correct a patent error; and

   — at least fourteen (14) clear days' and not less than ten (10) clear business days' notice in writing if the business constitutes an ordinary resolution of the Company.

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

CORPORATE GOVERNANCE REPORT

AMENDMENT OF THE COMPANY'S CONSTITUTIONAL DOCUMENTS

There have been no changes in the Company's constitutional documents during the year ended 31 March 2016. The consolidated version of the memorandum of association of the Company and the Articles is available on the website of the Stock Exchange and the website of the Company.

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

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

We have audited the consolidated financial statements of International Entertainment Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 102, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

24 June 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	5	330,939	366,837
Cost of sales		(176,562)	(206,837)
Gross profit		154,377	160,000
Other income	7	12,583	23,508
Other gains and losses		50,761	9,838
Change in fair value of financial assets at fair value through profit or loss		(21,154)	51,410
Selling and marketing expenses		(5,966)	(5,405)
General and administrative expenses		(132,856)	(153,502)
Profit before taxation	8	57,745	85,849
Income tax charge	10	(12,533)	(24,711)
Profit for the year		45,212	61,138
Profit for the year attributable to:			
Owners of the Company		31,703	45,944
Non-controlling interests		13,509	15,194
		45,212	61,138
		HK cent	HK cent
Earnings per share	12		
Basic		2.69	3.90

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	2016 **HK$'000**	2015 HK$'000
Profit for the year	**45,212**	61,138
Other comprehensive (expense) income for the year		
Items that will not be reclassified to profit or loss:		
— remeasurement of defined benefit obligations	**(306)**	(275)
— exchange differences arising on translation to presentation currency	**(69,524)**	1,460
	(69,830)	1,185
Item that may be subsequently reclassified to profit or loss:		
— exchange differences arising on translation of foreign operations	**4,267**	206
Other comprehensive (expense) income for the year, net of income tax	**(65,563)**	1,391
Total comprehensive (expense) income for the year	**(20,351)**	62,529
Total comprehensive (expense) income for the year attributable to:		
Owners of the Company	**(18,750)**	47,273
Non-controlling interests	**(1,601)**	15,256
	(20,351)	62,529

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	*13*	**356,432**	398,645
Investment properties	*14*	**444,384**	555,412
Financial assets at fair value through profit or loss	*15*	**20,290**	20,444
Other receivables, deposits and prepayments		**5,926**	892
		827,032	975,393
Current assets			
Inventories	*16*	**2,546**	3,067
Financial assets at fair value through profit or loss	*15*	**–**	54,750
Trade receivables	*17*	**20,211**	25,932
Other receivables, deposits and prepayments		**16,071**	20,258
Bank balances and cash	*18*	**1,179,500**	1,591,533
		1,218,328	1,695,540
Current liabilities			
Trade payables	*19*	**6,094**	5,916
Other payables and accrued charges	*19*	**28,015**	42,640
Tax liabilities		**1,730**	58,516
		35,839	107,072
Net current assets		**1,182,489**	1,588,468
Total assets less current liabilities		**2,009,521**	2,563,861

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	Notes	**2016 HK$'000**	2015 HK$'000
Capital and reserves			
Share capital	*20*	**1,179,157**	1,179,157
Share premium and reserves		**134,815**	695,977
Equity attributable to owners of the Company		**1,313,972**	1,875,134
Non-controlling interests		**565,945**	567,546
Total equity		**1,879,917**	2,442,680
Non-current liabilities			
Deferred tax liabilities	*21*	**124,434**	117,001
Other liabilities	*22*	**5,170**	4,180
		129,604	121,181
		2,009,521	2,563,861

The consolidated financial statements on pages 36 to 102 were approved and authorised for issue by the Board of Directors on 24 June 2016 and are signed on its behalf by:

Dr. Cheng Kar Shun
DIRECTOR

Mr. Lo Lin Shing, Simon
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000 *(Note 1)*	Other reserve HK$'000 *(Note 2)*	Exchange reserve HK$'000	Retained profits (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2014	1,179,157	1,122	53,022	362,982	(21,238)	252,816	1,827,861	909,371	2,737,232
Profit for the year	–	–	–	–	–	45,944	45,944	15,194	61,138
Remeasurement of defined benefit obligations	–	–	–	–	–	(140)	(140)	(135)	(275)
Exchange differences arising on translation	–	–	–	–	1,469	–	1,469	197	1,666
Total comprehensive income for the year	–	–	–	–	1,469	45,804	47,273	15,256	62,529
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(357,081)	(357,081)
At 31 March 2015	1,179,157	1,122	53,022	362,982	(19,769)	298,620	1,875,134	567,546	2,442,680
Profit for the year	–	–	–	–	–	31,703	31,703	13,509	45,212
Remeasurement of defined benefit obligations	–	–	–	–	–	(156)	(156)	(150)	(306)
Exchange differences arising on translation	–	–	–	–	(50,297)	–	(50,297)	(14,960)	(65,257)
Total comprehensive (expense) income for the year	–	–	–	–	(50,297)	31,547	(18,750)	(1,601)	(20,351)
Dividends recognised as distribution	–	–	–	–	–	(542,412)	(542,412)	–	(542,412)
At 31 March 2016	1,179,157	1,122	53,022	362,982	(70,066)	(212,245)	1,313,972	565,945	1,879,917

Notes:

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**57,745**	85,849
Adjustments for:		
Interest income	**(10,444)**	(21,025)
Allowance for bad and doubtful debts for trade receivables, net	**1,585**	1,741
Reversal of allowance for loan receivable	**–**	(6,000)
Change in fair value of financial assets at fair value through profit or loss	**21,154**	(51,410)
Depreciation of property, plant and equipment	**43,286**	48,160
Depreciation of investment properties	**95,805**	119,949
Change in fair value of contingent consideration provision	**(16,600)**	–
Dividend income from financial assets at fair value through profit or loss	**(1,560)**	(1,560)
Net foreign exchange gain	**(34,161)**	(3,838)
Operating cash flows before movements in working capital	**156,810**	171,866
Decrease (increase) in inventories	**440**	(480)
Decrease (increase) in financial assets at fair value through profit or loss	**33,750**	(3,250)
Decrease (increase) in trade receivables	**3,440**	(1,097)
Increase in other receivables, deposits and prepayments	**(900)**	(143)
Increase in trade payables	**338**	3,479
Increase (decrease) in other payables and accrued charges	**1,603**	(2,739)
Increase in other liabilities	**801**	560
Cash generated from operations	**196,282**	168,196
Income tax paid	**(58,202)**	–
NET CASH FROM OPERATING ACTIVITIES	**138,080**	168,196

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	2016 HK$'000	2015 HK$'000
INVESTING ACTIVITIES		
Interest received	**9,961**	29,691
Dividends received from financial assets at fair value through profit or loss	**1,560**	1,560
Additions to property, plant and equipment	**(10,925)**	(14,899)
Additions to investment properties	**–**	(647)
Proceeds received on disposal of property, plant and equipment	**143**	213
Proceeds received on disposal of financial assets at fair value through profit or loss	**–**	72,540
Repayment of loan receivable	**–**	43,000
NET CASH FROM INVESTING ACTIVITIES	**739**	131,458
FINANCING ACTIVITIES		
Dividends paid to shareholders of the Company	**(542,412)**	–
Dividends paid to non-controlling interests	**–**	(357,081)
CASH USED IN FINANCING ACTIVITIES	**(542,412)**	(357,081)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(403,593)**	(57,427)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**1,591,533**	1,645,872
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(8,440)**	3,088
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**1,179,500**	1,591,533
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**1,179,500**	1,591,533

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

1. GENERAL

The Company is a public company incorporated in the Cayman Islands with limited liability and its issued shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 27 September 2010. Its immediate parent is Mediastar International Limited (incorporated in the British Virgin Islands ("BVI")). Its intermediate parent and ultimate parent are Chow Tai Fook (Holding) Limited ("CTFHL") (incorporated in BVI) and Chow Tai Fook Capital Limited ("CTFC") (incorporated in BVI) respectively. The addresses of the registered office and the principal place of business of the Company in Hong Kong are disclosed in the "Corporate Information" section to this annual report.

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

The Company is an investment holding company. Details of the principal activities of the principal subsidiaries of the Company are set out in note 29.

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

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

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial instruments[2]
HKFRS 15	Revenue from contracts with customers[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from contracts with customers[2]
Amendments to HKAS 1	Disclosure initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[1]
Amendments to HKAS 27	Equity method in separate financial statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle[1]

1 Effective for annual periods beginning on or after 1 January 2016.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 "Financial instruments"

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets; and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

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

HKFRS 9 "Financial instruments" *(Continued)*

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

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

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

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

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

HKFRS 15 "Revenue from contracts with customers"

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

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

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

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

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

HKFRS 16 "Leases"

HKFRS 16, which upon the effective for annual periods beginning on or after 1 January 2019 will supersede HKAS 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

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

HKFRS 16 "Leases" *(Continued)*

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 March 2016 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 March 2015 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

Basis of preparation

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

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

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

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

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.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Financial instruments

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

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

Financial assets

Financial assets are classified into either financial assets at FVTPL or loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial assets is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

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

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

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

Financial assets at FVTPL are stated at fair value, with changes in fair value arising on remeasurement recognised in profit or loss in the period in which they arise. Fair value is determined in the manner described in note 24.

Loans and receivables

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

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

For loans and receivables, objective evidence of impairment could include:

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

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

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

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

Equity instrument

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

Financial liabilities

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis, of which the interest expense, if any, is included in finance costs.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

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

Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised using the straight-line method after taking into account their expected useful lives and relevant estimated residual value.

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

Impairment losses of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses of tangible assets *(Continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss.

Inventories

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

Leasing

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

The Group as lessor

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

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

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Taxation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from 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 amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax 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.

Current and deferred tax are recognised in profit or loss.

Borrowing costs

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

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

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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the exchange reserve (attributed to non-controlling interests as appropriate).

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of time value of money is material).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's estimation. A considerable estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group, resulting in an impairment of their ability to make payments, additional allowance may be required. At 31 March 2016, the carrying amount of the trade receivables was approximately HK$20,211,000 (2015: HK$25,932,000). During the year ended 31 March 2015, reversal of allowance for loan receivable of HK$6,000,000 was credited to profit or loss as the loan receivable was fully repaid during the year.

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$212,485,000 (2015: HK$177,485,000) (details disclosed in note 21). No deferred tax assets have been recognised and offset against deferred tax liabilities due to the unpredictability of future profit streams from these companies within the Group. The unused tax losses not recognised may be crystallised if the actual future profits generated are more than expected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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

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 (2015: ranging between approximately 65% and 80% of the yearly profit) which is determined after taking into consideration of the current dividend policy of the relevant subsidiaries of the Company. During the year ended 31 March 2016, the Group has provided deferred tax in an amount of approximately HK$22,614,000 (2015: HK$19,241,000) in relation to the withholding tax of undistributed earnings that intends not to be retained under the relevant subsidiaries of the Company in the Philippines (details disclosed in note 21).

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

Taxation

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

The ultimate outcome of the tax disputes cannot be presently determined. The estimate of contingent liabilities of the Group in respect of those tax disputes as at 31 March 2016 was approximately HK$468,955,000 (2015: HK$328,929,000) in total. The details are set out in note 28.

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

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

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

Estimated useful lives of investment properties and property, plant and equipment *(Continued)*

As announced by the Company on 18 December 2015, Marina Square Properties, Inc. ("MSPI"), an indirect non-wholly owned subsidiary of the Company, operating in the Philippines, as lessor entered into a lease agreement with PAGCOR as lessee (the "Lease Agreement") for the renewal of the lease of certain premises of the Group for a term commencing from 1 April 2016 and expiring on the earlier of 31 March 2031 or upon the total rent accruing against and/or payable by PAGCOR to MSPI under the Lease Agreement reaching an aggregate of Peso24.5 billion (equivalent to approximately HK$4,125,718,000). Having considered the renewal of the lease, the existing circumstances and the Group's business activities in the foreseeable future, the management of the Group reviewed the estimated useful lives of investment properties. The depreciation period of investment properties changed from the lease term of the Lease Agreement to the shorter of the term of relevant land lease or the estimated useful lives of the investment properties from January 2016 and depreciation provided to write off the cost of investment properties would decease.

5. REVENUE

	2016 **HK$'000**	2015 HK$'000
The Group's revenue comprises:		
Hotel		
Room revenue	**68,150**	84,195
Food and beverages	**37,699**	44,237
Other hotel service income	**2,931**	3,794
	108,780	132,226
Leasing of investment properties equipped with entertainment equipment	**222,159**	234,611
	330,939	366,837

6. SEGMENT INFORMATION

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

(i) Hotel – Operation of hotel business; and

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

Information regarding the above segments is presented below.

Segment revenue and results

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

For the year ended 31 March 2016

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

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 March 2015

	Hotel HK$'000	Leasing HK$'000	Reportable segment total HK$'000	Elimination HK$'000	Total HK$'000
REVENUE					
External sales	132,226	234,611	366,837	–	366,837
Inter-segment sales	398	671	1,069	(1,069)	–
Total	132,624	235,282	367,906	(1,069)	366,837
RESULTS					
Segment (loss) profit	(12,033)	34,323	22,290		22,290
Unallocated other income					16,192
Other gains and losses					9,838
Change in fair value of financial assets at FVTPL					51,410
Unallocated expenses					(32,859)
Unallocated income tax charge					(5,733)
Profit for the year					61,138

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

At 31 March 2016

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

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

At 31 March 2015

	Hotel HK$'000	Leasing HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	485,708	858,665	1,344,373
Unallocated assets			
Bank balances and cash			1,249,424
Financial assets at FVTPL			75,194
Others			1,942
Consolidated total assets			2,670,933
LIABILITIES			
Segment liabilities	63,559	139,990	203,549
Unallocated liabilities			
Tax liabilities			135
Deferred tax liabilities			6,023
Contingent consideration provision			16,600
Others			1,946
Consolidated total liabilities			228,253

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

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

6. SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 March 2016

	Hotel HK$'000	Leasing HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to property, plant and equipment and investment properties	2,573	9,374	11,947	–	11,947
Gain on change in fair value of contingent consideration provision (included in other gains and losses)	–	–	–	(16,600)	(16,600)
(Reversal of allowance) allowance for bad and doubtful debts for trade receivables, net	(5)	1,590	1,585	–	1,585
Depreciation	26,592	112,490	139,082	9	139,091
Interest income	1,054	3,221	4,275	6,169	10,444
Income tax credit (charge)	2,710	(19,037)	(16,327)	3,794	(12,533)

For the year ended 31 March 2015

	Hotel HK$'000	Leasing HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to property, plant and equipment and investment properties	1,923	13,607	15,530	16	15,546
Allowance for bad and doubtful debts for trade receivables, net	29	1,712	1,741	–	1,741
Reversal of allowance for loan receivable (included in other gains and losses)	–	–	–	(6,000)	(6,000)
Depreciation	27,755	140,346	168,101	8	168,109
Interest income	1,590	5,726	7,316	13,709	21,025
Income tax credit (charge)	375	(19,353)	(18,978)	(5,733)	(24,711)

6. SEGMENT INFORMATION *(Continued)*

Geographical segments

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

All of the Group's revenue is generated from external customers in the Philippines. As at 31 March 2016 and 2015, the non-current assets excluded financial instruments were mainly located in the Philippines.

Revenue from major services

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

Information about major customer

Included in the revenue generated from hotel segment and leasing segment of approximately HK$2,782,000 (2015: HK$2,834,000) and HK$222,159,000 (2015: HK$234,611,000) respectively were contributed by the Group's largest customer and the aggregate revenue from this customer represented approximately 68% (2015: 65%) of the total revenue of the Group. There are no other single customers contributing over 10% of the Group's total revenue.

7. OTHER INCOME

	2016 **HK$'000**	2015 HK$'000
Interest income from bank balances	**10,444**	11,367
Interest income from financial assets at FVTPL	–	7,052
Interest income from loan receivable	–	2,606
Dividend income from financial assets at FVTPL	**1,560**	1,560
Sundry income	**579**	923
	12,583	23,508

Included above is income from listed investments of approximately HK$1,560,000 (2015: HK$8,612,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

8. PROFIT BEFORE TAXATION

	2016 HK$'000	2015 HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Allowance for bad and doubtful debts for trade receivables, net	**1,585**	1,741
Reversal of allowance for loan receivable (included in other gains and losses)	**–**	(6,000)
Auditor's remuneration	**1,995**	1,995
Cost of inventories recognised as an expense	**13,818**	15,055
Change in fair value of contingent consideration provision (included in other gains and losses)	**(16,600)**	–
Change in fair value of financial assets at FVTPL	**21,154**	(51,410)
Legal and professional expenses (included in general and administrative expenses)	**6,298**	19,008
Depreciation of property, plant and equipment	**43,286**	48,160
Depreciation of investment properties	**95,805**	119,949
Net foreign exchange gain (included in other gains and losses)	**(34,161)**	(3,838)
Rental expenses under operating leases on premises and land	**5,943**	6,170
Gross revenue from leasing of investment properties equipped with entertainment equipment	**(222,159)**	(234,611)
Less: Direct operating expenses that generated revenue from leasing of investment properties equipped with entertainment equipment *(Note)*	**157,908**	185,996
	(64,251)	(48,615)
Staff costs, including Directors' emoluments		
— salaries and allowances	**57,745**	56,989
— retirement benefit costs *(note 22)*	**995**	888
	58,740	57,877

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

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

(a) Directors' emoluments

The emoluments paid to or receivable by each of the eleven (2015: eleven) Directors were as follows:

	Cheng Kar Shun HK$'000	Lo Lin Shing, Simon HK$'000	To Hin Tsun, Gerald HK$'000	Cheng Kam Chiu, Stewart HK$'000	Cheng Kam Biu, Wilson HK$'000	Cheng Chi Kong HK$'000	Cheng Chi Him HK$'000	Cheung Hon Kit HK$'000	Kwee Chong Kok, Michael HK$'000	Lau Wai Piu HK$'000	Tsui Hing Chuen, William HK$'000	Total HK$'000
2016												
Fees:												
Executive directors	850	660	550	200	200	200	200	–	–	–	–	2,860
Independent non-executive directors	–	–	–	–	–	–	–	200	190	200	200	790
Total emoluments	850	660	550	200	200	200	200	200	190	200	200	3,650

	Cheng Kar Shun HK$'000	Lo Lin Shing, Simon HK$'000	To Hin Tsun, Gerald HK$'000	Cheng Kam Chiu, Stewart HK$'000	Cheng Kam Biu, Wilson HK$'000	Cheng Chi Kong HK$'000	Cheng Chi Him HK$'000	Cheung Hon Kit HK$'000	Kwee Chong Kok, Michael HK$'000	Lau Wai Piu HK$'000	Tsui Hing Chuen, William HK$'000	Total HK$'000
2015												
Fees:												
Executive directors	750	600	500	180	180	180	180	–	–	–	–	2,570
Independent non-executive directors	–	–	–	–	–	–	–	180	170	180	180	710
Total emoluments	750	600	500	180	180	180	180	180	170	180	180	3,280

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

(b) Employees' emoluments

The five individuals with the highest emoluments in the Group did not include any Directors for both years. The emoluments of the five (2015: five) individuals, of which two (2015: two) individuals were senior management of the Group, in the Group were as follows:

	2016 HK$'000	2015 HK$'000
Salaries and other benefits	**12,768**	11,806
Retirement benefit costs	**206**	147
Discretionary or performance related incentive payments	**703**	772
	13,677	12,725

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

(b) Employees' emoluments *(Continued)*

Their emoluments were within the following bands:

	2016 No. of individuals	2015 No. of individuals
HK$1,500,001 to HK$2,000,000	**2**	3
HK$2,500,001 to HK$3,000,000	**2**	1
HK$4,500,001 to HK$5,000,000	**–**	1
HK$5,000,001 to HK$5,500,000	**1**	–
	5	5

(c) Senior management's emoluments

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

	2016 No. of individuals	2015 No. of individuals
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,500,001 to HK$3,000,000	**1**	1
	2	2

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

During the year, no emolument was paid by the Group to the Directors or any of the five highest paid individual as inducement to join or upon joining of the Group or as compensation for loss of office. No Director waived any emoluments in both years ended 31 March 2016 and 2015.

10. INCOME TAX CHARGE

	2016 HK$'000	2015 HK$'000
Current tax:		
Hong Kong	**(2,229)**	–
The Philippines	**(15)**	(60,741)
	(2,244)	(60,741)
Overprovision in prior years:		
Hong Kong	**–**	290
Deferred taxation *(note 21)*:		
Current year	**(10,289)**	35,740
	(12,533)	(24,711)

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 2015, the Group utilised deferred tax liability in an amount of approximately HK$58,978,000 as a result of dividend distributed by a subsidiary of the Company in the Philippines to its overseas immediate holding company.

10. INCOME TAX CHARGE *(Continued)*

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

	The Philippines		Hong Kong		Total	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Profit before taxation	**45,572**	49,443	**12,173**	36,406	**57,745**	85,849
Taxation at the domestic rates applicable to profits in the country concerned	**13,672**	14,833	**2,009**	6,007	**15,681**	20,840
Tax effect of expenses not deductible for tax purpose	**2,518**	1,241	**3,864**	4,626	**6,382**	5,867
Tax effect of income not taxable for tax purpose	**(1,303)**	(1,680)	**(12,667)**	(7,140)	**(13,970)**	(8,820)
Tax effect of net income derived from leasing of properties to PAGCOR not taxable for tax purpose	**(27,333)**	(18,096)	**–**	–	**(27,333)**	(18,096)
Tax effect of utilisation of tax losses and deductible temporary difference not previously recognised	**–**	–	**(151)**	(4)	**(151)**	(4)
Tax effect of tax losses and deductible temporary differences not recognised	**5,967**	1,753	**3,172**	2,611	**9,139**	4,364
Tax effect of deferred tax assets not previously recognised	**–**	1,763	**–**	–	**–**	1,763
Withholding tax for distributable earnings by a subsidiary in the Philippines	**–**	58,978	**–**	–	**–**	58,978
Deferred tax on undistributed earnings of Philippine subsidiaries	**22,614**	(39,737)	**–**	–	**22,614**	(39,737)
Overprovision in respect of prior years	**–**	–	**–**	(290)	**–**	(290)
Others	**192**	(77)	**(21)**	(77)	**171**	(154)
Income tax charge (credit) for the year	**16,327**	18,978	**(3,794)**	5,733	**12,533**	24,711

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

11. DIVIDENDS

	2016 **HK$'000**	2015 HK$'000
Dividends recognised as distribution to owners of the Company during the year:		
Final dividend for 2014/15 – HK$0.01 per share (2015: Final dividend for 2013/14 – nil)	**11,792**	–
Special dividend for 2014/15 – HK$0.45 per share (2015: Special dividend for 2013/14 – nil)	**530,620**	–
	542,412	–
Dividends proposed in respect of the current year:		
Final dividend for 2015/16 – nil (2015: Final dividend for 2014/15 – HK$0.01 per share)	**–**	11,792
Special dividend for 2015/16 – nil (2015: Special dividend for 2014/15 – HK$0.45 per share)	**–**	530,620
	–	542,412

The Board does not recommend the payment of a final dividend for the year ended 31 March 2016 (2015: final dividend of HK$0.01 per share and special dividend of HK$0.45 per share).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

12. EARNINGS PER SHARE

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

	2016 HK$'000	2015 HK$'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**31,703**	45,944

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

For the years ended 31 March 2016 and 2015, no diluted earnings per share has been presented as there were no potential ordinary shares in issue during the years ended 31 March 2016 and 2015.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Machinery HK$'000	Furniture, fixtures and equipment HK$'000	Entertainment equipment HK$'000	Computer hardware HK$'000	Motor vehicles HK$'000	Total HK$'000
COST								
At 1 April 2014	532,207	4,323	95,969	66,741	150,272	427	984	850,923
Exchange adjustments	364	3	65	54	101	–	1	588
Additions	1,007	–	355	620	12,901	16	–	14,899
Disposals	–	–	–	(1,178)	(161)	–	–	(1,339)
Write-off	–	–	(67)	(77)	(12,119)	(61)	–	(12,324)
At 31 March 2015	533,578	4,326	96,322	66,160	150,994	382	985	852,747
Exchange adjustments	(14,142)	(103)	(2,552)	(1,746)	(3,993)	–	(26)	(22,562)
Additions	–	–	1,695	949	9,298	–	5	11,947
Disposals	–	–	(394)	(383)	(1,463)	–	–	(2,240)
Write-off	–	–	(1,157)	(233)	(6,187)	–	–	(7,577)
At 31 March 2016	**519,436**	**4,223**	**93,914**	**64,747**	**148,649**	**382**	**964**	**832,315**
DEPRECIATION								
At 1 April 2014	159,853	1,672	90,239	61,200	105,400	415	668	419,447
Exchange adjustments	(140)	–	49	36	1	–	(1)	(55)
Provided for the year	25,026	125	1,584	1,916	19,368	8	133	48,160
Eliminated on disposals	–	–	–	(1,123)	(3)	–	–	(1,126)
Eliminated on write-off	–	–	(67)	(77)	(12,119)	(61)	–	(12,324)
At 31 March 2015	184,739	1,797	91,805	61,952	112,647	362	800	454,102
Exchange adjustments	(4,769)	(36)	(2,434)	(1,630)	(2,941)	–	(21)	(11,831)
Provided for the year	24,028	177	1,410	1,660	15,932	9	70	43,286
Eliminated on disposals	–	–	(391)	(317)	(1,389)	–	–	(2,097)
Eliminated on write-off	–	–	(1,157)	(233)	(6,187)	–	–	(7,577)
At 31 March 2016	**203,998**	**1,938**	**89,233**	**61,432**	**118,062**	**371**	**849**	**475,883**
CARRYING VALUES								
At 31 March 2016	**315,438**	**2,285**	**4,681**	**3,315**	**30,587**	**11**	**115**	**356,432**
At 31 March 2015	348,839	2,529	4,517	4,208	38,347	20	185	398,645

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

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

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

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

All the buildings are located in the Philippines.

At 31 March 2016 and 2015, all entertainment equipment was held for use under operating leases to PAGCOR.

14. INVESTMENT PROPERTIES

	HK$'000
COST	
At 1 April 2014	1,415,971
Exchange adjustments	998
Additions	647
At 31 March 2015	1,417,616
Exchange adjustments	(37,565)
At 31 March 2016	**1,380,051**
DEPRECIATION	
At 1 April 2014	742,944
Exchange adjustments	(689)
Provided for the year	119,949
At 31 March 2015	862,204
Exchange adjustments	(22,342)
Provided for the year	95,805
At 31 March 2016	**935,667**
CARRYING VALUES	
At 31 March 2016	**444,384**
At 31 March 2015	555,412

14. INVESTMENT PROPERTIES *(Continued)*

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

The fair value of the Group's investment properties at 31 March 2016 was approximately HK$1,977,000,000 (2015: HK$570,000,000). The fair value has been arrived at based on a valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), independent valuer not connected with the Group. JLL is a member of the Hong Kong Institute of Surveyors.

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

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

15. FINANCIAL ASSETS AT FVTPL

	2016 **HK$'000**	2015 HK$'000
Financial assets at FVTPL comprise:		
Non-current:		
8% perpetual subordinated capital securities listed overseas *(Note)*	**20,290**	20,444
Current:		
Equity securities listed in Hong Kong	**–**	54,750
Total	**20,290**	75,194

The equity securities listed in Hong Kong are financial assets held for trading and the others are financial assets designated as at FVTPL at initial recognition.

Note: The issuer of the perpetual subordinated capital securities may redeem the perpetual subordinated capital securities at any time on or after 15 December 2015 or at any time upon the occurrence of certain events at a redemption price equal to the principal plus accrued interest. Subject to certain conditions, on any coupon payment date, the issuer may exchange the perpetual subordinated capital securities in whole (but not in part) for perpetual non-cumulative dollar preference shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

15. FINANCIAL ASSETS AT FVTPL *(Continued)*

At 31 March 2016, included in the financial assets at FVTPL of approximately HK$20,290,000 (2015: HK$20,444,000) is denominated in United States Dollars ("USD") which is the foreign currency of the relevant group entities (whose functional currency is Peso).

16. INVENTORIES

The amount represents hotel consumables, food and beverages.

17. TRADE RECEIVABLES

	2016 **HK$'000**	2015 HK$'000
Trade receivables	**24,828**	29,081
Less: Allowance for doubtful debts for trade receivables	**(4,617)**	(3,149)
	20,211	25,932

The average credit terms for trade receivables granted by the Group range from 0 to 90 days. A longer period is granted to customers with whom the Group has a good business relationship.

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

	2016 **HK$'000**	2015 HK$'000
Aged:		
0–30 days	**18,850**	22,994
31–60 days	**1,123**	2,064
61–90 days	**238**	145
Over 90 days	**–**	729
	20,211	25,932

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. At 31 March 2016, trade receivables with an aggregate carrying amount of approximately HK$18,850,000 (2015: HK$22,994,000) were neither past due nor impaired. The Directors consider these trade receivables are of good credit quality.

17. TRADE RECEIVABLES *(Continued)*

Ageing of trade receivables which are past due but not impaired

	2016 **HK$'000**	2015 HK$'000
31–60 days	**1,123**	2,064
61–90 days	**238**	145
Over 90 days	**–**	729
Total	**1,361**	2,938

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

Movement in the allowance for doubtful debts for trade receivables

	2016 **HK$'000**	2015 HK$'000
Balance at beginning of the year	**3,149**	1,425
Exchange adjustments	**(75)**	(17)
Impairment losses recognised, net	**1,585**	1,741
Amounts written off as uncollectible	**(42)**	–
Balance at end of the year	**4,617**	3,149

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$4,617,000 (2015: HK$3,149,000) which have been in severe financial difficulty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

18. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The Group's bank balances deposited in the banks in Hong Kong carry prevailing market interest rates ranging from 0.001% to 1.200% (2015: 0.001% to 1.400%) 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 2.125% (2015: 0.050% to 2.000%) per annum.

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

	2016 **HK$'000**	2015 HK$'000
Denominated in USD	**532,529**	543,771
Denominated in HK$	**172,829**	668,024

19. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

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

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

	2016 **HK$'000**	2015 HK$'000
Aged:		
0–30 days	**3,248**	3,877
31–60 days	**1,098**	16
61 –90 days	**278**	209
Over 90 days	**1,470**	1,814
	6,094	5,916

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

At 31 March 2016, other payables and accrued charges amounting to approximately HK$1,745,000 (2015: HK$3,200,000) and HK$2,269,000 (2015: HK$17,926,000) are denominated in USD and HK$ respectively, foreign currency of the relevant group entities (whose functional currency is Peso).

At 31 March 2015, other payables and accrued charges included an amount of approximately HK$16,600,000 which represented the fair value of the contingent consideration provision in relation to the tax indemnity provided to the purchaser of a subsidiary of the Company disposed of by the Group during the year ended 31 March 2011. The tax indemnity was for a period of 5 years commencing from 5 November 2010. Amount was credited to profit or loss upon expiration of the tax indemnity during the year ended 31 March 2016.

20. SHARE CAPITAL

	Par value of shares HK$	Number of shares	Value HK$'000
Authorised:			
Ordinary shares			
At 1 April 2014, 31 March 2015 and 2016	1 each	2,000,000,000	2,000,000
Issued and fully paid:			
Ordinary shares			
At 1 April 2014, 31 March 2015 and 2016	1 each	1,179,157,235	1,179,157

21. DEFERRED TAXATION

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

	Unrealised foreign exchange gain HK$'000 *(Note i)*	Fair value adjustments on property, plant and equipment and investment properties arising from business combination HK$'000	Withholding tax on undistributed earnings arising from Philippine subsidiaries HK$'000 *(Note ii)*	Change in fair value of financial assets at FVTPL HK$'000	Total HK$'000
At 1 April 2014	18,362	88,477	45,370	–	152,209
Exchange adjustments	11	86	435	–	532
Charge (credit) to profit or loss *(note 10)*	166	(2,192)	(39,737)	6,023	(35,740)
At 31 March 2015	18,539	86,371	6,068	6,023	117,001
Exchange adjustments	(498)	(2,316)	(42)	–	(2,856)
(Credit) charge to profit or loss *(note 10)*	(1,317)	(4,985)	22,614	(6,023)	10,289
At 31 March 2016	**16,724**	**79,070**	**28,640**	**–**	**124,434**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

21. DEFERRED TAXATION *(Continued)*

Notes:

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

(ii) Under the relevant tax law in the Philippines, withholding tax is imposed on dividends distributed in respect of profits earned by the subsidiaries of the Company operating in the Philippines to their overseas immediate holding company. Deferred tax liability on the undistributed profits earned have been accrued at the tax rate of 15% on the expected dividend stream of not less than 70% of the yearly profit (2015: ranging between approximately 65% and 80% of the yearly profit). Details of the accounting estimate have been set out in note 4. No deferred tax liability has been recognised in respect of the remaining undistributed earnings retained by the Philippine subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is possible that such differences will not be reversed in the foreseeable future.

During the year ended 31 March 2016, the Group has provided deferred tax in an amount of approximately HK$22,614,000 (2015:HK$19,241,000) in relation to the withholding tax of undistributed earnings that intends not to be retained under the relevant subsidiaries of the Company in the Philippines. During the year ended 31 March 2015, the Group utilised deferred tax liability in an amount of approximately HK$58,978,000 as a result of dividend distributed by a subsidiary of the Company in the Philippines to its overseas immediate holding company.

At 31 March 2016, the Group had estimated unused tax losses of approximately HK$212,485,000 (2015: HK$177,485,000) and deductible temporary differences of approximately HK$8,604,000 (2015: HK$7,193,000) arising from certain companies within the Group that are suffering from losses for years available for offset against future profits. At 31 March 2016 and 2015, 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$187,646,000 (2015: HK$169,328,000) may be carried forward indefinitely.

The remaining tax losses will be expired as follows:

	2016 **HK$'000**	2015 HK$'000
Year 2015	**–**	2,403
Year 2016	**700**	719
Year 2017	**412**	423
Year 2018	**20,123**	4,612
Year 2019	**3,604**	–

22. RETIREMENT BENEFIT COSTS

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

	2016 **HK$'000**	2015 HK$'000
Hong Kong	**103**	99
The Philippines	**892**	789
	995	888

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 retirement 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 held under mandatory provident funds operated by HSBC Life (International) Limited. 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 2016 was approximately HK$103,000 (2015: HK$99,000).

Defined benefit scheme

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

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

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligations at 31 March 2016 were carried out by E.M. Zalamea Actuarial Services, Inc. (member of the Actuarial Society of the Philippines), the independent actuary. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

22. RETIREMENT BENEFIT COSTS *(Continued)*

Defined benefit scheme *(Continued)*

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

	Valuation at	
	2016	2015
Discount rate	**5.75%**	6.03%
Expected rate of salary increase	**3.50%**	4.00%

Amounts recognised in comprehensive income in respect of the defined benefit obligations are as follows:

	2016 HK$'000	2015 HK$'000
Service cost	**698**	607
Net interest expense	**194**	182
Components of defined benefit costs recognised in profit or loss	**892**	789
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	**10**	2
Actuarial losses (gains) arising from changes in financial assumptions	**48**	(231)
Actuarial losses arising from experience adjustments	**248**	504
Components of defined benefit costs recognised in other comprehensive income	**306**	275
Total	**1,198**	1,064

22. RETIREMENT BENEFIT COSTS *(Continued)*

Defined benefit scheme *(Continued)*

The amount included in the other non-current liabilities in the consolidated statement of financial position arising from the Group's obligations in respect of its defined benefit scheme is as follows:

	2016 **HK$'000**	2015 HK$'000
Present value of funded defined benefit obligations	**3,548**	2,846
Fair value of plan assets	**(55)**	(63)
Funded status	**3,493**	2,783
Present value of unfunded defined benefit obligations	**1,677**	1,397
Net liability arising from defined benefit obligations	**5,170**	4,180

Movements in the present value of the defined benefit obligations in the current year were as follows:

	2016 **HK$'000**	2015 HK$'000
Opening defined benefit obligations	**4,243**	3,409
Current service cost	**698**	607
Interest cost	**197**	186
Remeasurement losses (gains):		
Actuarial losses (gains) arising from changes in financial assumptions	**48**	(231)
Actuarial losses arising from experience adjustments	**248**	504
Exchange adjustment	**(118)**	(3)
Benefits paid	**(91)**	(229)
Closing defined benefit obligations	**5,225**	4,243

22. RETIREMENT BENEFIT COSTS *(Continued)*

Defined benefit scheme *(Continued)*

Movements in the present value of the plan assets in the current year were as follows:

	2016 **HK$'000**	2015 HK$'000
Opening fair value of plan assets	**63**	61
Interest income	**3**	4
Remeasurement losses:		
Return on plan assets (excluding amounts included in net interest expense)	**(10)**	(2)
Contributions from the employer	**91**	229
Exchange adjustment	**(1)**	–
Benefits paid	**(91)**	(229)
Closing fair value of plan assets	**55**	63

The fair value of the plan assets at the end of the reporting period for each category, are as follows:

	Fair value of plan assets	
	2016 **HK$'000**	2015 HK$'000
Cash and cash equivalents	**1**	63
Unit investment trust funds	**54**	–
	55	63

22. RETIREMENT BENEFIT COSTS *(Continued)*

Defined benefit scheme *(Continued)*

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$10,000 (2015: HK$2,000).

The ratio of fair value of plan assets to present value of defined benefit obligations was approximately 1% (2015: 1%). However, the relevant law in the Philippines does not require minimum funding of the plan.

Significant actuarial assumptions for the determination of the defined benefit obligations are discount rate and expected rate of salary increase. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate increases (decreases) by 100 basis points (2015: 100 basis points), the defined benefit obligations would decrease by approximately HK$417,000 (2015: HK$361,000) (increase by approximately HK$472,000 (2015: HK$410,000)).

- If the expected growth rate of salary increases (decreases) by 100 basis points (2015: 100 basis points), the defined benefit obligations would increase by approximately HK$427,000 (2015: HK$377,000) (decrease by approximately HK$387,000 (2015: HK$340,000)).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligations has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligations recognised in the consolidated statement of financial position.

The weighted average duration of the defined benefit obligations is 9.7 years (2015: 12.5 years).

Based on the actuarial reports prepared by the independent actuary, the Group's expected contribution is to be made to the defined benefit plan for the next financial year is nil (2015: nil).

23. CAPITAL RISK MANAGEMENT

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

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

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

24. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016 HK$'000	2015 HK$'000
Financial assets		
Financial assets at FVTPL	**20,290**	75,194
Loans and receivables (including cash and cash equivalents)	**1,206,739**	1,623,768
Financial liabilities		
Financial liabilities at FVTPL		
Contingent consideration provision *(note 19)*	**–**	16,600
Other financial liabilities at amortised cost	**29,834**	28,106

(b) Financial risk management objectives and policies

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

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

24. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk

Currency risk

At 31 March 2016 and 2015, currency risk exists with respect to the financial assets at FVTPL, other receivables, bank balances and cash and other payables denominated in foreign currencies of relevant group entities as disclosed in relevant notes.

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

	Assets		Liabilities	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**553,325**	564,440	**1,745**	3,200
HK$	**172,964**	668,139	**2,269**	17,926

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

	Amounts due from group entities		Amounts due to group entities	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**2,392,050**	2,373,857	**2,245,033**	2,243,803
HK$	**475,418**	535,303	**406,506**	405,593

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

Sensitivity analysis

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

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

24. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

Currency risk (Continued)

Sensitivity analysis *(Continued)*

The following table details the Group's sensitivity to a 10% (2015: 10%) increase and decrease in Peso against USD and HK$. 10% (2015: 10%) represents the assessment of the reasonably possible change in foreign exchange rates made by the management of the Group. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as well as intra-group receivables/payables and adjusts their translation at the year end for a 10% (2015: 10%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit for the year where the Peso weaken 10% (2015: 10%) against foreign currencies, and vice versa.

	HK$ Impact		**USD Impact**	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Increase in post-tax profit for the year *(Note)*	**35,599**	83,721	**57,809**	56,744

Note: For a 10% (2015: 10%) strengthening of Peso against foreign currencies, there would be an equal and opposite impact on the post-tax profit for the year.

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

Interest rate risk

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

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

24. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

Interest rate risk (Continued)

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 (2015: 50 basis points) in variable-rate time deposits in the banks in the Philippines is used in estimating the potential change in interest rate and represents the assessment of the reasonably possible change in interest rates made by the management of the Group. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year would increase/decrease by approximately HK$1,620,000 (2015: HK$951,000). A 30 basis points (2015: 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 (2015: 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$2,030,000 (2015: HK$3,489,000).

The sensitivity analysis for fair value interest rate risk for financial assets at FVTPL is included under other price risk below.

Other price risk

At 31 March 2016 and 2015, the Group is exposed to price risk through its financial assets at FVTPL in respect of perpetual subordinated capital securities listed overseas. At 31 March 2015, the Group was also exposed to price risk through its investment in equity securities listed in Hong Kong. The management of the Group has performed analysis of the nature of market risk associated with the investments, including discussion with the investment advisors, and concluded that the price risk is more prominent in evaluating the market risk of this kind of investments. The management of the Group monitors this exposure and will consider appropriate hedging policy when necessary.

Sensitivity analysis on financial assets/liabilities at FVTPL

The sensitivity analysis below have been determined, based on the perpetual subordinated capital securities listed overseas and equity securities listed in Hong Kong, price risk (including fair value interest rate risk) arising from financial assets at FVTPL. If the prices of respective financial instruments had been 10% (2015: 10%) higher/lower, the Group's post-tax profit for the year would increase/decrease by approximately HK$2,029,000 (2015: HK$6,616,000) as a result of the change in fair value of financial assets at FVTPL at 31 March 2016. At 31 March 2015, sensitivity analysis for contingent consideration provision was not performed as the Directors considered that the fair value measurement of the contingent consideration provision was unlikely to change in view of the weighted average of all possible outcomes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

24. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk

At 31 March 2016 and 2015, the credit risk of the Group mainly arose from deposits with banks, and trade receivables.

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at 31 March 2016 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. Bank balances are mainly placed with banks which are assigned with credit-ratings by international credit-rating agencies. In order to minimise the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual trade receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

At 31 March 2016, the Group had concentration of credit risk in respect of trade receivable from PAGCOR of approximately HK$16,242,000 (2015: HK$20,311,000). 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 2016 was substantially settled subsequent to the end of the reporting period.

24. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

Liquidity tables

	Less than 1 month/ repayable on demand HK$'000	1–3 months HK$'000	Total undiscounted cash flows and carrying amounts at 31 March 2016 HK$'000
2016			
Non-derivative financial liabilities			
Trade payables	**6,094**	**–**	**6,094**
Other payables and accrued charges	**23,740**	**–**	**23,740**
	29,834	**–**	**29,834**

	Less than 1 month/ repayable on demand HK$'000	1–3 months HK$'000	Total undiscounted cash flows and carrying amounts at 31 March 2015 HK$'000
2015			
Non-derivative financial liabilities			
Trade payables	2,972	2,944	5,916
Other payables and accrued charges	9,372	12,818	22,190
Contingent consideration provision	16,600	–	16,600
	28,944	15,762	44,706

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

24. FINANCIAL INSTRUMENTS *(Continued)*

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

Fair value

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

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

- the fair values of financial assets with derivative features are calculated using quoted prices. When such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivative.

- 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.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

(c) Fair value measurements of financial instruments

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

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

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

Financial assets/ financial liabilities	Fair value as at 31 March 2016 HK$'000	31 March 2015 HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Perpetual subordinated capital securities listed overseas classified as financial assets at FVTPL	**20,290**	20,444	Level 1	Quoted bid prices in an active market	N/A
Equity securities listed in Hong Kong classified as financial assets at FVTPL	–	54,750	Level 1	Quoted bid prices in an active market	N/A
Contingent consideration provision classified as other payables and accrued charges	–	16,600	Level 3	Expected amount of liability was estimated based on the weighted average of all possible outcomes	Expected amount of liability estimated by the management of the Group *(Note)*

Note: At 31 March 2015, if the expected amount of liability to the valuation model had been 5% increased/decreased while all other variables were held constant, the carrying amount of contingent consideration provision would increase/decrease by approximately HK$830,000. In the management's opinion, the sensitivity analysis is unrepresentative as it does not reflect the exposure during the year.

There were no transfers between Level 1, 2 and 3 during the years ended 31 March 2016 and 2015.

24. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments *(Continued)*

(ii) Reconciliation of level 3 fair value measurements of financial liabilities

	Contingent consideration provision HK$'000
At 1 April 2014 and 31 March 2015	(16,600)
Change in fair value (recognised in profit or loss)	16,600
At 31 March 2016	**–**

Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group would consider engaging independent valuer to perform the valuation on regular basis. The management of the Group works closely with the valuer to establish the appropriate valuation techniques and inputs to the model.

For the valuation of the contingent consideration provision, the management of the Group estimated the expected amount of liability based on the current available information. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

25. OPERATING LEASE COMMITMENTS

The Group as lessor

MSPI signed an agreement with PAGCOR to lease equipped gaming premises and office premises for a period of twelve years commencing 31 March 2004. The monthly rental would be based on a certain percentage of net gaming revenue of the casino operated by PAGCOR or a fixed amount of Peso100,000 (equivalent to approximately HK$17,000 (2015: HK$17,000)), whichever is higher. Rental income arising from such agreement during the year was approximately HK$222,159,000 (2015: HK$234,611,000), representing contingent rental income.

As announced by the Company on 18 December 2015, MSPI entered into the Lease Agreement with PAGCOR 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$4,125,718,000).

The Group as lessee

At 31 March 2016, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016 **HK$'000**	2015 HK$'000
Within one year	**5,910**	5,555
In the second to fifth year inclusive	**20,256**	18,428
Over five years	**39,260**	41,324
	65,426	65,307

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. CAPITAL COMMITMENTS

	2016 **HK$'000**	2015 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**555**	268

27. RELATED PARTY TRANSACTIONS

(a) The Group entered into the following transactions with related parties during the year:

	2016 HK$'000	2015 HK$'000
Accommodation and beverages income *(Note i)*	**128**	168
Purchase of goods *(Note ii)*	**403**	260
Rental expenses *(Note iii)*	**1,618**	1,645
Expenses incurred under the hotel management agreement and the sales and marketing agreement *(Note iv)*	**5,204**	1,335

Notes:

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

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

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

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

(b) Compensation of key management personnel

The remuneration of the Directors and other members of key management of the Group are disclosed in note 9. The remuneration of the Directors and key management personnel of the Group is based on the performance and experience of individuals and is determined with reference to the Group's performance, the remuneration benchmark in the industry and the prevailing market conditions.

28. CONTINGENT LIABILITIES

At 31 March 2016, the Group had (a) contingent liabilities of approximately HK$460,182,000 (2015: approximately HK$311,593,000) relating to the tax disputes between a subsidiary of the Company principally engaging in the business of leasing of properties in the Philippines and BIR for the calendar years of 2008 and 2012, as well as the potential income tax (but not taking into account any possible additional penalties or interest liability) that may be assessed by BIR for the taxable years which are not yet barred by prescription under the relevant laws, rules and regulations in the Philippines; and (b) contingent liabilities of approximately HK$8,773,000 (2015: approximately HK$17,336,000) relating to the tax disputes between another subsidiary of the Company principally engaging in the hotel operations in the Philippines and BIR for the calendar year of 2011 (2015: for the calendar year of 2010) (but not taking into account any possible additional penalties or interest liability).

28. CONTINGENT LIABILITIES *(Continued)*

Details of the contingent liabilities are set out below:

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

At 31 March 2016, the Group had contingent liabilities of approximately HK$460,182,000 relating to the tax disputes between MSPI, a subsidiary of the Company principally engaging in the business of leasing of properties in the Philippines, and BIR for the calendar years of 2008 and 2012 as well as the potential income tax (but not taking into account any possible additional penalties or interest liability) that may be assessed by BIR for the taxable years which are not yet barred by prescription under the relevant laws, rules and regulations in the Philippines.

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

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

On 2 November 2015, MSPI received the final decision on disputed deficiency tax assessment from BIR (the "MSPI-Final Decision on Disputed Assessment for 2008") for the alleged deficiency taxes for the calendar year of 2008 amounting to approximately Peso1,156,803,000 (equivalent to approximately HK$194,802,000) (inclusive of surcharge and interest).

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

On 23 February 2016, MSPI received another formal letter of demand from BIR (the "MSPI-Formal Letter of Demand for 2012") for the alleged deficiency taxes for the calendar year of 2012 amounting to approximately Peso671,266,000 (equivalent to approximately HK$113,039,000) (inclusive of penalties, surcharge and interest) arising mainly from the imposition of income tax on the rental income of MSPI from the lease of certain premises to PAGCOR.

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

28. CONTINGENT LIABILITIES *(Continued)*

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

Based on the advice of the independent legal adviser of MSPI, the Directors believe that MSPI has valid legal arguments to defend the tax disputes. Accordingly, no provision has been made for the tax disputes in the consolidated financial statements of the Group for the years ended 31 March 2016 and 2015. However, as there is at present a possible obligation (existence of which can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of such subsidiary) which may or may not require an initial outflow of resources, the Directors consider it prudent to estimate that as at 31 March 2016, the contingent liabilities in respect of the alleged deficiency taxes covering the calendar year of 2008 as stated in the MSPI-Final Decision on Disputed Assessment for 2008, the contingent liabilities in respect of the alleged deficiency taxes covering the calendar year of 2012 as stated in the MSPI-Formal Letter of Demand for 2012, and the contingent liabilities in respect of the potential income tax arising from the rental income of MSPI from the lease of certain premises to PAGCOR (but not taking into account any possible additional penalties or interest liability) that may be assessed by BIR for the taxable years which are not yet barred by prescription under the relevant laws, rules and regulations in the Philippines as being a total of approximately Peso2,732,725,000 (equivalent to approximately HK$460,182,000) as a possible outflow of resources.

At 31 March 2015, the contingent liabilities in respect of the alleged deficiency taxes covering the calendar year of 2008 and the contingent liabilities in respect of the potential income tax arising from the rental income of MSPI from the lease of certain premises to PAGCOR that may be assessed by BIR for the taxable years which were not yet barred by prescription under the relevant laws, rules and regulations in the Philippines was approximately Peso1,801,321,000 (equivalent to approximately HK$311,593,000) in total.

(b) Tax disputes between New Coast Hotel Inc. ("NCHI") and BIR for the calendar years of 2010 and 2011

(i) For the calendar year of 2010

At 31 March 2016, the contingent liabilities relating to the tax dispute between NCHI, a subsidiary of the Company principally engaging in the hotel operations in the Philippines, and BIR for the calendar year of 2010 became nil (2015: HK$17,336,000) as such tax dispute was settled with BIR during the year ended 31 March 2016.

On 29 May 2015, BIR issued a formal letter of demand to NCHI for alleged deficiency taxes covering the calendar year of 2010 amounting to approximately Peso100,219,000 (equivalent to approximately HK$16,877,000) inclusive of penalties and interest.

On 26 June 2015, NCHI filed a protest with BIR against the formal letter of demand in accordance with the relevant laws, rules and regulations in the Philippines.

As advised by the independent legal adviser of NCHI, BIR subsequently agreed to reduce the deficiency taxes to approximately Peso3,255,000 (equivalent to approximately HK$548,000) inclusive of penalties and interest, in which approximately Peso93,000 (equivalent to approximately HK$15,000) related to income tax for the calendar year of 2010. After NCHI paid the agreed deficiency taxes of approximately Peso 3,255,000 (equivalent to approximately HK$548,000) which has been reflected in profit or loss for the year ended 31 March 2016, BIR issued a certification to NCHI confirming the payment of deficiency taxes for the calendar of year 2010 and the independent legal adviser of NCHI advised that the case might already be deemed closed and terminated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

28. CONTINGENT LIABILITIES *(Continued)*

(b) Tax disputes between New Coast Hotel Inc. ("NCHI") and BIR for the calendar years of 2010 and 2011 *(Continued)*

(ii) For the calendar year of 2011

At 31 March 2016, the Group had contingent liabilities of approximately HK$8,773,000 (2015: nil) relating to the tax dispute between NCHI and BIR for the calendar year of 2011 (but not taking into account any possible additional penalties or interest liability).

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

On 15 January 2016, NCHI filed a protest with BIR against the NCHI-Formal Letter of Demand for 2011 in accordance with the relevant laws, rules and regulations in the Philippines. It is anticipated that the final outcome of the tax dispute will not be known for quite some time.

Based on the advice of the independent legal adviser of NCHI, the Directors believe that NCHI has valid arguments to defend the tax dispute. Accordingly, no provision has been made for the tax dispute in the consolidated financial statements of the Group for the year ended 31 March 2016. However, as there is at present a possible obligation (existence of which can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of such subsidiary) which may or may not require an initial outflow of resources, the Directors consider it prudent to estimate that as at 31 March 2016, the contingent liabilities in respect of the alleged deficiency taxes of NCHI covering the calendar year of 2011 as stated in the NCHI-Formal Letter of Demand for 2011 (but not taking into account any possible additional penalties or interest liability) as being a total of approximately Peso52,096,000 (equivalent to approximately HK$8,773,000) as a possible outflow of resources.

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at 31 March 2016 and 31 March 2015 are as follows:

Name of subsidiary	Place/country of incorporation or registration/ operations	Form of business structure	Class of shares held	Paid up issued capital	Proportion of nominal value of issued capital held by the Company Directly 2016 %	Directly 2015 %	Indirectly 2016 %	Indirectly 2015 %	Principal activities
Lucky Genius Limited	BVI	Limited company	Ordinary	USD1	**100**	100	**–**	–	Investment holding
Fortune Growth Overseas Limited	BVI	Limited company	Ordinary	USD1	**100**	100	**–**	–	Investment holding
Maxprofit International Limited	BVI	Limited company	Ordinary	USD100	**–**	–	**51**	51	Investment holding
Starcharm Limited	BVI	Limited company	Ordinary	USD1	**–**	–	**51**	51	Investment holding
Flexi-Deliver Holding Ltd.	BVI	Limited company	Ordinary	USD1	**–**	–	**51**	51	Investment holding
CTF Hotel and Entertainment, Inc.	Philippines	Limited company	Ordinary	Peso10,468,600	**–**	–	**51**	51	Investment holding
CTF Properties (Philippines), Inc.	Philippines	Limited company	Ordinary	Peso10,468,600	**–**	–	**51**	51	Investment holding
MSPI	Philippines	Limited company	Ordinary	Peso2,722,930,653	**–**	–	**51**	51	Property investment
NCHI	Philippines	Limited company	Ordinary	Peso621,444,867	**–**	–	**51**	51	Hotel owner, operation of hotel business
Future Growth Limited	Hong Kong	Limited company	Ordinary	HK$2	**100**	100	**–**	–	General administration for the Group
East Fortune Holdings Limited	Hong Kong	Limited company	Ordinary	HK$1	**–**	–	**100**	100	Investment holding
VMS Private Investment Partners VIII Limited ("VMS") *(Note)*	BVI	Limited company	Class B Class A	USD9,500 USD500	**100** **–**	100 –	**–** **–**	– –	Investment holding

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.

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

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

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

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	**2016**	2015	**2016**	2015
				HK$'000	HK$'000	**HK$'000**	HK$'000
Maxprofit International Limited and it subsidiaries ("Maxprofit Group")	BVI	**51%**	51%	**13,511**	13,872	**565,872**	567,471
Individually immaterial subsidiaries with non-controlling interests	N/A	**N/A**	N/A	**(2)**	1,322	**73**	75
				13,509	15,194	**565,945**	567,546

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

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

Maxprofit Group

	2016 HK$'000	2015 HK$'000
Current assets	507,242	406,723
Non-current assets	806,732	954,930
Current liabilities	(29,529)	(88,392)
Non-current liabilities	(129,604)	(115,157)
Equity attributable to owners of the Company	588,969	590,633
Non-controlling interest	565,872	567,471
Revenue	330,939	366,837
Net expenses	(303,366)	(338,527)
Profit for the year	27,573	28,310
Profit for the year attributable to:		
Owners of the Company	14,062	14,438
Non-controlling interests	13,511	13,872
Profit for the year	27,573	28,310
Other comprehensive (expense) income for the year attributable to:		
Owners of the Company	(15,726)	64
Non-controlling interests	(15,110)	62
Other comprehensive (expense) income for the year	(30,836)	126
Total comprehensive (expense) income for the year attributable to:		
Owners of the Company	(1,664)	14,502
Non-controlling interests	(1,599)	13,934
Total comprehensive (expense) income for the year	(3,263)	28,436
Net cash inflow from operating activities	123,774	203,229
Net cash outflow from investing activities	(7,720)	(7,895)
Net cash outflow from financing activities	–	(721,900)
Net cash inflow (outflow)	116,054	(526,566)

30. COMPANY'S STATEMENT OF FINANCIAL POSITION

	2016 HK$'000	2015 HK$'000
Assets		
Investments in subsidiaries	**140,265**	120,395
Amounts due from subsidiaries in form of loan notes	**54,250**	114,900
Amounts due from subsidiaries	**461,978**	466,023
Others	**648,445**	1,139,332
	1,304,938	1,840,650
Liabilities	**2,587**	18,212
	1,302,351	1,822,438
Capital and reserves		
Share capital	**1,179,157**	1,179,157
Reserves	**123,194**	643,281
	1,302,351	1,822,438

Information about the statement of movement in reserves of the Company at the end of the reporting period includes:

	Share premium HK$'000	Merger reserve HK$'000 *(Note)*	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2014	1,122	53,022	(63,725)	253,931	244,350
Exchange difference arising on translation	–	–	1,065	–	1,065
Profit for the year	–	–	–	397,866	397,866
Total comprehensive income for the year	–	–	1,065	397,866	398,931
At 31 March 2015	1,122	53,022	(62,660)	651,797	643,281
Exchange difference arising on translation	–	–	(54,193)	–	(54,193)
Profit for the year	–	–	–	76,518	76,518
Total comprehensive (expense) income for the year	–	–	(54,193)	76,518	22,325
Dividends recognised as distribution	–	–	–	(542,412)	(542,412)
At 31 March 2016	1,122	53,022	(116,853)	185,903	123,194

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

FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000	**2016** **HK$'000**
Revenue	432,473	450,408	389,711	366,837	**330,939**
Profit before taxation	117,329	123,013	172,633	85,849	**57,745**
Income tax credit (charge)	2,978	(148,969)	(11,260)	(24,711)	**(12,533)**
Profit (loss) for the year	120,307	(25,956)	161,373	61,138	**45,212**
Attributable to:					
Owners of the Company	60,074	(23,367)	114,694	45,944	**31,703**
Non-controlling interests	60,233	(2,589)	46,679	15,194	**13,509**
	120,307	(25,956)	161,373	61,138	**45,212**

ASSETS AND LIABILITIES

	At 31 March				
	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000	**2016** **HK$'000**
Total assets	3,014,994	3,138,919	2,941,009	2,670,933	**2,045,360**
Total liabilities	(313,455)	(334,511)	(203,777)	(228,253)	**(165,443)**
	2,701,539	2,804,408	2,737,232	2,442,680	**1,879,917**
Equity attributable to owners of the Company	1,790,412	1,857,157	1,827,861	1,875,134	**1,313,972**
Non-controlling interests	911,127	947,251	909,371	567,546	**565,945**
	2,701,539	2,804,408	2,737,232	2,442,680	**1,879,917**

PARTICULARS OF PRINCIPAL PROPERTIES

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