THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect about this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in International Entertainment Corporation, you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank manager, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company at www.ientcorp.com.

INTERNATIONAL ENTERTAINMENT CORPORATION
國際娛樂有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8118)

VERY SUBSTANTIAL DISPOSAL
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to
International Entertainment Corporation

taifook大福
capital 融資
Member of Haitong Securities

A notice convening the extraordinary general meeting of the Company to be held at Meeting Room S228, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Friday, 27 August 2010 at 11:15 a.m. (or so soon thereafter as the annual general meeting of the Company convened on the same day and at the same place at 11:00 a.m. shall have been concluded or adjourned) is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend such meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Room 17M, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of such meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting (as the case may be) should you so wish.

30 July 2010

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Agreement"	the conditional sale and purchase agreement dated 7 May 2010 entered into between the Company as vendor and the Purchaser as purchaser in relation to the sale and purchase of the Sale Share and the Sale Loan
"Announcement"	the announcement of the Company dated 11 May 2010 in relation to the Disposal
"associate(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Board"	the board of Directors
"Business Day"	a day (excluding Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above or a "black" rainstorm warning signal is hoisted or remains hoisted and in effect between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
"City Honour"	City Honour Development Limited, a company incorporated under the laws of the British Virgin Islands and the registered and beneficial owner of 50% equity interest in Macau Co
"Company"	International Entertainment Corporation, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the GEM (Stock Code: 8118)
"Completion"	completion of the Disposal
"Completion Date"	subject to fulfilment of all the conditions precedent set out in the Agreement, the day falling six (6) months after the date of the Agreement, or such other date as the Company and the Purchaser may agree in writing on which Completion shall take place
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules

"Development"	the development situated at the Property as at the date of the Agreement, comprising (i) residential units; (ii) commercial units; (iii) hotel with casino facilities; and (iv) parking facilities
"Director(s)"	director(s) of the Company
"Disposal"	the proposed disposal of the Sale Share and the Sale Loan by the Company to the Purchaser in accordance with the terms and conditions of the Agreement and the performance of the transactions contemplated under the Agreement
"EGM"	the extraordinary general meeting of the Company to be held for the purpose of approving the Disposal
"Fortune Gate"	Fortune Gate Overseas Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the GEM
"Group"	the Company and its subsidiaries
"HKFRS"	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Third Party(ies)"	independent third party(ies) who, to the best of the Directors' knowledge and information and having made all reasonable enquiries, is/are not connected person(s) of the Company and is(are) independent of and not connected with the Company and its connected persons
"Latest Practicable Date"	27 July 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular

"Long Stop Date"	seven (7) Business Days prior to the Completion Date or such later date as the Company and the Purchaser may agree in writing
"Macau"	the Macau Special Administrative Region of the People's Republic of China
"Macau Co"	Arc of Triumph Development Company Limited, a company incorporated under the laws of Macau with limited liability and owned as to 50% by City Honour, 40% by Fortune Gate and 10% by an Independent Third Party
"Macau Co Group"	Macau Co and its subsidiaries
"Net Amount"	the net amount (as defined in the Agreement) being the net amount as shown in the Audited Completion Accounts (as defined in the Agreement) as at Completion, details of which are set out in the Agreement
"percentage ratios"	has the meaning as defined in Rule 19.07 of the GEM Listing Rules
"Property"	the land parcel of approximately 7,128 square meters located at Avenida Sir Anders Ljungstedt (倫斯泰特大馬路) in Macau
"Purchaser"	Power Link Fortune Limited, a company incorporated in the British Virgin Islands with limited liability and the beneficial owners of which are the majority shareholders of City Honour
"Remaining Group"	the Group immediately after Completion
"Reorganisation"	the reorganisation of Fortune Gate such that immediately prior to Completion the sole asset of Fortune Gate is its investment in Macau Co and Fortune Gate has no other liability except the Sale Loan
"Sale Loan"	the entire amount of the interest free shareholder's loan owing from Fortune Gate to the Company as at Completion

"Sale Share"	1 ordinary share of US$1.00 in the issued share capital of Fortune Gate, representing the entire issued share capital of Fortune Gate
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of HK$1.00 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transaction Consideration"	HK$1,830 million (subject to adjustments as provided in the Agreement), being the aggregate purchase price for the Sale Share and the Sale Loan
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

INTERNATIONAL ENTERTAINMENT CORPORATION
國 際 娛 樂 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8118)

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

Independent non-executive Directors:
Cheung Hon Kit
Kwee Chong Kok, Michael
Lau Wai Piu
Tsui Hing Chuen, William, *JP*

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

Head office and principal place of business in Hong Kong:
Rooms 1207-8
New World Tower 1
16-18 Queen's Road Central
Hong Kong

30 July 2010

To the Shareholders and, for information only, the holder of the convertible note of the Company,

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

On 7 May 2010 (after trading hours), the Company and the Purchaser entered into the Agreement, pursuant to which the Company conditionally agreed to sell and assign, and the Purchaser conditionally agreed to purchase and accept the assignment of, the Sale Share and the Sale Loan at the Transaction Consideration of HK$1,830 million (subject to adjustments as provided in the Agreement) upon and subject to the terms of the Agreement. Upon Completion, Fortune Gate will cease to be a wholly-owned subsidiary of the Company.

The purpose of this circular is to give you information relating to, among other things, (i) details of the Disposal; (ii) the financial information of the Group; (iii) the unaudited pro forma financial information of the Remaining Group; (iv) the valuation of the property interest of the Macau Co Group; and (v) a notice convening the EGM at which an ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, approve the Disposal.

THE AGREEMENT

Date

7 May 2010 (after trading hours)

Parties

Vendor	:	The Company
Purchaser	:	Power Link Fortune Limited

The registered and beneficial owners of the Purchaser are the majority shareholders of City Honour, which in turn is the registered and beneficial owner of 50% equity interest in Macau Co. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

Assets to be disposed of

Pursuant to the terms and conditions of the Agreement, the Company conditionally agreed to sell and assign, and the Purchaser conditionally agreed to purchase and accept the assignment of, the Sale Share and the Sale Loan. The Sale Share represents the entire issued share capital of Fortune Gate and the Sale Loan represents the entire amount of shareholder's loan owing from Fortune Gate to the Company as at Completion. As at the date of the Agreement, Fortune Gate was indebted to the Company for approximately HK$257 million.

Fortune Gate is the registered and beneficial owner of 40% equity interest in Macau Co which in turn is the registered and beneficial owner of the Property which comprises the Development. Macau Co is the Group's associated company.

Transaction Consideration

Pursuant to the Agreement, the Transaction Consideration of HK$1,830 million (subject to adjustments as provided in the Agreement) shall be paid by the Purchaser to the Company by way of cash in the following manner:-

(a) a sum of HK$366 million (the "**Deposit**"), being 20% of the Transaction Consideration, has been paid upon the signing of the Agreement; and

(b) the balance of the Transaction Consideration (subject to adjustments as provided in the Agreement) shall be paid upon Completion.

The Transaction Consideration will be adjusted (i) upwards or downwards by 40% of the Net Amount and (ii) downwards by 40% of the potential tax liability to taxation payable by Macau Co and each of its subsidiaries up to the Completion Date respectively.

According to the Agreement, "**Net Amount**" should be calculated in accordance with the following formula:-

$$\text{Net Amount} = (A + B + C + D) - (W + X + Y + Z)$$

Whereas:-

"A" means cash in hand and credit balances at banks

"B" means all trade receivables, other receivables (including but not limited to amounts due from related parties), deposits and prepayments

"C" means hotel inventories

"D" means capital expenditures on the plant and equipment to be incurred from the date of the Agreement to the Completion Date (but immediately prior to Completion), if any

"W" means all trade payables, other payables (including but not limited to amounts due to related parties) and accrued charges and provisions

"X" means bank borrowings and bank overdrafts

"Y" means additional shareholder's loans to be advanced from the date of the Agreement to the Completion Date (but immediately prior to Completion)

"Z" means the net proceeds of the sale of the Relevant Carparks and the Remaining Units (as respectively defined in the Agreement)

in each case, as shown in or derived from the Audited Completion Accounts.

The Transaction Consideration was arrived at after arm's length negotiations between the Company and the Purchaser after taking into account (i) the remaining term of the existing casino service agreement of approximately 10 years; (ii) the existing equity interest of Macau Co held by the Company is only 40%; (iii) the restriction on the transfer of equity interest in Macau Co to third party unless with the prior consent of the shareholders of Macau Co; and (iv) the Transaction Consideration represents approximately 4.06 times and 3.26 times respectively of the original investment cost in Macau Co of approximately HK$451 million and the Group may record a potential gain on the Disposal based on the Transaction Consideration of HK$1,830 million and approximately HK$1,469.9 million (as adjusted based on the unaudited financial information of the Macau Co Group as at 31 March 2010).

Based on the unaudited financial information of the Macau Co Group as at 31 March 2010 and assuming the Reorganisation had been completed and the Disposal had taken place on 31 March 2010, it is estimated that the Transaction Consideration would be adjusted downward to approximately HK$1,469.9 million (subject to final adjustments as provided in the Agreement).

Conditions precedent

Completion is subject to the following conditions:

(a) the compliance by the Company of all relevant provisions of the GEM Listing Rules and all requirements of the Stock Exchange, including but not limited to the passing of the necessary resolution by the Shareholders (other than those who are required to abstain from voting under the GEM Listing Rules) approving the entering into of the Agreement and the performance of the transactions contemplated thereunder by the Company;

(b) completion of the Reorganisation;

(c) all necessary governmental and regulatory (including the Stock Exchange) approvals or consents (or waivers) required by the parties to the Agreement or any of them for the consummation of the transactions contemplated therein having been obtained; and

(d) all necessary third party approvals or consents (or waivers) required by the parties to the Agreement or any of them for the consummation of the transactions contemplated therein having been obtained.

All the conditions above are not waivable. If all the conditions above have not been fulfilled by the Long Stop Date, either party to the Agreement shall be entitled to rescind the Agreement by giving written notice to the other and the Company shall refund the Deposit without interest to the Purchaser whereupon the provisions of the Agreement shall from such date have no further force and effect and the parties thereto shall have no liability thereunder (without prejudice to the rights of the parties in respect of any antecedent breaches).

Completion

Subject to the fulfilment of all the conditions above, Completion will take place on the Completion Date.

Immediately after Completion, Fortune Gate will cease to be a wholly-owned subsidiary of the Company.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. The registered and beneficial owners of the Purchaser are the majority shareholders of City Honour, which is the registered and beneficial owner of 50% equity interest in Macau Co.

INFORMATION ON FORTUNE GATE AND MACAU CO GROUP

Fortune Gate is a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company. Fortune Gate is an investment holding company and the registered and beneficial owner of 40% equity interest in Macau Co.

Macau Co is a company incorporated in Macau with limited liability and is owned as to 50% by City Honour, 40% by Fortune Gate and 10% by an Independent Third Party. As at the date of the Agreement, the principal assets of Macau Co consisted of the Development. The Macau Co Group is principally engaged in property development and investment, hotel and entertainment operations in Macau.

REASONS FOR THE DISPOSAL AND USE OF PROCEEDS

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

Fortune Gate, the registered and beneficial owner of 40% equity interest in Macau Co, is a minority shareholder. The Transaction Consideration represents approximately 4.06 times of the original investment cost in Macau Co of approximately HK$451 million, comprising 40% equity interest in Macau Co of approximately HK$363 million and shareholder's loan of approximately HK$88 million. The Company considers that the Transaction Consideration is attractive and the terms of the Agreement are fair and reasonable. Although the Company originally intended to hold the investment in Macau Co, through its interest in Fortune Gate, as a long-term investment, the Company accepted the good offer and entered into the Agreement with the Purchaser.

The Company intends to apply the net proceeds from the Disposal as general working capital of the Group.

FINANCIAL EFFECT OF THE DISPOSAL

As stated in the Announcement, a potential gain of approximately HK$787 million, subject to the confirmation by the auditor of the Company, is expected to be recognised by the Group for the year ending 31 March 2011. The potential gain is calculated based on the difference between the Transaction Consideration and 40% of the unaudited net assets value of the Macau Co Group as at 31 December 2009, less the unaudited amount due from an associate as at 31 December 2009 as disclosed under the section headed "Financial Assistance to an Associated Company" in the unaudited third quarterly report of the Group for the nine months ended 31 December 2009, assuming that there will be no adjustment to the Transaction Consideration.

The unaudited net assets of the Macau Co Group as at 31 December 2009 was approximately HK$1,745 million and the unaudited amount due from Macau Co to Fortune Gate as at 31 December 2009 was approximately HK$345 million.

According to the unaudited pro forma financial information of the Remaining Group as set out in Appendix II to this circular, which was prepared based on the audited financial information of the Group as at 31 March 2010 and assuming the Reorganisation had been completed and the Disposal had taken place on 31 March 2010, the Group would record an estimated gain on the Disposal of approximately HK$576.3 million. The decrease in the potential gain on Disposal was due to the estimated adjustment of the Transaction Consideration based on the unaudited financial information of the Macau Co Group as at 31 March 2010 and the assumption that the Reorganisation had been completed and the Disposal had taken place on 31 March 2010.

According to the unaudited pro forma financial information of the Remaining Group as set out in Appendix II to this circular, assuming the Reorganisation had been completed and the Disposal had taken place on 1 April 2009, the profit for the year attributable to owners of the Company would increase from approximately HK$275.7 million to approximately HK$695.7 million. Assuming the Reorganisation had been completed and the Disposal had taken place on 31 March 2010, the total assets of the Group would increase from approximately HK$3,920.7 million to approximately HK$4,496.9 million and the total liabilities of the Group would remain unchanged at approximately HK$793.0 million. The net assets of the Group would therefore increase from approximately HK$3,127.7 million to approximately HK$3,703.9 million.

Immediately after Completion, Fortune Gate will cease to be a wholly-owned subsidiary of the Company. The accounts of Fortune Gate will no longer be consolidated to the consolidated financial statements of the Group.

Based on the above, the Directors (including the independent non-executive Directors) consider that the terms and the conditions of the Agreement including the Transaction Consideration are fair and reasonable and are in the interests of the Group and the Shareholders as a whole.

GENERAL

As the applicable percentage ratios in respect of the Disposal exceed 75%, the Disposal constitutes a very substantial disposal for the Company under Chapter 19 of the GEM Listing Rules. Therefore, the Disposal is subject to the requirements of reporting, announcement and approval of the Shareholders.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting in respect of the proposed ordinary resolution approving the Disposal at the EGM.

EGM

The EGM will be held at Meeting Room S228, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Friday, 27 August 2010 at 11:15 a.m. (or so soon thereafter as the annual general meeting of the Company convened on the same day and at the same place at 11:00 a.m. shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing the proposed ordinary resolution set out in the notice of the EGM appeared on pages EGM-1 to EGM-2 of this circular. Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll.

You will find enclosed a form of proxy for use at the EGM. Whether or not you are able to attend such meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Room 17M, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of such meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting (as the case may be) should you so wish.

RECOMMENDATION

The Board considers that the Agreement has been entered into on normal commercial terms after arm's length negotiation and the terms of the Agreement are fair and reasonable and in the interests of the Group and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the proposed ordinary resolution to approve the Disposal at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
International Entertainment Corporation
Dr. Cheng Kar Shun
Chairman

1. ACCOUNTANTS' REPORT OF THE GROUP

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the auditor and reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

30 July 2010

The Directors
International Entertainment Corporation
Rooms 1207-8
New World Tower 1
16-18 Queen's Road Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding International Entertainment Corporation (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 March 2010 (the "Relevant Period") for inclusion in a circular issued by the Company dated 30 July 2010 (the "Circular") in connection with the proposed disposal of its entire equity interest in Fortune Gate Overseas Limited ("Fortune Gate") and the entire amount of the interest free loans owing from Fortune Gate to the Company to Power Link Fortune Limited ("Power Link"), a company incorporated in the British Virgin Islands ("BVI") with limited liability. Upon the completion of the reorganisation of Fortune Gate, Fortune Gate will have no assets and liabilities save for its 40% equity interest in Arc of Triumph Development Company Limited ("ATD") and the amount due from ATD. The registered and beneficial owners of Power Link are the majority shareholders of City Honour Development Limited, which is the registered and beneficial owner of 50% equity interest in ATD.

The Company was incorporated in the Cayman Islands and acts as an investment holding company.

The particulars of the Company's subsidiaries during the Relevant Period and the date of this report are as follows.

Name of subsidiary	Country/place of incorporation or registration/ operations	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company								Principal activities
			Directly				Indirectly				
			2008 %	2009 %	2010 %	Date of this report %	2008 %	2009 %	2010 %	Date of this report %	
177546 Canada Inc. *(notes a and i)*	Canada	Ordinary CAD300	–	–	–	–	50.4	50.4	–	–	Inactive
Captive 8 Films *(notes a and i)*	United States of America ("USA")	Ordinary US$1,000	–	–	–	–	50.4	50.4	–	–	Film production
Cheese Sandwich, Inc. *(notes a and i)*	USA	Ordinary US$2,000,000	–	–	–	–	50.4	50.4	–	–	Film production
China On-Air Inc. *(notes a and g)*	BVI	Ordinary HK$1	–	–	–	–	100	–	–	–	Investment holding
CTF Hotel and Entertainment, Inc. *(note e)*	The Republic of the Philippines ("Philippines")	Ordinary Peso10,468,600	–	–	–	–	51	51	51	51	Investment holding
CTF Properties (Philippines), Inc. *(note e)*	Philippines	Ordinary Peso10,468,600	–	–	–	–	51	51	51	51	Investment holding
Cyber On-Air (Asia) Limited *(notes d, g and h)*	Hong Kong	Ordinary HK$100 Non-voting deferred HK$100,000	–	–	–	–	100	–	–	–	Sales of telecommunications products, provision of network installation and warranty and maintenance services
Cyber On-Air Group Limited ("COA") *(notes a and g)*	BVI	Ordinary HK$100	100	–	–	–	–	–	–	–	Investment holding
Cyber On-Air Inc. *(notes a and g)*	USA	Ordinary US$2	–	–	–	–	100	–	–	–	Inactive
Cyber On-Air Limited *(notes f, g and h)*	Hong Kong	Ordinary HK$100 Non-voting deferred HK$10,000,000	–	–	–	–	100	–	–	–	Investment holding
Cyber On-Air Services Limited *(notes f and g)*	Hong Kong	Ordinary HK$100	–	–	–	–	100	–	–	–	Inactive
EC Music Limited *(note b)*	Hong Kong	Ordinary HK$1	–	–	–	–	100	100	100	100	Inactive

Name of subsidiary	Country/place of incorporation or registration/ operations	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly				Indirectly				Principal activities
			2008 %	2009 %	2010 %	Date of this report %	2008 %	2009 %	2010 %	Date of this report %	
Five Stories, Inc. *(notes a and i)*	USA	Ordinary US$1,000	–	–	–	–	50.4	50.4	–	–	Film production
Flexi-Deliver Holding Ltd. *(note a)*	BVI	Ordinary US$1	–	–	–	–	51	51	51	51	Investment holding
Fortune Gate *(note a)*	BVI	Ordinary US$1	100	100	100	100	–	–	–	–	Investment holding
Future Growth Limited *(note b)*	Hong Kong	Ordinary HK$2	100	100	100	100	–	–	–	–	General business
Great Holiday Entertainment Services, Inc. *(note e)*	Philippines	Ordinary Peso11,361,000	–	–	–	–	51	51	51	51	Inactive
Great Holiday Health & Spa, Inc. *(note e)*	Philippines	Ordinary Peso11,361,000	–	–	–	–	51	51	51	51	Inactive
Gugo Entertainment Company Limited *(note b)*	Hong Kong	Ordinary HK$21,260,100	–	–	–	–	75	75	75	75	Animation/development of carton services, licensing and merchandising distribution and become inactive since 2010
Happy Noodle *(notes a and i)*	USA	Ordinary US$1,000	–	–	–	–	50.4	50.4	–	–	Film production and financing
IEC Production Limited *(note b)*	Hong Kong	Ordinary HK$1	–	–	–	–	100	100	100	100	Media related business and become inactive since 2010
IEC Record Production Company Limited *(note b)*	Hong Kong	Ordinary HK$1	–	–	–	–	100	100	100	100	Production and sale of music records and become inactive since 2010
Loverwrecked, Inc. *(notes a and i)*	USA	Ordinary US$1,000	–	–	–	–	50.4	50.4	–	–	Film production
Lucky Genius Limited *(note a)*	BVI	Ordinary US$1	100	100	100	100	–	–	–	–	Investment holding

Name of subsidiary	Country/place of incorporation or registration/ operations	Paid up issued/ registered capital	Directly 2008 %	Directly 2009 %	Directly 2010 %	Directly Date of this report %	Indirectly 2008 %	Indirectly 2009 %	Indirectly 2010 %	Indirectly Date of this report %	Principal activities
			Proportion of nominal value of issued/registered capital held by the Company								
M8 Entertainment Inc. ("M8") *(notes a and i)*	Canada	Ordinary Class A CAD4,520,000 Class B CAD103,246,000 Class C CAD24,171,000	–	–	–	–	50.4	50.4	–	–	Film production and distribution
M8 Production 1 Inc. *(notes a and i)*	Canada	Ordinary CAD100	–	–	–	–	50.4	50.4	–	–	Film production
M8 Production 2 Inc. *(notes a and i)*	Canada	Ordinary CAD1	–	–	–	–	50.4	50.4	–	–	Film production
Man About Town Films Inc. *(notes a and i)*	Canada	Ordinary CAD1	–	–	–	–	50.4	50.4	–	–	Film production and distribution
Marina Square Properties, Inc. ("MSPI") *(note e)*	Philippines	Ordinary Peso2,722,930,653	–	–	–	–	51	51	51	51	Property investment
Maxprofit International Limited *(note a)*	BVI	Ordinary US$100	–	–	–	–	51	51	51	51	Investment holding
MDP Distribution, Inc. *(notes a and i)*	USA	Ordinary US$1,000	–	–	–	–	50.4	50.4	–	–	Film production
MDP Licensing, Inc. *(notes a and i)*	USA	Ordinary US$1,000	–	–	–	–	50.4	50.4	–	–	Film production
MDP Productions, Inc. *(notes a and i)*	USA	Ordinary US$1,000	–	–	–	–	50.4	50.4	–	–	Film production
Media 8 Distribution I *(notes a and i)*	USA	Ordinary US$1,000	–	–	–	–	50.4	50.4	–	–	Film production and financing
Media 8 Distribution II *(notes a and i)*	USA	Ordinary US$1,000	–	–	–	–	50.4	50.4	–	–	Film production and financing
Media 8 Distribution III *(notes a and i)*	USA	Ordinary US$1,000	–	–	–	–	50.4	50.4	–	–	Film production and financing
Media 8 Distribution IV *(notes a and i)*	USA	Ordinary US$100	–	–	–	–	50.4	50.4	–	–	Film production and financing

Name of subsidiary	Country/place of incorporation or registration/ operations	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company								Principal activities
			Directly				Indirectly				
			2008 %	2009 %	2010 %	Date of this report %	2008 %	2009 %	2010 %	Date of this report %	
Media 8 Distribution V *(notes a and i)*	USA	Ordinary US$1,000	–	–	–	–	50.4	50.4	–	–	Film production and financing
Media 8 Distribution VI *(notes a and i)*	USA	Ordinary US$1,000	–	–	–	–	50.4	50.4	–	–	Film production and financing
Media 8 Entertainment *(notes a and i)*	USA	Ordinary US$10,000	–	–	–	–	50.4	50.4	–	–	Film production and distribution
Media 8 Holdings *(notes a and i)*	USA	Ordinary US$100,000	–	–	–	–	50.4	50.4	–	–	Investment holding
Mediamaster Limited *(notes a and i)*	BVI	Ordinary HK$1	100	100	100	100	–	–	–	–	Investment holding
Mystic Demons Publishing *(notes a and i)*	USA	Ordinary US$100	–	–	–	–	50.4	50.4	–	–	Music publishing
New Coast Hotel, Inc. ("NCHI") *(note e)*	Philippines	Ordinary Peso621,444,867	–	–	–	–	51	51	51	51	Hotel owner
Pride Ever Resources Ltd. *(note a)*	BVI	Ordinary US$1	–	–	–	–	51	51	51	51	Inactive
Running Scared, Inc. *(notes a and i)*	USA	Ordinary US$1,000	–	–	–	–	50.4	50.4	–	–	Film production
Starcharm Limited *(note a)*	BVI	Ordinary US$1	–	–	–	–	51	51	51	51	Investment holding
Stuhall Productions, Inc. *(notes a and i)*	USA	Ordinary US$100	–	–	–	–	50.4	50.4	–	–	Film production
Trillian Entertainment *(notes a and i)*	USA	Ordinary US$100	–	–	–	–	50.4	50.4	–	–	Film distribution
Tropical Production Inc. *(notes a and i)*	USA	Ordinary US$1,000	–	–	–	–	50.4	50.4	–	–	Film production
Upside of Anger LTD *(notes a and i)*	United Kingdom	Ordinary GBP1	–	–	–	–	50.4	50.4	–	–	Film production
Young Racers, Inc. *(notes a and i)*	USA	Ordinary US$12,000	–	–	–	–	50.4	50.4	–	–	Film production

Name of subsidiary	Country/place of incorporation or registration/ operations	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company								Principal activities
			Directly				Indirectly				
			2008 %	2009 %	2010 %	Date of this report %	2008 %	2009 %	2010 %	Date of this report %	
Zodiac Productions Inc. *(notes a and i)*	USA	Ordinary US$2,000	–	–	–	–	50.4	50.4	–	–	Film production
北京國娛匯星文化傳播有限公司 *(note c)*	The People's Republic of China ("PRC")	Registered capital HK$3,000,000	–	–	–	–	100	100	100	100	Media related business and become inactive since 2010
上海創博數碼科技有限公司 *(notes c and g)*	PRC	Registered capital US$210,000	–	–	–	–	100	–	–	–	Inactive
廣州創博數碼科技有限公司 *(notes c and g)*	PRC	Registered capital US$210,000	–	–	–	–	100	–	–	–	Provision of telecom systems installation and maintenance service

Notes:

(a) No audited financial statements have been prepared for these companies for each of the Relevant Period as they were incorporated in countries where there were no statutory audit requirements.

(b) We have acted as auditors of these companies for each of the Relevant Period or since their respective date of incorporation, where this is a shorter period. Audited financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards for these companies for years ended 31 March 2008 and 2009, or from their respective date of incorporation, where this is a shorter period.

(c) These subsidiaries are wholly-owned foreign enterprises established in the PRC. The statutory financial statements of 北京國娛匯星文化傳播有限公司, 廣州創博數碼科技有限公司 and 上海創博數碼科技有限公司 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC. The statutory financial statements of 北京國娛匯星文化傳播有限公司, for the years ended 31 December 2007, 2008 and 2009 were audited by 北京德和會計師事務所有限公司, certified public accountants in the PRC. The statutory financial statements of 廣州創博數碼科技有限公司 and 上海創博數碼科技有限公司 for the years ended 31 December 2007 and 2008 were audited by 廣州立誠會計師事務所有限公司 and 上海金誠會計師事務所有限公司, certified public accountants in the PRC respectively.

(d) We acted as auditor of this company for the year ended 31 March 2008. The statutory financial statements of this company for the year ended 31 March 2009 were audited by PricewaterhouseCoopers, certified public accountants in Hong Kong. The statutory financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards.

(e) The statutory financial statements of these subsidiaries for the years ended 31 December 2007, 2008 and 2009 were prepared in accordance with the relevant accounting principles and financial regulations applicable in the Philippines and were audited by SyCip Gorres Velayo & Co., certified public accountants in the Philippines.

(f) The statutory financial statements of these subsidiaries for the years ended 31 March 2008 and 2009 or up to date of deregistration, where there is a shorter period, were prepared in accordance with Hong Kong Financial Reporting Standards and were audited by Simon Y.P. Chan & Co., certified public accountants in Hong Kong.

(g) These subsidiaries were disposed of during the year ended 31 March 2009 and details of the disposal are set out in note 42.

(h) The deferred shares carry practically no rights to dividends nor to receive notice of nor to attend or vote at any general meeting of the relevant companies nor to participate in any distribution on winding up.

(i) On 19 March 2010, the Superior Court issued a liquidation order and appointed a liquidator to take over the control of M8. Therefore, the Group is not able to exercise any control on M8 and its subsidiaries (the "M8 Group") (see note 14 for details).

We have acted as auditor of the Company for the Relevant Period. Audited consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

We have examined the audited consolidated financial statements (the "Underlying Financial Statements") of the Company for the Relevant Period in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Relevant Period set out in this report has been prepared based on the Underlying Financial Statements, after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Circular.

The directors of the Company are responsible for the Underlying Financial Statements and the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 March 2008, 2009 and 2010 and of the consolidated results and cash flows of the Group for the Relevant Period.

(A) FINANCIAL INFORMATION

Consolidated income statements

		Year ended 31 March		
		2008	2009	2010
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations				
Revenue	7	228,082	452,976	425,169
Cost of sales		(89,510)	(252,570)	(226,413)
Gross profit		138,572	200,406	198,756
Other income	9	41,430	25,135	38,512
Other gain and loss		6,877	8,021	(26,219)
Change in fair value of conversion option derivative		64,800	73,200	8,000
Selling and distribution costs		–	(5,851)	(4,628)
General and administrative expenses		(100,033)	(130,262)	(114,388)
Impairment loss recognised in respect of available-for-sale financial assets		–	(11,081)	–
Share of profit (loss) of an associate		2,963	(9,131)	248,221
Finance costs	10	(27,245)	(43,165)	(44,825)
Profit before taxation	11	127,364	107,272	303,429
Taxation (charge) credit	13	(12,641)	49,862	661
Profit for the year from continuing operations		114,723	157,134	304,090
Discontinued operations				
(Loss) profit for the year from discontinued operations	14	(6,931)	(18,363)	37,992
Profit for the year		107,792	138,771	342,082
Attributable to:				
Owners of the Company		76,455	115,254	275,660
Minority interests		31,337	23,517	66,422
		107,792	138,771	342,082

	NOTE	Year ended 31 March 2008	2009	2010
Earnings per share	*15*			
From continuing and discontinued operations				
Basic		HK$0.08	HK$0.10	HK$0.23
Diluted		HK$0.03	HK$0.06	HK$0.23
From continuing operations				
Basic		HK$0.08	HK$0.11	HK$0.20
Diluted		HK$0.03	HK$0.07	HK$0.20

Consolidated statements of comprehensive income

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Profit for the year	107,792	138,771	342,082
Other comprehensive income and expenses			
Exchange differences arising on translation	131,579	(313,492)	155,989
Release of translation reserve on deconsolidation of subsidiaries	–	–	(1,132)
Fair value change in available-for-sale financial assets	(1,114)	(10,684)	5,142
Reclassification adjustment upon impairment loss on available-for-sale financial assets	–	11,081	–
Other comprehensive income and expenses for the year	130,465	(313,095)	159,999
Total comprehensive income and expenses for the year	238,257	(174,324)	502,081
Total comprehensive income and expenses attributable to:			
Owners of the Company	143,465	(95,586)	385,391
Minority interests	94,792	(78,738)	116,690
	238,257	(174,324)	502,081

Consolidated statements of financial position

		As at 31 March		
		2008	**2009**	**2010**
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	*16*	730,298	565,177	541,067
Investment properties	*17*	1,480,482	1,166,117	1,133,308
Goodwill	*18*	–	–	–
Investment in an associate	*19*	570,379	546,316	789,547
Held-to-maturity investments	*20*	–	–	15,365
Other assets	*21*	9,502	6,596	6,401
Pledged bank deposits	*22*	349,924	–	–
		3,140,585	2,284,206	2,485,688
Current assets				
Inventories	*23*	4,553	2,644	3,001
Film costs	*24*	30,453	15,993	–
Available-for-sale financial assets	*25*	12,672	1,988	8,093
Trade receivables	*26*	32,486	34,209	33,218
Other receivables, deposits and prepayments	*26*	43,271	39,027	23,685
Amounts due from related companies	*27*	13	539	–
Amount due from an associate	*28*	127,992	492,271	87,907
Bank balances and cash	*22*	913,262	704,644	1,279,074
		1,164,702	1,291,315	1,434,978
Assets classified as held for sale	*29*	9,092	–	–
		1,173,794	1,291,315	1,434,978
Current liabilities				
Trade payables	*30*	74,335	64,063	5,304
Other payables and accrued charges	*30*	51,538	54,756	27,647
Tax liabilities		1,000	1,000	1,000
Amounts due to related companies	*32*	2,591	–	–
Promissory notes	*33*	561,235	316,402	205,185
Conversion option derivative	*34*	141,200	68,000	60,000
Bank borrowings	*35*	75,875	–	–
Convertible note	*34*	–	–	379,010
		907,774	504,221	678,146
Liabilities associated with assets classified as held for sale	*29*	7,112	–	–
		914,886	504,221	678,146
Net current assets		258,908	787,094	756,832
Total assets less current liabilities		3,399,493	3,071,300	3,242,520

		As at 31 March		
		2008	2009	2010
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
Capital and reserves				
Share capital	*36*	1,179,157	1,179,157	1,179,157
Share premium and reserves		904,879	809,293	1,194,684
Equity attributable to owners of the Company		2,084,036	1,988,450	2,373,841
Minority interests		715,897	637,159	753,849
Total equity		2,799,933	2,625,609	3,127,690
Non-current liabilities				
Bank borrowings	*35*	119,920	–	–
Convertible note	*34*	302,002	338,185	–
Deferred tax liabilities	*31*	176,960	106,791	113,801
Other liabilities		678	715	1,029
		599,560	445,691	114,830
		3,399,493	3,071,300	3,242,520

Consolidated statements of changes in equity

	Attributable to owners of the Company									
	Share capital *HK$'000*	Share premium *HK$'000*	Merger reserve *HK$'000* *(Note 1)*	Investment revaluation reserve *HK$'000*	Other reserve *HK$'000* *(Note 2)*	Exchange reserve *HK$'000*	(Accumulated losses) Retained profits *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*
At 1 April 2007	235,831	263,832	53,022	188	–	(1,342)	(373,844)	177,687	–	177,687
Profit for the year	–	–	–	–	–	–	76,455	76,455	31,337	107,792
Fair value change in available-for-sale financial assets	–	–	–	(1,114)	–	–	–	(1,114)	–	(1,114)
Exchange differences arising on translation	–	–	–	–	–	68,124	–	68,124	63,455	131,579
Total comprehensive income and expenses for the year	–	–	–	(1,114)	–	68,124	76,455	143,465	94,792	238,257
Acquisition of subsidiaries *(note 41)*	–	–	–	–	362,982	–	–	362,982	621,105	984,087
Issue of shares	943,326	471,663	–	–	–	–	–	1,414,989	–	1,414,989
Transaction costs attributable to issue of shares	–	(15,087)	–	–	–	–	–	(15,087)	–	(15,087)
At 31 March 2008	1,179,157	720,408	53,022	(926)	362,982	66,782	(297,389)	2,084,036	715,897	2,799,933
Profit for the year	–	–	–	–	–	–	115,254	115,254	23,517	138,771
Reclassification adjustment upon impairment loss on available-for-sale financial assets	–	–	–	11,081	–	–	–	11,081	–	11,081
Fair value change in available-for-sale financial assets	–	–	–	(10,684)	–	–	–	(10,684)	–	(10,684)
Exchange differences arising on translation	–	–	–	–	–	(211,237)	–	(211,237)	(102,255)	(313,492)
Total comprehensive income and expenses for the year	–	–	–	397	–	(211,237)	115,254	(95,586)	(78,738)	(174,324)
At 31 March 2009	1,179,157	720,408	53,022	(529)	362,982	(144,455)	(182,135)	1,988,450	637,159	2,625,609
Profit for the year	–	–	–	–	–	–	275,660	275,660	66,422	342,082
Fair value change in available-for-sale financial assets	–	–	–	5,142	–	–	–	5,142	–	5,142
Exchange differences arising on translation	–	–	–	–	–	105,721	–	105,721	50,268	155,989
Release of translation reserve on deconsolidation of subsidiaries *(note 42)*	–	–	–	–	–	(1,132)	–	(1,132)	–	(1,132)
Total comprehensive income for the year	–	–	–	5,142	–	104,589	275,660	385,391	116,690	502,081
At 31 March 2010	1,179,157	720,408	53,022	4,613	362,982	(39,866)	93,525	2,373,841	753,849	3,127,690

Notes:

1. *Merger reserve of the Group represents the difference between the share capital and share premium of Cyber On-Air Multimedia Limited ("COAM") 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 in year 2000. COAM was disposed of during the year ended 31 March 2008. The details are set out in note 42.*

2. *The other reserve represents discount on acquisition of subsidiaries from a subsidiary of an intermediate parent arising in the year ended 31 March 2008. The details are set out in note 41.*

Consolidated statements of cash flows

		Year ended 31 March		
		2008	**2009**	**2010**
	NOTE	*HK$'000*	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES				
Profit for the year		107,792	138,771	342,082
Adjustments for:				
Interest income		(40,486)	(24,780)	(37,160)
Interest expense		27,540	43,165	44,825
Taxation charge (credit)		12,871	(49,862)	(661)
Allowance for bad and doubtful debts for trade and other receivables		679	3,333	202
Allowance for obsolete inventories		444	2,971	–
Loss on disposal and write-off of property, plant and equipment		1	105	–
Impairment loss recognised in respect of film costs		26,681	9,418	–
Impairment loss recognised in respect of amount due from a related company		–	13	–
Impairment loss recognised in respect of available-for-sale financial assets		–	11,081	–
Change in fair value of conversion option derivative		(64,800)	(73,200)	(8,000)
Depreciation of property, plant and equipment		56,844	103,998	85,341
Depreciation of investment properties		34,276	116,116	112,060
Gain on deconsolidation/disposal of subsidiaries	*14*	(1,796)	(364)	(49,458)
Amortisation of film costs		24,304	12,352	8,121
Share of (profit) loss of an associate		(2,963)	9,131	(248,221)
Dividend income		(712)	(72)	–

	NOTES	Year ended 31 March 2008 HK$'000	2009 HK$'000	2010 HK$'000
Operating cash flows before movements in working capital		180,675	302,176	249,131
Decrease in other assets		6,403	4,219	196
Increase in film costs		(22,298)	(6,734)	(1,791)
Increase in inventories		(1,527)	(477)	(548)
Decrease (increase) in trade receivables		8,734	4,302	(1,740)
(Increase) decrease in other receivables, deposits and prepayments		(750)	1,114	(4,437)
(Increase) decrease in amounts due from related companies		(925)	(545)	500
(Decrease) increase in trade payables		(25,822)	(10,166)	2,839
Increase in other payables and accrued charges		3,725	3,463	5,661
Decrease in amounts due to related companies		(1,307)	(2,591)	–
Increase in other liabilities		219	37	314
Cash generated from operations		147,127	294,798	250,125
Hong Kong Profits Tax paid		(325)	(165)	–
NET CASH FROM OPERATING ACTIVITIES		146,802	294,633	250,125
INVESTING ACTIVITIES				
Interest received		37,382	34,633	47,197
Dividend income		712	72	–
Acquisition of subsidiaries	*41*	(858,385)	–	–
Deconsolidation/disposal of subsidiaries	*42*	(22)	(1,525)	(11,031)
Purchase of property, plant and equipment		(6,434)	(36,784)	(23,680)
Purchase of investment properties		–	(420)	(68)
Proceeds on disposal of property, plant and equipment		42	298	112
Purchase of held-to-maturity investments		–	–	(15,250)
Purchase of available-for-sale investments		–	–	(963)
Decrease in pledged bank deposits		168,385	330,349	–
Advance to an associate		(40,000)	(341,514)	(400,320)
Repayment from an associate		–	–	799,520

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(698,320)	(14,891)	395,517
FINANCING ACTIVITIES			
Interest paid	(9,538)	(6,982)	(4,000)
Repayment of bank borrowings	(23,240)	(184,875)	–
Repayment of promissory notes	(81,059)	(264,077)	(88,408)
Proceeds from issue of shares	1,414,989	–	–
Expenses on issue of shares	(15,087)	–	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	1,286,065	(455,934)	(92,408)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	734,547	(176,192)	553,234
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	180,538	915,265	704,644
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	180	(34,429)	21,196
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	915,265	704,644	1,279,074
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank balances and cash	913,262	704,644	1,279,074
Bank balances and cash included in assets classified as held for sale	2,003	–	–
	915,265	704,644	1,279,074

Notes to Financial Information

1. GENERAL

The Company is a public listed company incorporated in the Cayman Islands and its shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 31 July 2000. Its immediate parent is Mediastar International Limited (incorporated in the British Virgin Islands ("BVI")). Its intermediate parent and ultimate parent are Chow Tai Fook Enterprises Limited ("CTF") (incorporated in Hong Kong) and Cheng Yu Tung Family (Holdings) Limited (incorporated in the BVI) respectively. The address of the registered office and principal place of business of the Company are disclosed in Appendix IV to the Circular.

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 Financial Information are presented in Hong Kong dollars ("HK$") as the directors of the Company consider that it is an appropriate presentation for a company listed in Hong Kong and for the convenience of the shareholders of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of Hong Kong Accounting Standards ("HKASs"), Hong Kong Financial Reporting Standards ("HKFRSs"), amendments and interpretations ("HK(IFRIC) – INT") (hereinafter collectively referred to as "New and Revised HKFRSs") which are effective for the Group's financial year beginning on 1 April 2009.

For the purpose of preparing and presenting the Financial Information for the Relevant Period, the Group has consistently applied New and Revised HKFRSs throughout the Relevant Period.

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

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related party disclosures[7]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of rights issues[5]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Revised)	First-time adoption of HKFRSs[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[4]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[6]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[4]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[8]
HK (IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement[7]
HK (IFRIC) – INT 17	Distributions of non-cash assets to owners[1]
HK (IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009.

2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

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

4 Effective for annual periods beginning on or after 1 January 2010.

5 Effective for annual periods beginning on or after 1 February 2010.

6 Effective for annual periods beginning on or after 1 July 2010.

7 Effective for annual periods beginning on or after 1 January 2011.

8 Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

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

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

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

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

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

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

Investment in an associate

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

The result and assets and liabilities of associate are incorporated in the Financial Information using the equity method of accounting. Under the equity method, investment in an associate is carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Financial instruments

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

Financial assets

The Group's financial assets are mainly loans and receivables, available-for-sale financial assets and held-to maturity investments. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

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

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

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, amounts due from related companies, amount due from an associate, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

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

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

Held-to-maturity investments

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

Impairment of financial assets

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

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

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

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

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

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

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

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

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

Financial liabilities and equity

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

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

Effective interest method

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

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

Financial liabilities at fair value through profit or loss

A financial liability designated at FVTPL is classified as held for trading upon initial recognition if it is a derivative that is not designated and effective as a hedge of instrument.

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

Convertible note

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

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

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

Other financial liabilities

Other financial liabilities including trade payables, other payables and accrued charges, amounts due to related companies, promissory notes and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, 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 directly in other comprehensive income is recognised in profit or loss.

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

Equity-settled share-based payment transactions

Share options granted to employees on or before 7 November 2002, or granted after 7 November 2002 and vested before 1 January 2005

The financial impact of share options granted is not recorded in the Financial Information until such time as the options are exercised, and no charge is recognised in profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Share options granted to employees of the Group after 7 November 2002 and vested on or after 1 January 2005

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

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

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

Revenue recognition

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

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

Service income is recognised when the services are rendered.

Income from the licensing of the distribution rights over films is recognised when the film production is completed, the Group's entitlement to such payments has been established which is upon the delivery of the master copy or materials to the distributors and the collectability of proceeds is reasonably assured.

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

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

Interest income from a financial asset is 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.

Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, if any, using the straight-line method.

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Investment properties

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

On initial recognition, investment properties are 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 charged so as to write off the cost of investment properties over the lease term of the lease contract signed with PAGCOR and after taking into account of their estimated residual value, if any, using the straight-line method.

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

Impairment losses of tangible assets

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

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

Inventories

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

Film costs

Film costs represent film rights and films and animation series produced or acquired by the Group.

Film rights are stated at cost less accumulated amortisation and any identified impairment loss. Amortisation is charged to profit or loss based on the proportion of actual income earned during the year to the total estimated income from the distribution of film rights.

Leasing

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

The Group as lessor

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

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

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Taxation

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Borrowing costs

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

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

Foreign currencies

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

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

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the exchange reserve.

Retirement benefits costs

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's estimation. A considerable estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required. As at 31 March 2008, 2009 and 2010, the carrying amounts of the trade receivables were HK$32,486,000, HK$34,209,000 and HK$33,218,000 respectively.

Estimated impairment of film costs

At the end of each reporting period, the management of the Group assesses the impairment on film costs with reference to its recoverable amount. The assessment was made on a film-by-film basis. The recoverable amount of the film costs was determined based on the present value of the expected future revenue generated from the film. The revenue forecast calculation requires the management to estimate the future revenue expected to arise. If the recoverable amount is lower than the carrying amount, the carrying amounts of the film costs will be written down to its recoverable amount. As at 31 March 2008, 2009 and 2010, the carrying amounts of the films costs were approximately HK$30,453,000, HK$15,993,000 and nil respectively (details are disclosed in note 24).

Deferred income tax assets

As at 31 March 2008, 2009 and 2010, the Group had unused tax losses amounted to approximately HK$762,466,000, HK$658,093,000 and HK$208,593,000 respectively (details disclosed in note 31). The unused tax losses not recognised may be crystallised if the actual future profits generated are more than expected. No deferred tax assets has been recognised and offset against deferred tax liabilities due to the unpredictability of future profit streams.

Fair value of conversion option derivative

The directors of the Company engaged an independent valuer who applies appropriate valuation technique for conversion option derivative that is not quoted in an active market. The conversion option derivative is valued using either binomial tree option pricing model or Black-Scholes pricing model that incorporated market data and involved uncertainty in estimates in the assumptions. Because binomial tree option pricing model and Black-Scholes pricing model require the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate. Details of the assumptions used are disclosed in note 34. As at 31 March 2008, 2009 and 2010, the carrying amounts of conversion option derivative were HK$141,200,000, HK$68,000,000 and HK$60,000,000 respectively.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts, which include bank borrowings, promissory notes and convertible note which were disclosed in respective notes, and equity attributable to owners of the Company, comprising issued share capital and reserves.

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

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	1,459,733	1,259,961	1,414,976
Held-to-maturity investments	–	–	15,365
Available-for-sale financial assets	12,672	1,988	8,093
Financial liabilities			
Financial liabilities at FVTPL	141,200	68,000	60,000
Other financial liabilities at amortised cost	1,165,188	735,990	608,830

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, held-to-maturity investments, available-for-sale financial assets, pledged bank deposits, bank balances and cash, trade payables, other payables and accrued charges, amount due from an associate, amounts due from and to related companies, convertible note, promissory notes and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Currency risk exists with respect to the held-to-maturity investments, bank balances and cash, pledged bank deposits, amount due from an associate, promissory notes and convertible note denominated in currencies other than the functional currency of respective group entities as disclosed in respective notes. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of each year of the Relevant Period are as follows:

	Assets As at 31 March			Liabilities As at 31 March		
	2008	**2009**	**2010**	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
United States dollars ("USD")	551,411	320,928	281,528	–	–	–
HK$	516,260	563,606	915,808	863,237	654,587	584,195

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

	Amounts due from intra-group As at 31 March			Amounts due to intra-group As at 31 March		
	2008	**2009**	**2010**	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
USD	376,465	986,445	1,174,264	376,465	986,445	1,174,264
HK$	404,604	1,211,191	963,397	404,604	1,211,191	963,397

In addition, the Group is also exposed to currency risk in respect of its conversion option derivative (see note 34) denominated in HK$, which is other than the functional currency of respective group entities.

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

Sensitivity analysis

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

The following table details the Group's sensitivity to 5%, 10% and 10% increase and decrease in Peso against USD and HK$ for each of the Relevant Period respectively. This is the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates for each of the Relevant Period respectively. The sensitivity analysis includes only outstanding foreign currency denominated monetary items including intra-group balances and adjusts their translation at the end of each Relevant Period for 5%, 10% and 10% change in foreign currency rates respectively. A positive number below indicates an increase in post-tax profit for each of the Relevant Period where the foreign currencies strengthen 5%, 10% and 10% against Peso, and vice versa. For a 5%, 10% and 10% weakening of the foreign currencies against Peso, there would be an equal and opposite impact on the post-tax profit for each year during the Relevant Period.

	HK$ Impact			USD Impact		
	2008	**2009**	**2010**	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
(Decrease) increase in post-tax profit for the year	(17,349)	2,982	45,274	25,915	38,504	22,338

This is mainly attributable to the exposure on held-to-maturity investments, pledged bank deposits, bank balances and cash, intra-group balances, amount due from an associate, promissory notes and convertible note denominated in either USD or HK$ at the end of the reporting period.

Other than above, for a 10% HK$ strengthening/weakening of HK$ against Peso, the Group's post-tax profit for the years ended 31 March 2008, 2009 and 2010 would decrease/increase by approximately HK$14,120,000, HK$6,800,000 and HK$6,000,000 respectively, as a result of the exposure on HK$ denominated conversion option derivative.

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

Interest rate risk

The Group's interest rate risk arises from pledged bank deposits, bank balances, held-to-maturity investments, bank borrowings and liability component of convertible note. The Group is exposed to the fair value interest rate risk in relation to its fixed-rate pledged bank deposits (see note 22 for details), fixed-rate amount due from an associate (see note 28 for details) fixed-rate held-to-maturity investments (see note 20 for details) and liability component of convertible note issued at fixed-rate (see note 34 for details). The Group is also exposed to cash flow interest rate risk in relation to its variable-rate bank balances (see note 22 for details) and variable-rate bank borrowings (see note 35 for details). The Group does not have interest rate hedging policy. However, the management monitor interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for variable-rate bank borrowings and variable-rate bank balances deposited in the banks in the Philippines at the end of each Relevant Period. The analysis is prepared assuming these bank balances and bank borrowings outstanding at the end of each Relevant Period is outstanding for the whole year. A 50 basis point is used in estimating the potential change in interest rate and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended 31 March 2008, 2009 and 2010 would increase/decrease by approximately HK$985,000, HK$1,222,000 and HK$1,463,000 respectively.

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

Other price risk

The Group is exposed to equity price risk through its available-for-sale financial assets in respect of equity securities listed in Hong Kong. Management has performed analysis of the nature of market risk associated with the equity securities, 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. Management monitors this exposure and will consider hedging the price risk exposure should the need arise.

In addition, the Group is required to estimate the fair value of the conversion option embedded in the convertible note at the end of the reporting period with change in fair value to be recognised in profit or loss as long as the convertible note is outstanding. The fair value adjustment will be affected either positively or negatively, amongst others, by the changes in market interest rate, the Company's share market price and share price volatility. Details of the conversion option derivative are set out in note 34.

Sensitivity analysis on available-for-sale financial assets

The sensitivity analysis below have been determined based on the exposure to equity price risk arising from available-for-sale financial assets at the end of the reporting period. If the prices of respective equity instruments had been 5%, 10%, and 10% higher as at 31 March 2008, 2009 and 2010 respectively, the Group's investment revaluation reserve would increase by approximately HK$634,000, HK$198,000 and HK$809,000 respectively, as a result of the change in fair value of available-for-sale financial assets.

If the prices of respective equity instruments had been 5%, 10%, and 10% lower, as at 31 March 2008, 2009 and 2010 respectively:

- the Group's investment valuation reserve would decrease by approximately HK$160,000, nil and HK$515,000 respectively, as a result of the change in fair value of available-for-sale financial assets; and

- the Group's profit for the years ended 31 March 2008, 2009 and 2010 would decrease by approximately HK$474,000, HK$198,000 and HK$294,000 respectively, as a result of impairment on available-for-sale financial assets.

Sensitivity analysis on conversion option derivative

The sensitivity analysis below has been determined based on the exposure to the Company's share price and volatility risk at the end of the reporting period only as management considers that the change in risk-free interest rate may not be significant through the expected remaining life of conversion option derivative. For sensitivity analysis purpose, the sensitivity rates used for share price and volatility are by reference to management's assessment of the reasonably possible change in share price and volatility.

(i) Changes in share price

If the Company's share price had been 5%, 10% and 20% higher as at 31 March 2008, 2009 and 2010 and all other variables were held constant, the Group's post-tax profit for the years ended 31 March 2008, 2009 and 2010 (as a result of change in fair value of conversion option derivative) would decrease by approximately HK$11,800,000, HK$16,000,000 and HK$48,000,000 respectively.

If the Company's share price had been 5%, 10%, and 20% lower as at 31 March 2008, 2009 and 2010 and all other variables were held constant, the Group's post-tax profit for the years ended 31 March 2008, 2009 and 2010 (as a result of change in fair value of conversion option derivative) would increase by approximately HK$11,200,000, HK$15,000,000 and HK$35,000,000 respectively.

(ii) Changes in volatility

If the volatility to the valuation model had been 5%, 20% and 15% higher/lower as at 31 March 2008, 2009 and 2010 while all other variables were held constant, the Group's post-tax profit for the years ended 31 March 2008, 2009 and 2010 (as a result of change in fair value of conversion option derivative) would decrease/increase by approximately HK$7,800,000, HK$20,000,000 and HK$10,000,000 respectively.

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

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2008, 2009 and 2010 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, 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 receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

The Group had concentration of credit risk in respect of amount due from an associate and trade receivable from PAGCOR. As at 31 March 2008, 2009 and 2010, the amount due from an associate was approximately HK$127,992,000, HK$492,271,000 and HK$87,907,000 respectively and trade receivable from PAGCOR was approximately HK$19,847,000, HK$24,966,000 and HK$26,029,000 respectively. In order to minimise the credit risk on the amount due from an associate, the Group signed loan agreement with the associate. The agreement specified the shareholders' loans shall be repaid to the shareholders in the same proportion of the shareholdings. The management also has monitoring and control procedures to minimise the credit risk in relation to the amount due from an associate. The credit risk on trade receivable from PAGCOR is limited as PAGCOR is solely owned by the Philippine government and with a good repayment history.

The directors of the Company does not expect these counterparties would fail to meet their obligations. Other than above, the Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties.

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows (including interest payments computed based on prevailing market rates at the end of each reporting period) of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity tables

	Weighted average interest rate	Less than 1 month/ repayable on demand	1 – 3 months	3 months to 1 year	1 – 3 years	Total undiscounted cash flows	Carrying amounts at 31 March 2008
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008							
Non-derivative financial liabilities							
Trade payables	–	69,544	6,622	2,221	–	78,387	78,387
Other payables and accrued charges	–	8,256	15,665	–	–	23,921	23,921
Amounts due to related companies	–	3,848	–	–	–	3,848	3,848
Promissory notes	–	561,235	–	–	–	561,235	561,235
Convertible note *(note)* – fixed rate	1.00	–	–	4,000	408,000	412,000	443,202
Bank borrowings – variable rate	7.86	–	34,384	54,265	126,417	215,066	195,795
		642,883	56,671	60,486	534,417	1,294,457	1,306,388

	Weighted average interest rate	Less than 1 month/ repayable on demand	1 – 3 months	3 months to 1 year	1 – 3 years	Total undiscounted cash flows	Carrying amounts at 31 March 2009
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2009							
Non-derivative financial liabilities							
Trade payables	–	61,616	221	2,226	–	64,063	64,063
Other payables and accrued charges	–	13,914	3,390	36	–	17,340	17,340
Promissory notes	–	316,402	–	–	–	316,402	316,402
Convertible note *(note)* – fixed rate	1.00	–	–	4,000	404,000	408,000	406,185
		391,932	3,611	6,262	404,000	805,805	803,990

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

Note: The carrying amounts represent the total carrying amounts of the convertible note and conversion option derivative as at 31 March 2008, 2009 and 2010.

Fair value

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

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;
- the fair values of other financial assets and financial liabilities (excluding conversion option derivative) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of conversion option derivative is estimated using either Black-Scholes pricing model or binomial tree option pricing model which requires the input of highly subjective assumptions, including the volatility of the Company's share price.

Except for the held-to-maturity investments and the liability component of the convertible note as set out in notes 20 and 34 respectively, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate to their fair values.

The Group's financial instruments that are measured subsequent to initial recognition at fair value include available-for-sale financial assets and conversion option derivative, which are grouped into level 1 and level 3 respectively. Details of these financial instruments are disclosed in respective notes.

For available-for-sale financial assets that are grouped as level 1, the fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities. For conversion option derivative that are grouped as level 3, the fair value measurements are those derived from valuation techniques that include inputs for the liability that are not based on observable market data (unobservable inputs). The reconciliations from the beginning balances to the ending balances of the conversion option derivative are disclosed in note 34. For the years ended 31 March 2008, 2009 and 2010, a fair value gain of HK$64,800,000, HK$73,200,000 and HK$8,000,000 relates to the conversion option derivative were recognised in the consolidated income statement respectively. In addition, the potential financial impact on the fair value measurement of the level 3 financial instruments as a result of change in the unobservable inputs are set out in the sensitivity analysis on conversion option derivative section in this note. There were no transfers between level 1 and level 3 during the Relevant Period.

7. REVENUE

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
The Group's revenue from continuing operations comprises:			
Hotel			
Room revenue	48,623	93,303	74,278
Food and beverages	32,035	55,208	44,076
Other hotel service income	4,618	8,942	6,562
	85,276	157,453	124,916
Leasing of investment properties equipped with entertainment equipment	142,806	295,523	300,253
	228,082	452,976	425,169

8. SEGMENT INFORMATION

Segments information is analysed on the basis of the types of the Group's operating division. During the Relevant Period, the Group is organised into the following four operating divisions.

The information are prepared based on the internal reports about operating divisions of the Group that are regularly reviewed by the chief operating decision marker, the board of directors of the Company, for the purposes of resources allocation and assessment of performance.

(i) Hotel – Operation of hotel business

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

(iii) Entertainment business – Production and licensing of theatrical motion pictures in a variety of genres and investments in production of television series, music concerts and sales of music records

(iv) Network solutions and project services – Provision of total system solution including data networking solution, synchronisation solution, timing solution, wireless local area network solution and network access control solution; and provision of infrastructure installation services for customers which include cellular base station and antenna system installation service, structural cabling installation service and microwave installation service.

The entertainment business was discontinued with effect from 19 March 2010 and the network solutions and project services operations were discontinued with effect from 25 April 2008 (see note 14 for details). Since the operations of division (iii) and (iv) had accumulated losses in the past several years, the chief operating decision marker has not reviewed these operations since March 2008 for the purposes of resources allocation and performance assessment.

Information regarding the Group's operating segments in accordance with HKFRS 8 is presented below.

Segment revenue and results

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

For the year ended 31 March 2008

	Continuing operations			
	Hotel	**Leasing**	**Elimination**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE				
External sales	85,276	142,806	–	228,082
Inter-segment sales *(Note)*	–	355	(355)	–
Total	85,276	143,161	(355)	228,082
RESULTS				
Segment (loss) profit	(21,189)	64,934	–	43,745
Unallocated other income				33,667
Change in fair value of conversion option derivative				64,800
Other gain and loss				6,877
Unallocated expenses				(19,327)
Share of profit of an associate				2,963
Finance costs				(18,002)
Profit for the year				114,723

For the year ended 31 March 2009

	Continuing operations			
	Hotel *HK$'000*	**Leasing** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
REVENUE				
External sales	157,453	295,523	–	452,976
Inter-segment sales *(Note)*	–	645	(645)	–
Total	157,453	296,168	(645)	452,976
RESULTS				
Segment (loss) profit	(12,333)	153,280	–	140,947
Unallocated other income				9,537
Change in fair value of conversion option derivative				73,200
Other gain and loss				8,021
Unallocated expenses				(11,194)
Impairment loss recognised in respect of available-for-sale financial assets				(11,081)
Share of loss of an associate				(9,131)
Finance costs				(43,165)
Profit for the year				157,134

For the year ended 31 March 2010

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

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

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

Segment assets and liabilities

At 31 March 2008

	Hotel	**Leasing**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Segment assets	771,716	1,862,377	2,634,093
Assets related to discontinued operations			88,855
Investment in an associate			570,379
Unallocated assets			1,021,052
Consolidated total assets			4,314,379
LIABILITIES			
Segment liabilities	238,613	170,203	408,816
Liabilities related to discontinued operations			95,424
Unallocated liabilities			1,010,206
Consolidated total liabilities			1,514,446

At 31 March 2009

	Hotel	**Leasing**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Segment assets	562,998	1,516,746	2,079,744
Assets related to discontinued operations			68,490
Investment in an associate			546,316
Unallocated assets			880,971
Consolidated total assets			3,575,521
LIABILITIES			
Segment liabilities	66,568	67,689	134,257
Liabilities related to discontinued operations			89,230
Unallocated liabilities			726,425
Consolidated total liabilities			949,912

At 31 March 2010

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

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

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

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

Other segment information

For the year ended 31 March 2008

	Continuing operations				
	Hotel HK$'000	Leasing HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated total HK$'000
Amount included in the measure of segment profit or loss or segment assets:					
Additions to property, plant and equipment and investment properties	2,623	2,249	4,872	53	4,925
Additions to property, plant and equipment and investment properties arising from acquisition of subsidiaries *(note 41)*	648,863	1,505,649	2,154,512	–	2,154,512
Allowance for bad and doubtful debts for trade and other receivables	28	–	28	–	28
Depreciation	36,990	52,906	89,896	309	90,205
Interest expenses	6,697	2,546	9,243	18,002	27,245
Interest income	1,215	6,549	7,764	32,482	40,246
Taxation charge	2,899	9,742	12,641	–	12,641

For the year ended 31 March 2009

	Continuing operations				
	Hotel HK$'000	Leasing HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated total HK$'000
Amount included in the measure of segment profit or loss or segment assets:					
Additions to property, plant and equipment and investment properties	2,407	34,711	37,118	–	37,118
Allowance for bad and doubtful debts for trade and other receivables	139	–	139	–	139
Depreciation	67,556	152,090	219,646	209	219,855
Loss on disposal and write-off of property, plant and equipment	51	–	51	2	53
Interest income	2,462	13,136	15,598	8,871	24,469
Taxation credit	15,194	34,668	49,862	–	49,862

For the year ended 31 March 2010

	Continuing operations				
	Hotel	**Leasing**	**Segment total**	**Unallocated**	**Consolidated total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to property, plant and equipment and investment properties	2,984	20,660	23,644	–	23,644
Allowance for bad and doubtful debts for trade and other receivables	136	–	136	–	136
Depreciation	58,117	139,019	197,136	141	197,277
Interest income	921	10,153	11,074	26,086	37,160
Taxation credit	452	209	661	–	661

Geographical segments

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

All the Group's revenue from continuing operations are generated from external customers in the Philippines. All non-current assets are mainly located in the Philippines except for those relating to discontinued operations, held-to-maturity investments and pledged bank deposits. The investment in an associate is located in Macau.

Revenue from major services

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

Information about major customer

During the years ended 31 March 2008, 2009 and 2010, there is a single customer contributed revenue of approximately 64%, 67% and 72% of the Group's total revenue from continuing operations respectively. Revenue contributed by this customer for each operating segment is as follows:

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Hotel segment	2,414	7,261	5,124
Leasing segment	142,806	295,523	300,253
	145,220	302,784	305,377

There is no other single customer contributing over 10% of the Group's total revenue from continuing operations during the Relevant Period.

9. OTHER INCOME

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Continuing operations:			
Interest income	40,246	24,469	37,160
Sundry income	472	594	1,352
Dividend income from listed securities	712	72	–
	41,430	25,135	38,512

10. FINANCE COSTS

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Continuing operations:			
Interest on bank borrowings – repayable within five years	9,243	2,982	–
Effective interest expense on convertible note *(note 34)*	18,002	40,183	44,825
	27,245	43,165	44,825

11. PROFIT BEFORE TAXATION

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Continuing operations:			
Profit before taxation has been arrived at after charging (crediting):			
Allowance for bad and doubtful debts for trade and other receivables	28	139	136
Auditor's remuneration	3,593	1,819	2,050
Cost of inventories recognised as an expense	10,030	16,801	13,238
Depreciation of property, plant and equipment	55,929	103,739	85,217
Depreciation of investment properties	34,276	116,116	112,060
Impairment loss recognised in respect of amount due from a related company	–	13	–
Loss on disposal and write-off of property, plant and equipment	–	53	–
Net foreign exchange (gain) loss (included in other gain and loss)	(6,877)	(8,021)	26,219
Rental expenses under operating leases on premises	3,914	6,470	6,512
Gross revenue from leasing of investment properties equipped with entertainment equipment	(142,806)	(295,523)	(300,253)
Less: Direct operating expenses that generated revenue from leasing of investment properties equipped with entertainment equipment *(Note)*	72,133	190,047	175,434
	(70,673)	(105,476)	(124,819)
Staff costs, including directors' emoluments			
– salaries and allowances	29,560	51,762	45,909
– retirement benefits schemes contributions *(note 38)*	232	183	288
	29,792	51,945	46,197

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

12. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

For the years ended 31 March 2008, 2009 and 2010, the emoluments paid or payable to each directors were as follows:

	Cheng Kar Shun ("Dr. Cheng")	Lo Lin Shing, Simon ("Mr. Lo")	To Hin Tsun, Gerald ("Mr. To")	Choi Wing Kin	So Kam Wing	Cheng Kam Chiu, Stewart	Cheng Kam Biu, Wilson	Cheng Chi Kong	Cheng Chi Him	Wu Wing Kin	Cheung Hon Kit	Kwee Chong Kok, Michael	Wong Chi Keung	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Note i)	*(Note i)*	*(Note iv)*	*(Note iv)*	*(Note iv)*	*(Note iv)*	*(Note ii)*			*(Note iii)*	
2008														
Fees:														
Executive directors	500	500	500	83	83	17	17	17	17	–	–	–	–	1,734
Non-executive directors	–	–	–	–	–	–	–	–	–	120	120	110	120	470
Other emoluments:														
Salaries and other benefits	–	–	–	–	397	–	–	–	–	–	–	–	–	397
Contribution to retirements benefits scheme	–	–	–	–	10	–	–	–	–	–	–	–	–	10
Total emoluments	500	500	500	83	490	17	17	17	17	120	120	110	120	2,611

	Dr. Cheng	Mr. Lo	Mr. To	Cheng Kam Chiu, Stewart	Cheng Kam Biu, Wilson	Cheng Chi Kong	Cheng Chi Him	Wu Wing Kin	Cheung Hon Kit	Kwee Chong Kok, Michael	Wong Chi Keung	Lau Wai Piu	Tsui Hing Chuen, William *JP*	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Note iv)	*(Note iv)*	*(Note iv)*	*(Note iv)*	*(Note ii)*			*(Note iii)*	*(Note v)*	*(Note v)*	
2009														
Fees:														
Executive directors	500	500	500	100	100	100	100	–	–	–	–	–	–	1,900
Non-executive directors	–	–	–	–	–	–	–	39	120	110	58	81	81	489
Total emoluments	500	500	500	100	100	100	100	39	120	110	58	81	81	2,389

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

Notes:

(i) Mr. Choi Wing Kin and Mr. So Kam Wing resigned as the Company's executive directors on 29 January 2008.

(ii) Mr. Wu Wing Kin resigned as the Company's non-executive director on 30 July 2008.

(iii) Mr. Wong Chi Keung retired as the Company's independent non-executive director on 23 September 2008.

(iv) Mr. Cheng Kam Chiu, Stewart, Mr. Cheng Kam Biu, Wilson, Mr. Cheng Chi Kong and Mr. Cheng Chi Him were appointed as the Company's executive directors on 29 January 2008.

(v) Mr. Lau Wai Piu and Mr. Tsui Hing Chuen, William *JP* were appointed as the Company's independent non-executive directors on 30 July 2008.

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

Employee's emoluments

The five individuals with the highest emoluments in the Group did not include any directors of the Company for each of the three years ended 31 March 2010. The emoluments of the five individuals were as follows:

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other benefits	7,941	10,374	11,130
Contributions to retirement benefits scheme	62	161	79
Discretionary or performance related incentive payments	–	433	100
	8,003	10,968	11,309

Their emoluments were within the following bands:

	No. of employees		
	2008	**2009**	**2010**
HK$1,000,001 to HK$1,500,000	3	–	1
HK$1,500,001 to HK$2,000,000	–	3	2
HK$2,000,001 to HK$2,500,000	2	–	–
HK$2,500,001 to HK$3,000,000	–	1	1
HK$3,000,001 to HK$3,500,000	–	1	–
HK$3,500,001 to HK$4,000,000	–	–	1
	5	5	5

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

13. TAXATION (CHARGE) CREDIT

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Continuing operations:			
Deferred taxation *(note 31)*			
Current year	(12,641)	29,000	661
Attributable to a change in tax rate	–	20,862	–
Taxation (charge) credit	(12,641)	49,862	661

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 17.5%, 16.5% and 16.5% for the years ended 31 March 2008, 2009 and 2010 respectively. No provision for Hong Kong Profits Tax was made as the Group's operations in Hong Kong had no assessable profits during the Relevant Period.

No provision for taxation in other jurisdictions was made in the Financial Information for each of the Relevant Period as the Group's operations outside Hong Kong either had no assessable profits or were exempted from profits tax in respective jurisdictions.

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

The corporate income profits tax rate in the Philippines changed from 35% to 30% with effective on 1 January 2009. The deferred tax liabilities has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled. Accordingly, reduction in opening deferred tax liabilities in relation to change in tax rate of approximately HK$20,862,000 was credited to the consolidated income statement for the year ended 31 March 2009.

The taxation for the year can be reconciled to the profit from continuing operations per the consolidated income statements as follows:

	Year ended 31 March								
	The Philippines			Hong Kong and BVI			Total		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit before taxation from continuing operations	76,593	2,360	140,051	50,771	104,912	163,378	127,364	107,272	303,429
Taxation at the domestic rates applicable to profits in the country concerned	26,808	787	42,015	8,885	17,310	26,957	35,693	18,097	68,972
Tax effect of expenses not deductible for tax purpose	1,732	1,742	776	2,871	9,066	17,316	4,603	10,808	18,092
Tax effect of income not taxable for tax purpose	(2,727)	(5,276)	(3,322)	(14,881)	(32,261)	(6,801)	(17,608)	(37,537)	(10,123)
Tax effect of net income derived from leasing of properties to PAGCOR not taxable for tax purpose	(18,831)	(39,665)	(40,807)	–	–	–	(18,831)	(39,665)	(40,807)
Tax effect of utilisation of tax losses or deductible temporary difference not previously recognised	–	–	(6,370)	–	–	–	–	–	(6,370)
Tax effect of tax losses and deductible temporary difference not recognised	5,659	13,412	7,158	3,643	4,378	3,484	9,302	17,790	10,642
Tax effect of share of results of an associate	–	–	–	(518)	1,507	(40,956)	(518)	1,507	(40,956)
Decrease in opening deferred tax liabilities resulting from a decrease in applicable tax rate	–	(20,862)	–	–	–	–	–	(20,862)	–
Others	–	–	(111)	–	–	–	–	–	(111)
Taxation charge (credit) for the year from continuing operations	12,641	(49,862)	(661)	–	–	–	12,641	(49,862)	(661)

Details of the deferred taxation are set out in note 31 to the Financial Information.

14. DISCONTINUED OPERATIONS

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
(Loss) profit for the year from discontinued operations			
– Entertainment business	(9,693)	(17,351)	37,992
– Network solutions and project services	2,762	(1,012)	–
	(6,931)	(18,363)	37,992

(a) On 27 December 2007, the Company entered into a conditional sale and purchase agreement with Vision Values Holdings Limited (formerly known as "New World Mobile Holdings Limited"), a related company beneficially owned by a director of the Company, Mr. Lo, for the disposal of its entire interest in Cyber On-Air Group Limited and its subsidiaries ("COAG Group"), which carried out all the Group's network solutions and project services operations, for a cash consideration of HK$2,000,000. Accordingly, these operations were presented as discontinued operations during the years ended 31 March 2008 and 2009. The disposal was completed on 25 April 2008. Details of the disposal are set out in the announcements of the Company dated 2 January 2008 and 3 March 2008, and the circular of the Company dated 23 January 2008.

(b) On 15 March 2010, the Company instructed its Canadian legal advisers to submit a petition for the appointment of a liquidator and for the issuance of a liquidation order by the Superior Court of Quebec, Province of Quebec, District of Montreal ("Superior Court"), in relation to the proposed liquidation of M8. On 19 March 2010, the Superior Court issued an order liquidating M8 pursuant to the provisions of the Canada Business Corporations Act and appointed a liquidator in respect of M8. As a result, the Group is not able to exercise any control on the M8 Group. The liquidator has been empowered and authorised by the Superior Court, among other things, to take possession and control of all of M8's current and future assets and to manage, operate and carry on the business of M8 at the sole discretion of the liquidator. Also, the liquidator has been empowered to inquire into and analyse the assets and business operations of the M8 Group, and ordered to report back to the Superior Court by no later than 15 July 2010, with respect to the most advantageous and efficient way to dispose of, operate or otherwise deal with (as the liquidator deems appropriate) the M8 Group and/or the assets and business operations of the M8 Group. Accordingly, the Group is not able to exercise any control on the M8 Group any more. The M8 Group has ceased to be the subsidiaries of the Company immediate after the appointment of the liquidator and thus, the M8 Group which carried out the entertainment business of the Group mainly in the North America, was classified as discontinued operations during the Relevant Period.

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

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
The (loss) profit for the year from the discontinued operations are analysed as follows:			
(Loss) profit for the year from discontinued operations:			
– Entertainment business	(9,693)	(17,351)	(11,466)
– Network solutions and project services	966	(1,376)	–
	(8,727)	(18,727)	(11,466)
Gain on deconsolidation/disposal of discontinued operations:			
– Entertainment business *(note 42)*	–	–	49,458
– Network solutions and project services *(note 42)*	1,796	364	–
	(6,931)	(18,363)	37,992

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

	Year ended 31 March								
	Entertainment business			Network solutions and project services			Total		
	2008	**2009**	**2010**	**2008**	**2009**	**2010**	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	75,650	30,491	26,997	28,248	851	–	103,898	31,342	26,997
Cost of sales	(60,086)	(31,833)	(11,166)	(21,629)	(683)	–	(81,715)	(32,516)	(11,166)
Other income	834	516	218	540	1	–	1,374	517	218
Selling and distribution costs	(17,800)	(5,510)	(4,870)	–	–	–	(17,800)	(5,510)	(4,870)
General and administrative expenses	(7,996)	(11,015)	(22,645)	(5,963)	(1,545)	–	(13,959)	(12,560)	(22,645)
Finance costs	(295)	–	–	–	–	–	(295)	–	–
(Loss) profit before taxation	(9,693)	(17,351)	(11,466)	1,196	(1,376)	–	(8,497)	(18,727)	(11,466)
Taxation	–	–	–	(230)	–	–	(230)	–	–
(Loss) profit for the year from discontinued operations attributable to owners of the Company	(9,693)	(17,351)	(11,466)	966	(1,376)	–	(8,727)	(18,727)	(11,466)

(Loss) profit for the year from discontinued operations include the following:

	Year ended 31 March								
	Entertainment business			Network solutions and project services			Total		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Allowance for bad and doubtful debts for trade and other receivables	651	3,194	66	–	–	–	651	3,194	66
Allowance for obsolete inventories (included in cost of sales)	444	2,971	–	–	–	–	444	2,971	–
Amortisation of film costs (included in cost of sales) *(note 24)*	24,304	12,352	8,121	–	–	–	24,304	12,352	8,121
Cost of inventories recognised as an expense	725	3,395	–	20,859	618	–	21,584	4,013	–
Depreciation of property, plant and equipment	574	259	124	341	–	–	915	259	124
Impairment loss recognised in respect of film costs (included in cost of sales) *(note 24)*	26,681	9,418	–	–	–	–	26,681	9,418	–
Loss on disposal and write-off of property, plant and equipment	–	52	–	1	–	–	1	52	–
Net foreign exchange (gain) loss	–	(40)	22	11	–	–	11	(40)	22
Rental expenses under operating leases on									
– premises	2,528	1,666	1,684	512	43	–	3,040	1,709	1,684
– equipment	195	82	127	28	2	–	223	84	127
	2,723	1,748	1,811	540	45	–	3,263	1,793	1,811
Staff costs, including directors' emoluments									
– salaries and allowances	11,020	12,211	10,620	4,486	394	–	15,506	12,605	10,620
– retirement benefits schemes contributions	169	234	214	193	15	–	362	249	214
	11,189	12,445	10,834	4,679	409	–	15,868	12,854	10,834

The carrying amounts of the assets and liabilities of discontinued operations at the date of deconsolidation/disposal are disclosed in note 42.

15. EARNINGS PER SHARE

From continuing and discontinued operations

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

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Earnings			
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	76,455	115,254	275,660
Effect of dilutive potential ordinary shares in respect of convertible note:			
– Change in fair value of conversion option derivative	(64,800)	(73,200)	(8,000)
– Effective interest expense	18,002	40,183	44,825
Earnings for the purpose of diluted earnings per share	29,657	82,237	312,485

	Year ended 31 March		
	2008	**2009**	**2010**
	In thousand	*In thousand*	*In thousand*
Number of shares			
Weighted average number of ordinary shares for the purpose of basic earnings per share	981,881	1,179,157	1,179,157
Effect of dilutive potential ordinary shares from convertible note	94,535	200,000	200,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,076,416	1,379,157	1,379,157

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 March 2008 had been adjusted for the effect of rights issue in August 2007.

The computation of diluted earnings per share for each of the years ended 31 March 2008, 2009 and 2010 did not assume the exercise of M8's outstanding share options. In the opinion of the directors of the Company, the exercise price of M8's share options was higher than the fair value of M8's share since M8 was delisted from Toronto Stock Exchange in March 2007 and it was put into liquidation on 19 March 2010. In addition, M8 had consolidated net total liabilities as at 31 March 2008, 31 March 2009 and 19 March 2010.

From continuing operations

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

Earnings figures are calculated as follows:

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Profit for the year attributable to owners of the Company	76,455	115,254	275,660
Less: (Loss) profit for the year from discontinued operations attributable to owners of the Company	(6,931)	(18,363)	37,992
Earnings for the purpose of basic earnings per share from continuing operations	83,386	133,617	237,668
Effect of dilutive potential ordinary shares in respect of convertible note:			
– Change in fair value of conversion option derivative	(64,800)	(73,200)	(8,000)
– Effective interest expense	18,002	40,183	44,825
Earnings for the purpose of diluted earnings per share from continuing operations	36,588	100,600	274,493

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

From discontinued operations

(Loss) earnings per share

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$	*HK$*	*HK$*
Basic	(0.00)	(0.01)	0.03
Diluted	(0.00)	(0.01)	0.03

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

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
(Loss) profit for the year attributable to owners of the Company	(6,931)	(18,363)	37,992

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

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Machinery	Furniture, fixtures and equipment	Entertainment equipment	Computer hardware	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST								
At 1 April 2007	–	1,245	–	548	–	6,371	–	8,164
Exchange adjustments	36,429	322	6,758	4,315	4,013	6	9	51,852
Acquired on acquisition of subsidiaries *(note 41)*	527,280	4,243	87,665	56,526	52,064	–	114	727,892
Additions	225	375	1,947	1,614	1,054	489	730	6,434
Disposals	–	–	–	(489)	–	(29)	–	(518)
Write-off	–	(9)	–	(6)	–	(4,097)	–	(4,112)
Reclassified as assets held for sale	–	(269)	–	(6)	–	(2,059)	–	(2,334)
At 31 March 2008	563,934	5,907	96,370	62,502	57,131	681	853	787,378
Exchange adjustments	(77,980)	(845)	(13,351)	(8,607)	(9,505)	1	(84)	(110,371)
Additions	1,071	–	667	3,260	31,540	–	246	36,784
Disposals	–	–	–	(206)	–	–	(410)	(616)
Write-off	–	–	–	(7)	–	(56)	–	(63)
At 31 March 2009	487,025	5,062	83,686	56,942	79,166	626	605	713,112
Exchange adjustments	35,197	246	6,054	3,973	6,544	1	55	52,070
Additions	2,020	–	478	1,598	19,289	–	295	23,680
Disposals	–	–	–	(1,013)	(73)	(2)	(48)	(1,136)
Deconsolidation of subsidiaries *(note 42)*	–	(672)	–	(872)	–	–	–	(1,544)
Write-off	–	(355)	–	–	–	(4)	–	(359)
At 31 March 2010	524,242	4,281	90,218	60,628	104,926	621	907	785,823
DEPRECIATION								
At 1 April 2007	–	373	–	414	–	5,904	–	6,691
Exchange adjustments	3	2	5	1	3	1	–	15
Provided for the year	13,000	778	17,816	12,515	12,242	415	78	56,844
Eliminated on disposals	–	–	–	(446)	–	(29)	–	(475)
Eliminated on write-off	–	(9)	–	(6)	–	(4,097)	–	(4,112)
Reclassified as assets held for sale	–	(214)	–	(1)	–	(1,668)	–	(1,883)
At 31 March 2008	13,003	930	17,821	12,477	12,245	526	78	57,080
Exchange adjustments	(3,014)	(26)	(4,120)	(2,749)	(2,947)	1	(12)	(12,867)
Provided for the year	23,849	362	32,460	22,563	24,589	67	108	103,998
Eliminated on disposals	–	–	–	(148)	–	–	(67)	(215)
Eliminated on write-off	–	–	–	(7)	–	(54)	–	(61)
At 31 March 2009	33,838	1,266	46,161	32,136	33,887	540	107	147,935
Exchange adjustments	3,453	25	4,452	2,807	3,341	–	11	14,089
Provided for the year	23,263	617	25,797	14,876	20,649	49	90	85,341
Eliminated on disposals	–	–	–	(955)	(53)	(2)	(14)	(1,024)
Eliminated on deconsolidation of subsidiaries *(note 42)*	–	(672)	–	(554)	–	–	–	(1,226)
Eliminated on write-off	–	(355)	–	–	–	(4)	–	(359)
At 31 March 2010	60,554	881	76,410	48,310	57,824	583	194	244,756
CARRYING VALUES								
At 31 March 2008	550,931	4,977	78,549	50,025	44,886	155	775	730,298
At 31 March 2009	453,187	3,796	37,525	24,806	45,279	86	498	565,177
At 31 March 2010	463,688	3,400	13,808	12,318	47,102	38	713	541,067

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

Buildings	Over the shorter of the remaining term of the land leases on which the buildings are located, or 25 years
Leasehold improvements	Over the shorter of the remaining term of the land leases on which the buildings are located, or 25 years
Machinery	20% – 33⅓%
Furniture, fixtures and equipment	15% – 33⅓%
Entertainment equipment	20% – 33⅓%
Computer hardware	15% – 33⅓%
Motor vehicles	20% – 33⅓%

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

As at 31 March 2008, 2009 and 2010, the carrying values of entertainment equipment of approximately HK$44,886,000, HK$45,279,000 and HK$47,102,000 were held for use under operating leases to PAGCOR respectively.

17. INVESTMENT PROPERTIES

	HK$'000
COST	
At 1 April 2007	–
Exchange adjustments	88,141
Acquired on acquisition of subsidiaries *(note 41)*	1,426,620
At 31 March 2008	1,514,761
Exchange adjustments	(209,334)
Additions	420
At 31 March 2009	1,305,847
Exchange adjustments	94,140
Additions	68
At 31 March 2010	1,400,055
DEPRECIATION	
At 1 April 2007	–
Exchange adjustments	3
Provided for the year	34,276
At 31 March 2008	34,279
Exchange adjustments	(10,665)
Provided for the year	116,116
At 31 March 2009	139,730
Exchange adjustments	14,957
Provided for the year	112,060
At 31 March 2010	266,747
CARRYING VALUES	
At 31 March 2008	1,480,482
At 31 March 2009	1,166,117
At 31 March 2010	1,133,308

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

The fair values of the Group's investment properties at 31 March 2008, 2009 and 2010 were approximately HK$1,502 million, HK$1,254 million and HK$1,220 million respectively. The fair values were arrived at based on valuations carried out by Jones Lang LaSalle Sallmanns Limited ("Jones Lang"), independent valuer not connected with the Group. Jones Lang is a member of the Hong Kong Institute of Surveyors. The valuations were arrived at by capitalising the estimated net rental income derived from the existing tenancies and taking into account the future growth potential with reference of historical rental trend achieved in previous years.

18. GOODWILL

	HK$'000
COST	
At 1 April 2007, 31 March 2008 and 31 March 2009	14,843
Deconsolidation of subsidiaries *(note 42)*	(14,843)
At 31 March 2010	–
AMORTISATION AND IMPAIRMENT	
At 1 April 2007, 31 March 2008 and 31 March 2009	14,843
Eliminated on deconsolidation of subsidiaries *(note 42)*	(14,843)
At 31 March 2010	–
CARRYING VALUES	
At 31 March 2008, 2009 and 2010	–

19. INVESTMENT IN AN ASSOCIATE

		As at 31 March	
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Cost of investment in an associate, unlisted	567,416	567,416	567,416
Share of post-acquisition profit (loss)	2,963	(6,168)	242,053
Unrealised profit *(Note)*	–	(14,932)	(19,922)
	570,379	546,316	789,547

As at 31 March 2008, 2009 and 2010, the Group had interest in the following associate:

Name of associate	Form of business structure	Place of incorporation	Issued and fully paid registered capital	Proportion of interest held indirectly by the Company			Proportion of voting power held indirectly by the Company			Principal activities
				2008	2009	2010	2008	2009	2010	
				%	%	%	%	%	%	
ATD	Incorporated	Macau Special Administrative Region of the PRC ("Macau")	MOP180,000	40	40	40	40	40	40	Property development and investment, hotel and entertainment operations

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

	As at 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	3,895,089	4,029,830	3,591,563
Total liabilities	(2,469,141)	(2,626,710)	(1,567,891)
Net assets	1,425,948	1,403,120	2,023,672
Group's share of net assets of an associate	570,379	561,248	809,469
Unrealised profit	–	(14,932)	(19,922)
	570,379	546,316	789,547
Revenue	–	–	3,381,167
Profit (loss) for the year	7,408	(22,828)	620,553
Group's share of result of an associate for the year	2,963	(9,131)	248,221

Note: *The amount represents the interest expenses paid to the Group being capitalised by the associate. The details of the amount due from an associate is set out in note 28.*

20. HELD-TO-MATURITY INVESTMENTS

	As at 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Debt securities, listed on the Luxembourg Stock Exchange	–	–	15,365

The debt securities have maturity date of 15 November 2011 and carry interest at a coupon rate of 8% per annum. The debt securities are denominated in USD, which is other than the functional currency of the relevant group entities. As at 31 March 2010, the fair value of the debt securities is approximately HK$16,895,000 (2008 and 2009: nil), with reference to the indicative market prices.

21. OTHER ASSETS

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

22. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

As at 31 March 2008, all pledged bank deposits were pledged to banks to secure the bank loans that were classified as current and non-current bank borrowings as at 31 March 2008. The pledged bank deposits would be released upon the settlement of entire bank loans and were therefore classified as non-current assets. During year ended 31 March 2009, all pledged bank deposits were released upon the early full repayment of the bank loans.

Pledged bank deposits carried fixed interest with effective interest rates ranging from 2.30% to 5.57% and 1.83% to 2.68% per annum as at 31 March 2008 and 31 March 2009 respectively.

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. At 31 March 2008, 2009 and 2010, the Group's bank balances deposited in banks in Hong Kong carry at prevailing market interest rates ranging from 0.010% to 5.550%, 0.010% to 4.140% and 0.001% to 0.500% per annum respectively. Other than that, the Group has bank balances deposited in banks in the Philippines which carry prevailing market interest rates ranging from 0.750% to 6.500%, 0.750% to 7.750% and 0.235% to 6.000% per annum at 31 March 2008, 2009 and 2010 respectively.

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

	Bank balances			Pledged bank deposits		
	2008	**2009**	**2010**	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Denominated in USD	201,487	320,928	266,163	349,924	–	–
Denominated in HK$	388,268	71,335	827,901	–	–	–

23. INVENTORIES

	As at 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Finished goods	286	–	–
Hotel consumables, food and beverages	4,267	2,644	3,001
	4,553	2,644	3,001

24. FILM COSTS

	HK$'000
COST	
At 1 April 2007	629,696
Exchange adjustments	1,118
Additions	22,298
At 31 March 2008	653,112
Exchange adjustments	(808)
Additions	6,734
At 31 March 2009	659,038
Exchange adjustments	(1,889)
Additions	1,791
Deconsolidation of subsidiaries *(note 42)*	(624,288)
At 31 March 2010	34,652
AMORTISATION AND IMPAIRMENT	
At 1 April 2007	570,607
Exchange adjustments	1,067
Provided for the year	24,304
Impairment loss recognised	26,681
At 31 March 2008	622,659
Exchange adjustments	(1,384)
Provided for the year	12,352
Impairment loss recognised	9,418
At 31 March 2009	643,045
Exchange adjustments	(1,325)
Provided for the year	8,121
Eliminated on deconsolidation of subsidiaries *(note 42)*	(615,189)
At 31 March 2010	34,652
CARRYING VALUES	
At 31 March 2008	30,453
At 31 March 2009	15,993
At 31 March 2010	–

Amortisation of film costs is determined on a film-by-film basis in accordance with the proportion of actual income earned during each of the three years ended 31 March 2008, 2009 and 2010 to the total estimated income from the sale of films.

The recoverable amount of the film costs as at 31 March 2008 and 2009 was determined by using the value in use with reference to the future prospect and present value of expected revenue to be generated from the films derived from discounting the projected cash flows by a discount rate of 12.50% and 13.50% respectively and the directors determined that an impairment loss of approximately HK$26,681,000 and HK$9,418,000 was recognised in the consolidated income statement respectively.

25. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Equity securities listed in Hong Kong at fair value	12,672	1,988	8,093

26. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	32,556	34,421	33,345
Less: Allowance for doubtful debts for trade receivables	(70)	(212)	(127)
	32,486	34,209	33,218
Other receivables, deposits and prepayments	47,999	46,902	26,823
Less: Allowance for doubtful debts for other receivables	(4,728)	(7,875)	(3,138)
	43,271	39,027	23,685
Total trade receivables, other receivables, deposits and prepayments	75,757	73,236	56,903

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

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

	As at 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Aged:			
0 – 30 days	31,231	28,947	28,087
31 – 60 days	307	3,443	2,491
61 – 90 days	141	515	1,959
Over 90 days	807	1,304	681
	32,486	34,209	33,218

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. At 31 March 2008, 2009 and 2010, trade receivables with aggregate carrying amounts of approximately HK$29,637,000, HK$28,380,000 and HK$29,211,000 were neither past due nor impaired respectively. The directors of the Company consider these trade receivables are of good credit quality as these amounts had been substantially settled subsequent to the end of each reporting period.

Included in the Group's trade receivables are debtors with an aggregate carrying amounts of approximately HK$2,849,000, HK$5,829,000 and HK$4,007,000 which were past due at 31 March 2008, 2009 and 2010 respectively for which the Group did not provide for impairment loss as these trade receivables were either settled subsequent to the end of each reporting period or the respective customers had good repayment history. Accordingly, the directors of the Company believe that there is no further credit provision required in excess of the allowance of doubtful debts as at the end of each reporting period. The Group does not hold any collateral over these balances. At 31 March 2008, 2009 and 2010, the average age of these receivables is 45 days, 45 days and 67 days respectively.

Ageing of trade receivables which are past due but not impaired

		As at 31 March	
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
0 – 30 days	1,594	567	–
31 – 60 days	307	3,443	1,366
61 – 90 days	141	515	1,959
Over 90 days	807	1,304	682
Total	2,849	5,829	4,007

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

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

		As at 31 March	
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Balance at beginning of the year	3,964	4,798	8,087
Exchange adjustments	187	(29)	(44)
Impairment losses recognised on trade and other receivables	679	3,333	202
Amounts written off as uncollectible	–	(15)	(4,980)
Amount classified as assets held for sale	(32)	–	–
Balance at end of the year	4,798	8,087	3,265

Included in the allowance for doubtful debts are individually impaired trade and other receivables which have been in severe financial difficulties.

27. AMOUNTS DUE FROM RELATED COMPANIES

Amounts due from related companies are disclosed as follows:

Name of related company	Relationship	As at 31 March			Maximum amount of outstanding during the year ended 31 March		
		2008	2009	2010	2008	2009	2010
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Foreign Holiday Philippines Inc.	Beneficially owned by CTF	–	539	–	–	539	–
Mongolia Energy Corporation (Greater China) Limited	Common key management personnel, Mr. Lo	13	–	–	13	–	–
		13	539	–			

The amounts were unsecured, non-interest bearing and repayable on demand. The amount due from Foreign Holiday Philippines Inc. was trading nature and aged within 30 days.

28. AMOUNT DUE FROM AN ASSOCIATE

The amount comprises of the first, second and additional shareholder's loans made by the Group to the associate and the related accrued interest. The first shareholder's loan is unsecured, interest-free as well as repayable on demand and at 31 March 2008, 2009 and 2010, the amounts outstanding were HK$88 million, HK$88 million and HK$88 million respectively. The second and additional shareholder's loans were unsecured and carried interest at 6% per annum. The second shareholder's loan was repayable on demand and at 31 March 2008, 2009 and 2010, the amounts outstanding were HK$40 million, HK$40 million and nil respectively. The additional shareholder's loan was originally repayable in full on the earlier of the second anniversary of the loan agreement dated 8 April 2008 and the seventh day after the issue of the certificate of compliance and occupation permit for the properties held by the associate in Macau, and at 31 March 2008, 2009 and 2010, the amounts outstanding were nil, HK$359 million and nil respectively. During the year ended 31 March 2010, the second and additional shareholders' loans as well as all the accrued interest were fully repaid. The directors of the Company anticipated that all the amount due from an associate will be settled within 12 months and are therefore classified as current assets.

Pursuant to the loan agreement dated 8 April 2008, the additional shareholder's loan granted by the Group was at maximum of HK$760 million. During the year ended 31 March 2010, approximately HK$401 million (2009: HK$359 million and 2008: nil) was advanced to the associate. The second and additional shareholder's loan of approximately HK$800 million (2009: nil and 2008: nil) was fully repaid during the year ended 31 March 2010. As at 31 March 2009, the Group has an outstanding committed loan facilities of approximately HK$401 million.

On 29 July 2009, Fortune Gate and ATD entered into the conditional supplemental loan agreement (the "Supplemental Loan Agreement") to extend the repayment date of the loan advanced to ATD to 31 August 2010. The Supplemental Loan Agreement was approved by the shareholders of the Company at the extraordinary general meeting of the Company held on 27 August 2009. Details of the transaction are set out in the announcement of the Company dated 29 July 2009 and the circular of the Company dated 11 August 2009.

The interest income from the associate during the year ended 31 March 2009 was approximately HK$15 million (2010: HK$29 million).

As at 31 March 2008, 2009 and 2010, the entire amount due from an associate is denominated in HK$, which is other than the functional currency of respective group entities.

29. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

As explained in note 14, the assets and liabilities of the COAG Group were classified as assets held for sale and liabilities associated with assets classified as held for sale respectively as at 31 March 2008.

The major classes of assets and liabilities of the COAG Group as at 31 March 2008, which had been presented separately in the consolidated statements of financial position, were as follows:

	HK$'000
Property, plant and equipment	451
Inventories	634
Trade receivables	3,884
Other receivables, deposits and prepayments	228
Amounts due from related companies	892
Pledged bank deposits	1,000
Bank balances and cash	2,003
Total assets classified as held for sale	9,092
Trade payables	4,052
Other payables and accrued charges	1,638
Amounts due to related companies	1,257
Tax liabilities	165
Total liabilities associated with assets classified as held for sale	7,112

The average credit term granted by the COAG Group to its customers was 60 days. The average credit period on purchase of goods was 90 days. At 31 March 2008, the aged analysis of trade receivables net of allowance for doubtful debts and trade payables presented based on the invoice date at the end of 31 March 2008, were as follows:

	Trade receivables *HK$'000*	**Trade payables** *HK$'000*
Aged:		
0 – 30 days	3,135	3,369
31 – 60 days	411	359
61 – 90 days	62	5
Over 90 days	276	319
	3,884	4,052

Amounts due from related companies were disclosed as follows:

Name of related company	Relationship	As at 31 March 2008	Maximum amount of outstanding during the year ended 31 March 2008
		HK$'000	*HK$'000*
New World Mobile Holdings Limited	Common key management personnel, Mr. Lo	10	10
New World Telecommunication Limited	Common key management personnel, Mr. Lo	882	1,560
		892	

The amounts were unsecured, non-interest bearing and repayable on demand.

30. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

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

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

	As at 31 March		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Aged:			
0 – 30 days	4,962	3,501	3,054
31 – 60 days	1,786	217	173
61 – 90 days	60	–	–
Over 90 days	67,527	60,345	2,077
	74,335	64,063	5,304

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

31. DEFERRED TAXATION

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

	Unrealised foreign exchange gain	**Fair value adjustments arising on property, plant and equipment and investment properties**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
	(Note)		
At 1 April 2007	–	–	–
Exchange adjustments	2,012	6,700	8,712
Acquisition of subsidiaries *(note 41)*	26,046	129,561	155,607
Charge (credit) to profit or loss *(note 13)*	22,188	(9,547)	12,641
At 31 March 2008	50,246	126,714	176,960
Exchange adjustments	(5,439)	(14,868)	(20,307)
Credit to profit or loss *(note 13)*	(26,426)	(2,574)	(29,000)
Effect of change in tax rate *(note 13)*	(3,036)	(17,826)	(20,862)
At 31 March 2009	15,345	91,446	106,791
Exchange adjustments	1,160	6,511	7,671
Charge (credit) to profit or loss *(note 13)*	1,197	(1,858)	(661)
At 31 March 2010	17,702	96,099	113,801

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

As at 31 March 2008, 2009 and 2010, the Group had estimated unused tax losses of approximately HK$762,466,000, HK$658,093,000 and HK$208,593,000 respectively and deductible temporary differences of approximately HK$2,020,000, HK$18,789,000 and HK$5,414,000 respectively available for offset against future profits. As at 31 March 2008, 2009 and 2010, no deferred tax assets was recognised of such losses due to the unpredictability of future profit streams. Tax losses amounting to approximately HK$115,495,000, HK$116,937,000 and HK$121,314,000 as at 31 March 2008, 2009 and 2010 respectively may be carried forward indefinitely.

The remaining tax losses will be expired as follows:

	As at 31 March		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Year 2008	82,619	–	–
Year 2009	69,312	59,735	–
Year 2010	42,874	36,950	37,329
Year 2011	9,689	23,016	20,573
Year 2012	–	5,624	28,544
Year 2013	–	–	833
Before year 2018	264,095	270,434	–
Before year 2029	178,382	145,397	–

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

32. AMOUNTS DUE TO RELATED COMPANIES

These related companies were companies in which the shareholders were close members of the family of a key management personnel of the Company.

The amounts were unsecured, non-interest bearing and repayable on demand.

The amounts were trade nature and the aged analysis, presented based on the invoice date at 31 March 2008, were as follows:

	HK$'000
0 – 90 days	197
91 – 180 days	2,272
Over 1 year	122
	2,591

33. PROMISSORY NOTES

In October 2007, promissory notes ("Promissory Notes") with an aggregate amount of approximately HK$642 million were issued by a subsidiary of the Company in favor of two related companies, which are beneficially owned by CTF, to replace the shareholders' loans of HK$642 million assigned by shareholders which arose from the acquisition of Fortune Gate. Pursuant to the terms of the Promissory Notes, the amounts are unsecured, non-interest bearing and repayable on demand. During each of the three years ended 31 March 2008, 2009 and 2010, the amounts under the Promissory Notes settled by the Group were approximately HK$81 million, HK$245 million and HK$111 million respectively.

As at 31 March 2008, 2009 and 2010, the entire amounts were denominated in HK$, which is other than the functional currency of respective group entities.

34. CONVERTIBLE NOTE AND CONVERSION OPTION DERIVATIVE

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

The convertible note is denominated in HK$ and is unsecured. The convertible note entitles the holder to convert into ordinary shares of the Company in amounts or integral multiples of HK$4,000,000 at any time after the date of issue of the convertible note until the business day immediately prior to the maturity date of the convertible note at an initial conversion price of HK$2 per share subject to customary adjustments for among other things, subdivision or consolidation of shares, bonus issues, rights issues and other events which have diluting effects on the issued share capital of the Company. If the whole amount of the convertible note is converted on the conversion price of HK$2 per share, the Company will have to issue 200,000,000 ordinary shares of the Company. If the convertible note has not been converted, it will be repaid on the maturity date at its principal amount. Interest of 1% per annum will be paid annually in arrear up to the maturity date of the convertible note. Neither the Company nor the holder has the rights to redeem the convertible note prior to the maturity date of the convertible note. The fair values of conversion option derivative as at the issue date of 11 October 2007 and as at the end of each reporting period were determined by the valuation performed by an independent valuer.

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

(a) Liability component of the convertible note represents the present value of the contractually determined stream of future cash flows discounted at the rate of interest at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion and redemption option. The effective interest rate of the liability component is 13.41% per annum. As at 31 March 2010, the amount is presented as current liabilities (2008 and 2009: non-current liabilities) according to its maturity date.

(b) Embedded conversion option of the convertible note to be accounted for as a separate financial liability represents the fair value of the option to convert the liability into equity of the Company because the conversion will be settled other than by the exchange of a fixed number of the Company's own equity. As at 31 March 2008, 2009 and 2010, the amounts are presented as current liabilities as it is a derivative classified as held for trading.

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

	Liability component	**Conversion option derivative**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Carrying amount at 11 October 2007, date of issue	284,000	206,000	490,000
Interest charge *(note 10)*	18,002	–	18,002
Gain arising on change of fair value	–	(64,800)	(64,800)
As at 31 March 2008	302,002	141,200	443,202
Interest charge *(note 10)*	40,183	–	40,183
Interest paid	(4,000)	–	(4,000)
Gain arising on change of fair value	–	(73,200)	(73,200)
As at 31 March 2009	338,185	68,000	406,185
Interest charge *(note 10)*	44,825	–	44,825
Interest paid	(4,000)	–	(4,000)
Gain arising on change of fair value	–	(8,000)	(8,000)
As at 31 March 2010	379,010	60,000	439,010

The fair value of conversion option derivative was calculated using the Black-Scholes pricing model (as at 11 October 2007) and binomial tree option pricing model (as at 31 March 2008, 2009 and 2010) by an independent valuer as at issue date and at the end of each reporting period. The inputs into the model as at issue date and at the end of each reporting period are as follows:

	As at 11 October 2007	As at 31 March 2008	2009	2010
Share price of the Company	HK$1.87	HK$1.50	HK$1.49	HK$1.91
Exercise price	HK$2.00	HK$2.00	HK$2.00	HK$2.00
Expected volatility	90%	90.85%	67%	61%
Expected remaining life	3 years	2.5 years	1.53 years	0.53 year
Risk-free interest rate	3.88%	1.39%	0.6%	0.15%
Expected dividend yield	0%	0%	0%	0%

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

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

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

The fair values of liability component of convertible note as at 31 March 2008, 2009 and 2010 were approximately HK$319,402,000, HK$351,649,000 and HK$383,418,000 respectively which were determined assuming redemption on the maturity date, using a prevailing market interest rates of 10.62%, 10.11% and 9.91% respectively.

35. BANK BORROWINGS

	As at 31 March 2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Secured bank loans	195,795	–	–
Carrying amount repayable:			
Within one year	75,875	–	–
More than one year, but not exceeding two years	105,115	–	–
More than two years but not more than five years	14,805	–	–
	195,795	–	–
Less: Amounts due within one year shown under current liabilities	(75,875)	–	–
	119,920	–	–

As at 31 March 2008, all secured bank borrowings were under the guarantee of letters of credit issued by a bank in Hong Kong. The letters of credit were secured by the Group's pledged bank deposits of approximately US$44,862,000 (equivalent to approximately HK$349,924,000).

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2008 & 2009
Effective interest rate:	
Variable-rate borrowings	1.5% over the Philippine Interbank Offered Rate

As at 31 March 2008, all the bank borrowings were denominated in Peso, which was the same as the functional currency of the relevant group entities.

36. SHARE CAPITAL

	Par value of shares	**Number of shares**	**Value**
	HK$		*HK$'000*
Authorised:			
Ordinary shares			
At 1 April 2007	1 each	500,000,000	500,000
Increase during the year *(note a)*	1 each	1,500,000,000	1,500,000
At 31 March 2008, 2009 and 2010		2,000,000,000	2,000,000
Issued and fully paid:			
Ordinary shares			
At 1 April 2007	1 each	235,831,447	235,831
Issued on rights issue *(note b)*	1 each	943,325,788	943,326
At 31 March 2008, 2009 and 2010		1,179,157,235	1,179,157

Notes:

(a) *Pursuant to the resolutions passed at the extraordinary general meeting held on 1 August 2007, the authorised share capital of the Company was increased to HK$2,000,000,000 divided into 2,000,000,000 shares of HK$1 each in the share capital of the Company (the "Shares") by creation of 1,500,000,000 new shares of HK$1 each.*

(b) *On 28 August 2007, the Company allotted and issued 943,325,788 shares by way of a rights issue at a subscription price of HK$1.50 per share to the qualifying shareholders, on the basis of four rights shares for every existing share then held. These new shares rank pari passu with the then existing shares in all respects.*

37. SHARE OPTION SCHEMES

THE COMPANY

Share option scheme adopted on 20 August 2004

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 20 August 2004, a share option scheme was adopted to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and the shares of the Company for the benefit of the Company and the shareholders of the Company as a whole.

The categories of the participant under this share option scheme are any full-time employee, any director (whether executive or non-executive including independent non-executive director), any supplier, independent contractor, consultant, and/or adviser of the Company or any subsidiary of the Company.

The maximum number of shares in respect of which share options may be granted to grantees under this share option scheme and other share option scheme(s) of the Company shall not exceed 30% of the issued share capital of the Company from time to time (the "Scheme Limit"). The maximum number of the Company's shares in respect of which share options may be granted under this share option scheme shall not (when aggregated with any shares subject to any other share option scheme(s) of the Company) exceed 10% of the issued share capital of the Company on the adoption date of this share option scheme (the "Scheme Mandate Limit"). Share option lapsed in accordance with the terms of this share option scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. The Company may grant share options beyond the scheme mandate if approval is obtained from Company's shareholders in general meetings.

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

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

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

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

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

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

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

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

There was no share option granted under this share option scheme during the Relevant Period and no share option outstanding at the end of each reporting period.

M8

Share option scheme of M8

During 1994, the board of directors of M8 formally established the Amended and Restated 1994 Stock Option Plan (the "Plan"), which provides for the granting of stock options to acquire Class B M8 shares to employees, officers, directors and independent service providers to M8 or any of its subsidiaries.

The total number of shares of M8 available for issue under the Plan was 23,582,762 shares, representing approximately 5.62% of the issued share capital of M8 as at the date that M8 ceased to be a subsidiary of the Group.

The number of shares of M8 which may be reserved for issuance to any one person shall not exceed 5% of the issued shares of M8.

The exercise period of share option granted under the Plan may not exceed 10 years from the date of grant.

Save as determined by the board of directors of M8 and provided in the offer of the grant of the relevant share options, there is no general requirement that a share option must be held for any minimum period nor a performance target which must be achieved before it can be exercised.

No payment is required on acceptance of a share option.

The exercise price of a share option granted under the Plan is set at the time of grant, but cannot in any event be less than the closing price of the Class B M8 shares on the Toronto Stock Exchange on the last business day prior to the trading day the share option is granted. M8 was delisted on the Toronto Stock Exchange at the close of market on 15 March 2007 (Toronto Time).

The Plan shall continue as long as the board of directors of M8 does not terminate it. On 19 March 2010, a liquidator was appointed in respect of M8. Since then, M8 ceased to be a subsidiary of the Group. Details of the share options outstanding as at 31 March 2008, 2009 and 19 March 2010 (immediately before the appointment of a liquidator) which were granted under the Plan to employees respectively are as follows:

					Number of share options		
Name or category of participant	Date of grant	Vesting period	Exercisable period	Exercise price per share	At 1 April 2007	Options cancelled during the year ended 31 March 2008	At 31 March 2008, 31 March 2009 and 19 March 2010
				Canadian dollars ("CAD")		*(Note)*	
Employee	25 May 2000	–	26 May 2000 – 25 May 2010	0.120	100,000	–	100,000
Employee	29 August 2000	30 August 2000 – 29 August 2003	30 August 2003 – 29 August 2010	0.100	93,750	–	93,750
Employee	29 August 2000	30 August 2000 – 29 August 2004	30 August 2004 – 29 August 2010	0.100	306,250	–	306,250
Employee	24 May 2001	–	25 May 2001 – 24 May 2011	0.035	100,000	–	100,000
Employee	15 February 2002	16 February 2002 – 15 February 2003	16 February 2003 – 15 February 2012	0.075	510,000	(100,000)	410,000
Employee	13 May 2002	14 May 2002 – 13 May 2003	14 May 2003 – 13 May 2012	0.170	50,000	(50,000)	–
Employee	13 May 2002	14 May 2002 – 13 May 2004	14 May 2004 – 13 May 2012	0.170	1,150,000	(50,000)	1,100,000
Employee	13 May 2002	14 May 2002 – 13 May 2005	14 May 2005 – 13 May 2012	0.170	1,150,000	(50,000)	1,100,000
Employee	13 May 2002	14 May 2002 – 13 May 2006	14 May 2006 – 13 May 2012	0.170	1,150,000	(50,000)	1,100,000
Employee	28 August 2002	29 August 2002 – 28 August 2004	29 August 2004 – 28 August 2012	0.160	1,200,000	(200,000)	1,000,000
Employee	1 May 2003	–	2 May 2003 – 1 May 2013	0.075	5,920,000	(2,600,000)	3,320,000
Total					11,730,000	(3,100,000)	8,630,000

Note: The share options were cancelled due to cessation of employment of participants with M8 and its subsidiaries.

No option was exercised, cancelled or granted during the year ended 31 March 2009 and the period from 1 April 2009 to 19 March 2010.

No option was exercised or granted during the year ended 31 March 2008.

38. RETIREMENT BENEFITS SCHEMES

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

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

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

	2008			2009			2010		
	Hong Kong	**The Philippines**	**Total**	**Hong Kong**	**The Philippines**	**Total**	**Hong Kong**	**The Philippines**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations									
Employers' contributions	49	183	232	45	138	183	36	252	288

39. OPERATING LEASE COMMITMENTS

The Group as lessor

MSPI, an indirect subsidiary of the Company acquired on 11 October 2007, signed a contract with PAGCOR on 14 March 2003 to lease investment properties equipped with entertainment equipment for a period of twelve years commencing from 31 March 2004. The monthly rental would be based on a certain percentage of net gaming revenue of the casino operated by PAGCOR or a fixed amount of Peso100,000 (equivalent to approximately HK$18,500, HK$17,000 and HK$16,000 for each of the three years ended 31 March 2008, 2009 and 2010 respectively), whichever is higher.

PAGCOR is chartered under Presidential Decore No. 1869, as amended ("PAGCOR Charter") to operate the casino in the Philippines. The PAGCOR Charter was expired on 10 July 2008 and renewal was granted in June 2007 for 25 years from 11 July 2008. Casino rental income earned during each of the three years ended 31 March 2008, 2009 and 2010 were approximately HK$142,806,000, HK$295,523,000 and HK$300,253,000 respectively, including contingent rental charges amounting to approximately HK$142,695,000, HK$295,319,000 and HK$300,061,000 respectively.

The Group as lessee

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	8,656	7,184	7,064
In the second to fifth year inclusive	31,173	25,399	24,065
Over five years	93,471	75,370	75,409
	133,300	107,953	106,538

Operating lease payments represent rentals payable by the Group in respect of leasehold land, condominium-units, office premises and staff quarters. Leases are negotiated for terms ranging from two to twenty years and rentals are fixed for the lease period.

40. CAPITAL COMMITMENTS

	As at 31 March		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the Financial Information	5,086	122	2,104

Other commitments

Apart from the commitment disclosed in note 28, the Group also has the following commitments:

(i) NCHI, an indirect subsidiary of the Company, entered into a license agreement on 12 December 2003 with Hotel Project Systems, Pte. Limited ("HPSL"), a wholly-owned subsidiary of Hyatt International Corporation, to lease the technology and know-how of hotel technical systems and related services, and license the name "Hyatt" and related trademarks for use in the hotel to be owned by NCHI. In consideration thereof, NCHI will pay a royalty during the operating term based on a certain percentage of the gross operating profit as agreed by NCHI and HPSL. The license agreement is effective for an initial term from 12 December 2003 to the fifth anniversary date of the formal opening of the hotel ("Initial Period of HPSL"). NCHI and HPSL will each have the option to extend the agreement for an additional period of five years after the Initial Period of HPSL, and thereafter for another additional period of three years. On 3 April 2009, HPSL exercised its rights to extend the agreement for an additional period of five years. The royalty charges paid by NCHI for each of the three years ended 31 March 2008, 2009 and 2010 were HK$1,364,000, HK$2,406,000 and HK$1,646,000 respectively.

(ii) NCHI entered into a sale and marketing agreement on 12 December 2003 with Hyatt International -SEA (Pte) Limited ("HISPL"), a wholly-owned subsidiary of Hyatt International Corporation, pursuant to which HISPL agreed to provide (a) appropriate sale and marketing services and (b) advertising and promotional services for the hotel operation. In consideration thereof, HISPL will be entitled to receive a certain percentage of the total revenue of the hotel operation as a sale and marketing fee. The agreement is effective from 12 December 2003 to the fifth anniversary date of the formal opening of the hotel ("Initial Period of HISPL"). NCHI and HISPL will each have the option to extend the agreement for an additional period of five years after the Initial Period of HISPL, and thereafter for another additional period of three years. On 3 April 2009, HISPL exercised its rights to extend the agreement for an additional period of five years. The sale and marketing fee paid or payable by NCHI for each of the three years ended 31 March 2008, 2009 and 2010 were HK$1,689,000, HK$3,146,000 and HK$2,509,000 respectively.

41. ACQUISITION OF SUBSIDIARIES

Pursuant to the sale and purchase agreement dated 23 November 2004, the Company conditionally agreed to acquire and Cross-Growth, a wholly-owned subsidiary of CTF, conditionally agreed to sell the entire issued share capital of Fortune Gate, all the amounts due from Fortune Gate and its subsidiaries to CTF and its subsidiaries as at the date of completion of the acquisition and 40% equity interests in ATD. After the group reorganisation, details of which are set out in the circular dated 29 June 2007 issued by the Company, Fortune Gate has a 51% equity interest of the subsidiaries operating the hotel and leasing businesses in the Philippines and a 40% equity interest in ATD (the "Fortune Gate Group"). The total consideration for the acquisition was approximately HK$1,492 million of which approximately HK$1,091 million was settled by cash and HK$400 million was settled by issue of convertible note.

The acquisition was completed on 11 October 2007. This acquisition had been accounted for using the purchase method. Discount on acquisition arising as a result of the acquisition was approximately HK$362,982,000 and was credited to the other reserve as deemed contribution from the shareholders during the year ended 31 March 2008.

The Fortune Gate Group is principally engaged in investment holding, hotel operation and leasing of properties. The net assets acquired in the transaction and the discount on acquisition (treated as shareholders' contribution recognised in other reserve) are as follows:

	Acquiree's carrying amount before combination	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000* *(Notes a & b)*	*HK$'000*
Net assets acquired:			
Property, plant and equipment	566,540	161,352	727,892
Investment properties	428,655	997,965	1,426,620
Investment in an associate	567,416	–	567,416
Amount due from an associate	81,581	–	81,581
Other non-current assets	15,905	–	15,905
Pledged bank deposits	505,456	–	505,456
Inventories	2,523	–	2,523
Trade receivables	40,024	–	40,024
Other receivables, deposits and prepayments	8,760	–	8,760
Bank balances and cash	255,819	–	255,819
Trade payables	(11,398)	–	(11,398)
Other payables and accrued charges	(22,897)	–	(22,897)
Shareholders' loans	(642,294)	–	(642,294)
Amounts due to related companies	(4,868)	–	(4,868)
Bank borrowings	(206,182)	–	(206,182)
Deferred tax liabilities	(26,046)	(129,561)	(155,607)
Other non-current liabilities	(459)	–	(459)
Net assets	1,558,535	1,029,756	2,588,291
Minority interests			(621,105)
Discount on acquisition recognised in other reserve as deemed shareholders' contribution			(362,982)
Total consideration			1,604,204
Satisfied by:			
Cash			1,091,645
Convertible note at fair value *(note 34)*			490,000
Incidental costs			22,559
			1,604,204
Net cash outflow arising on acquisition:			
Cash consideration paid			1,091,645
Bank balances and cash acquired			(255,819)
Incidental costs			22,559
			858,385

Notes:

(a) *The fair value adjustments in respect of building (included in property, plant and equipment) and investment properties located in the Philippines were determined based on the valuation carried out by Jones Lang. The valuation of the investment properties was arrived at by capitalising the estimated net rental income derived from the existing tenancies of investment properties and taking into account the future growth potential with reference of historical rental income trend achieved in previous years. A steady annual growth rate is assumed over the period of the lease term with the existing tenancies. The valuation of the building was arrived by capitalising the estimated net revenue generated from hotel operations and taking into account future growth potential with reference of historical hotel revenue. The steady annual growth rate is assumed over the next 10 years and a nil growth rate is extrapolated for the remaining years up to the expiry of the lease term of the land which the hotel building is located.*

(b) *The deferred tax liabilities in relation to the fair value adjustment arising from investment properties was computed by applying a zero tax rate over the lease term with PAGCOR and a tax rate of 35% after the expiry of the lease with PAGCOR as the rental income from PAGCOR is exempted from the Philippines corporate income tax.*

Fortune Gate Group contributed approximately HK$228 million and approximately HK$88 million to the Group's revenue and profit for the period between the date of acquisition and 31 March 2008 respectively.

If the acquisition had been completed on 1 April 2007, the Group's total revenue and profit for the year ended 31 March 2008 would have been approximately HK$501 million and HK$191 million respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2007, nor is it intended to be a projection of future results.

42. DECONSOLIDATION/DISPOSAL OF SUBSIDIARIES

(i) On 31 March 2008, the Group disposed COAM and its subsidiaries (the "COAM Group"). The net liabilities of the COAM Group at the date of disposal were as follows:

	HK$'000
Net liabilities disposed of:	
Amounts due from related companies	61
Bank balances and cash	22
Trade payables	(48)
Other payables and accrued charges	(788)
Amounts due to related companies	(1,043)
	(1,796)
Gain on disposal	1,796
Total consideration	–
Satisfied by:	
Cash	–
Net cash outflow arising on disposal:	
Cash consideration	–
Bank balances and cash disposed of	(22)
	(22)

The consideration for the disposal of the COAM Group was HK$1. The disposal of COAM Group did not have any significant impact on the results and cash flows of the Group for the period from 1 April 2007 to 31 March 2008.

(ii) As referred in note 14, the Group disposed of the COAG Group on 25 April 2008. The net assets of the COAG Group at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Plant and equipment	431
Inventories	678
Trade receivables	2,222
Other receivables, deposits and prepayments	180
Amounts due from related companies	898
Pledged bank deposit	1,000
Bank balances and cash	3,525
Trade payables	(4,158)
Other payables and accrued charges	(1,883)
Amounts due to related companies	(1,257)
	1,636
Gain on disposal	364
Total consideration	2,000
Satisfied by:	
Cash	2,000
Net cash outflow arising on disposal:	
Cash consideration	2,000
Bank balances and cash disposed of	(3,525)
	(1,525)

The impact of the COAG Group on the results of the Group for the period from 1 April 2008 to 25 April 2008 was disclosed in note 14. The disposal of the COAG Group had no material impact on the cash flows of the Group.

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

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

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

43. RELATED PARTY TRANSACTIONS

A. Apart from the related party transactions as disclosed in notes 14, 27, 28, 33, 34 and 42 (ii), the Group entered into the following transactions with related parties during each of the Relevant Period:

		As at 31 March	
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Accommodation and beverages income *(note a)*	–	981	663
Financial advisory and professional fees to a related company *(note b)*	5,003	618	298
Rentals and office administrative expense *(note c)*	26	–	–
Rental expenses *(note d)*	737	741	811
Project service income *(note e)*	3,542	–	–
Underwriting commission *(note f)*	13,009	–	–

Notes:

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

(b) *During the Relevant Period, a related company in which Dr. Cheng and Mr. Lo, directors of the Company, have managerial duties and significant influence in the financial and operating policy, provided financial advisory services to the Group. The amount represented the professional fees in respect of financial advisory services occurred during the two years ended 31 March 2008 and 2009 and the period from 1 April 2009 to 13 January 2010, as Dr. Cheng ceased to have managerial duties and significant influence in that related company with effect from 13 January 2010 while Mr. Lo ceased to have managerial duties and significant influence in that related company with effect from 1 July 2009.*

(c) *A company, in which Mr. Lo, a director of the Company, has a beneficial interest, provided office space for the Group and shared certain office administrative expenses and the above sum was charged.*

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

(e) *Project service income represented service provided to a company, in which Dr. Cheng is a director and Dr. Cheng has managerial duties and significant influence in the financial and operating policy.*

(f) *The underwriting commission was paid to CTF, for acting as an underwriter of the Shares under the rights issue during the year ended 31 March 2008.*

B. Compensation of key management personnel

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

44. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2008, the Company issued a convertible note with a principal amount of HK$400 million as part of the consideration for acquisition of the equity interest in the Fortune Gate Group. Details of the convertible note and the acquisition are set out in notes 34 and 41 respectively.

The shareholders loans of HK$642 million assigned on acquisition of subsidiaries are offset by the Promissory Notes issued in October 2007. The details of the Promissory Notes are set out in note 33.

45. EVENT AFTER THE REPORTING PERIOD

On 7 May 2010, the Company entered into a conditional sale and purchase agreement (the "Agreement") with Power Link pursuant to which the Company conditionally agreed to sell and assign, and Power Link conditionally agreed to purchase the entire issued share capital of Fortune Gate (the "Sale Share") and to accept the assignment of the entire amount of the interest–free shareholder's loan owing from Fortune Gate to the Company as at the completion of the disposal (the "Sale Loan") at a cash consideration of HK$1,830 million, subject to adjustments as set out in the Agreement. Pursuant to the Agreement, Fortune Gate has to undergo a reorganisation so that immediately prior to the completion of the disposal of the Sale Share and Sale Loan, Fortune Gate will only have the investment in ATD and the amount due from an associate and has no other liability except the Sale Loan ("Reorganisation"). Immediately after the disposal of the Sale Share and Sale Loan, Fortune Gate will cease to be a wholly-owned subsidiary of the Company and the Group will not be able to exercise any control on Fortune Gate anymore. As at the date of this report, the proposed disposal of the Sale Share and the Sale Loan by the Company to Power Link has not yet completed. Details of the proposed disposal are set out in the announcement of the Company dated 11 May 2010 and the section headed "Letter from the Board" in this circular.

The consolidated statements of financial position as at 31 March 2008, 2009 and 2010 and the consolidated income statements of Fortune Gate after the Reorganisation during the Relevant Period are set out as follows:

(i) Consolidated statements of financial position of Fortune Gate:

		As at 31 March	
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Non-current asset			
Investment in an associate	570,379	546,316	789,547
Current asset			
Amount due from an associate	127,992	492,271	87,907
Current liability			
Amount due to the Company	127,985	478,148	87,907
Net current asset	7	14,123	–
Total assets less current liability	570,386	560,439	789,547
Capital and reserves			
Share capital	–	–	–
Reserves	570,386	560,439	789,547
	570,386	560,439	789,547

(ii) Consolidated income statements of Fortune Gate:

	For the year ended 31 March		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Interest income	3,189	–	24,175
Share of profit (loss) of an associate	2,963	(9,131)	248,221
General and administrative expenses	(6)	(12)	(6)
Profit (loss) and total comprehensive income (expense) for the year attributable to equity holder of Fortune Gate	6,146	(9,143)	272,390

(B) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of the companies comprising the Group in respect of any period subsequent to 31 March 2010.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

2. INDEBTEDNESS STATEMENT

As at the close of business of 31 May 2010, being the latest practicable date for the purpose of preparing the indebtedness statement prior to the printing of this circular, the Group had:

(1) convertible note of principal amount of HK$400 million issued on 11 October 2007, which bears interest at the rate of 1% per annum and is convertible into Shares at an initial conversion price of HK$2 per Share, subject to customary adjustments for among other things, subdivision or consolidation of Shares, bonus issues, rights issues and other events which have diluting effects on the issued share capital of the Company, and the final date of repayment will be the business day immediately preceding the third anniversary of the date of issue of the convertible note; and

(2) promissory notes of approximately HK$205.2 million, which were unsecured, interest-free and repayable on demand.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Group did not have any bank loans, bank overdrafts and liabilities under acceptances or acceptance credits, loans or other similar indebtedness, term loans, debt securities, debentures or other loan capital issued and outstanding or agreed to be issued, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities outstanding as at the close of business on 31 May 2010.

Currencies (other than Hong Kong dollars) have, for the purpose of this indebtedness statement, been translated into Hong Kong dollars at the applicable rates of exchange ruling at the close of business on 31 May 2010.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources available to the Group, including internally generated funds, and in the absence of unforeseen circumstances, the Group has sufficient working capital for its present requirements for at least the next twelve months from the Latest Practicable Date.

4. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

RESULTS OF OPERATIONS

For the year ended 31 March 2010 versus For the year ended 31 March 2009

Financial review

The Group's revenue from continuing operations for the year ended 31 March 2010 was approximately HK$425.2 million, representing a decrease of approximately 6.1%, as compared with approximately HK$453.0 million in the last year. The decrease in revenue from continuing operations was mainly due to the decrease in revenue from hotel operations in the Philippines during the year. The Group reported a gross profit from continuing operations of approximately HK$198.8 million for the year under review, representing a decrease of approximately 0.8%, as compared with approximately HK$200.4 million in the last year. There was no material fluctuation on the gross profit.

Other income from continuing operations for the year ended 31 March 2010 was approximately HK$38.5 million, representing an increase of approximately 53.2%, as compared with approximately HK$25.1 million in the last year. The increase was mainly due to the increase in interest income during the year.

Other gain and loss from continuing operations represented the net foreign exchange gain or loss recognised during the year under review. The Group recorded a net foreign exchange loss of approximately HK$26.2 million for the year ended 31 March 2010, while it was a net foreign exchange gain of approximately HK$8.0 million for the last year.

Selling and distribution costs, and general and administrative expenses from continuing operations decreased by approximately 12.6% to approximately HK$119.0 million for the year ended 31 March 2010 from approximately HK$136.1 million in the last year. The decrease was mainly due to the cost savings.

During the year, the Group recorded a gain of approximately HK$8.0 million on change in fair value of conversion option derivative as compared with a gain of approximately HK$73.2 million in the last year, representing a decrease of approximately 89.1%.

Share of profit from an associated company for the year ended 31 March 2010 was approximately HK$248.2 million while it was a share of loss from an associated company of approximately HK$9.1 million in the last year. The share of profit from an associated company was mainly due to the commencement of the hotel and entertainment operations, and recognition of sales of residential units during the year.

Finance costs from continuing operations for the year ended 31 March 2010 were approximately HK$44.8 million, representing an increase of approximately 3.8%, as compared with approximately HK$43.2 million in last year.

The Group recorded a profit from continuing operations for the year ended 31 March 2010, amounted to approximately HK$304.1 million, representing an increase of 93.5%, as compared with approximately HK$157.1 million in the last year. The increase in profit from continuing operations was mainly due to the net effect of the increase in share of profit from an associated company, the decrease in the gain on change in fair value of conversion option derivative, and the decrease in the deferred tax credit for the year ended 31 March 2010 as compared to last year.

Business review

(a) Leasing of properties

The revenue derived from leasing of properties for the year ended 31 March 2010 was approximately HK$300.3 million, representing an increase of approximately 1.6%, as compared with approximately HK$295.5 million in the last corresponding period. There was no material change in the revenue from leasing of properties.

(b) Hotel operations

The revenue derived from hotel operations for the year ended 31 March 2010 was approximately HK$124.9 million, representing a decrease of approximately 20.7%, as compared with approximately HK$157.5 million in the last corresponding period. The decrease in revenue from hotel operations was mainly due to the decrease in both the occupancy rate and average room rate during the year as compared with last year.

Employees and remuneration policies

The total number of employees of the Group was 337 as at 31 March 2010 (as at 31 March 2009: 391). The staff costs for the year ended 31 March 2010 was approximately HK$57.0 million (for the year ended 31 March 2009: approximately HK$64.8 million). The remuneration of Directors and employees of the Group was based on the performance and experience of individuals and was determined with reference to the Group's performance, the remuneration benchmark in the industry and the prevailing market conditions. In addition to the salaries, employee benefits included medical scheme, insurance, retirement benefits schemes and share option scheme.

For the year ended 31 March 2009 versus For the year ended 31 March 2008

Financial review

The Group's revenue from continuing operations for the year ended 31 March 2009 was approximately HK$453.0 million, representing an increase of approximately 98.6%, as compared with approximately HK$228.1 million in the last year. The increase in revenue was mainly contributed by the revenue from the lease of properties and hotel operations in the Philippines during the year. The Group reported a gross profit from continuing operations of approximately HK$200.4 million for the year under review, representing an increase of approximately 44.6%, as compared with approximately HK$138.6 million in the last year. The increase in gross profit from continuing operations was mainly due to the increase in contributions from the business operations in the Philippines during the year.

Other income from continuing operations for the year ended 31 March 2009 was approximately HK$25.1 million, representing a decrease of approximately 39.3%, as compared with approximately HK$41.4 million in the last year.

Other gain and loss from continuing operations represented the net foreign exchange gain or loss recognised during the year under review. The Group recorded a net foreign exchange gain of approximately HK$8.0 million for the year ended 31 March 2009 and it was a net foreign exchange gain of approximately HK$6.9 million for the last year.

Selling and distribution costs, and general and administrative expenses from continuing operations increased by approximately 36.1% to approximately HK$136.1 million for the year ended 31 March 2009 from approximately HK$100.0 million in the last year. The increase was mainly due to the increase in expenses incurred by business operations in the Philippines during the year ended 31 March 2009 as compared to the expenses incurred for the year ended 31 March 2008.

The Group recorded a gain of approximately HK$73.2 million on change in fair value of conversion option derivative for the year ended 31 March 2009 while it was a gain of approximately HK$64.8 million in the last year.

Share of a loss from an associated company during the year ended 31 March 2009 was approximately HK$9.1 million while it was a profit of approximately HK$3.0 million in the last year.

Due to the change of economic environment during the year ended 31 March 2009, the Group recognised an impairment loss on available-for-sale financial assets, amounting to approximately HK$11.1 million, during the year ended 31 March 2009.

Finance costs from continuing operations for the year ended 31 March 2009 were approximately HK$43.2 million, representing an increase of approximately 58.4%, as compared with approximately HK$27.2 million in last year. The increase was mainly due to the recognition of the effective interest expense on convertible note for the full fiscal year 2008/09.

The Group recorded a profit from continuing operations for the year ended 31 March 2009, amounted to approximately HK$157.1 million, representing an increase of 37.0%, as compared with approximately HK$114.7 million in the last year. The financial performance was improved mainly due to the contributions from the business operations in the Philippines, as well as the effect of deferred taxation credit.

Business review

Leasing of properties and hotel operations

The acquisition of the entire issued share capital of Fortune Gate was completed on 11 October 2007. Fortune Gate and its subsidiaries are principally engaged in the hotel operations and leasing of properties for casino, ancillary leisure and entertainment operations.

The acquisition of Fortune Gate enables the Group to take a further step in the leisure and entertainment markets through investing in the hotel and entertainment operations in the Philippines and Macau. Fortune Gate and its subsidiaries can also contribute to the business growth and broaden the revenue base of the Group. The objective of the acquisition is to strive for better return to the shareholders of the Company.

The revenue derived from the leasing of properties and operating the hotel for the year ended 31 March 2009 were approximately HK$295.5 million and HK$157.5 million respectively, representing an increase of approximately 106.9% and 84.6% respectively as compared with the respective revenue in the last year. Since the acquisition of Fortune Gate was completed on 11 October 2007, only the results of Fortune Gate during the period from the date of completion of the acquisition to 31 March 2008 were taken up in the consolidated results of the Group for the year ended 31 March 2008. The revenue derived from the leasing of properties and operating the hotel from the date of completion of acquisition to 31 March 2008 were approximately HK$142.8 million and HK$85.3 million respectively.

Employees and remuneration policies

The total number of employees of the Group was 391 as at 31 March 2009 (as at 31 March 2008: 372). The staff costs for the year ended 31 March 2009 was approximately HK$64.8 million (for the year ended 31 March 2008: approximately HK$45.7 million). The remuneration of directors and employees of the Group was based on the performance and experience of individuals and was determined with reference to the Group is performance, the remuneration benchmark in the industry and the prevailing market conditions. In addition to the salaries, employee benefits included medical scheme, insurance, retirement benefits schemes and share option scheme.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2010, the Group's total assets were approximately HK$3,920.7 million and the Group's total liabilities were approximately HK$793.0 million. The Group's net current assets amounted to approximately HK$756.8 million. Current assets amounted to approximately HK$1,435.0 million, of which approximately HK$1,279.1 million was cash and bank deposits, approximately HK$87.9 million was amount due from an associate, approximately HK$33.2 million was trade receivables, approximately HK$8.1 million was available-for-sale financial assets, approximately HK$23.7 million was other receivables, deposits and prepayments, and approximately HK$3.0 million was inventories. The Group had current liabilities amounted to approximately HK$678.1 million, of which approximately HK$5.3 million was trade payables, approximately HK$27.6 million was other payables and accrued charges, approximately HK$205.2 million was promissory notes, approximately HK$60.0 million was the fair value of conversion option derivative, and approximately HK$379.0 million was convertible note.

As at 31 March 2010, the promissory notes amounted to approximately HK$205.2 million denominated in Hong Kong Dollar. The amounts were unsecured, interest-free and repayable on demand. The convertible note was issued by the Company in October 2007, due in three years, which bears interest at the rate of 1% per annum, convertible into ordinary shares of the Company at an initial conversion price of HK$2 per share, subject to customary adjustments for among other things, subdivision or consolidation of shares, bonus issues, right issues and other events which have diluting effects on the issued share capital of the Company. The principal amount of the convertible note outstanding as at 31 March 2010 was HK$400,000,000.

The gearing ratio, measured in terms of total borrowings (including convertible note and promissory notes) divided by total assets, was approximately 14.9% as at 31 March 2010.

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

CHARGES ON GROUP ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

There was no acquisition or disposal of subsidiary and affiliated company, which would have been required to be disclosed under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, for the year ended 31 March 2010.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group will continue to explore the market and identify any business opportunities which may provide its growth and development potential, enhance the profitability, and strive for better return to the shareholders.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

As at 31 March 2010, the Group's assets and liabilities were mainly denominated in Hong Kong dollars, United States dollars and Philippine Peso. The Group primarily earns its revenue in Hong Kong dollars and Philippine Peso while the Group primarily incurs costs and expenses mainly in Hong Kong dollars and Philippine Peso. The Group has not implemented any formal hedging policy. However, the management would monitor foreign currency exposure and consider hedging significant foreign currency exposure should the need arise.

CONTINGENT LIABILITIES

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

5. FINANCIAL AND TRADING PROSPECTS

Upon the Completion, the Remaining Group is principally engaged in (i) hotel operations; and (ii) leasing of properties for casino and ancillary leisure and entertainment operations.

The Group would focus on its existing hotel operations, and leasing of properties for casino and ancillary leisure and entertainment operations in the Philippines, and will continue to do so as well as exploring other businesses or opportunities to strive for a better return to the shareholders of the Company. The Directors consider that the existing hotel operations and the leasing of properties in the Philippines will continue to contribute significantly towards the Group's revenue and results.

(A) ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the auditor and reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF INTERNATIONAL ENTERTAINMENT CORPORATION

We report on the unaudited pro forma financial information of International Entertainment Corporation (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") excluding Fortune Gate Overseas Limited (the "Remaining Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the very substantial disposal of the entire issued share capital of Fortune Gate Overseas Limited might have affected the financial information presented, for inclusion in Appendix II (B) to the Circular dated 30 July 2010 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on pages II-3 to II-9 of the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information of the Remaining Group in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustment is appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Rules.

The unaudited pro forma statement of financial information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position of the Remaining Group as at 31 March 2010 or any future date; or
- the results and cash flows of the Remaining Group for the year ended 31 March 2010 or any future date.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 July 2010

(B) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following unaudited pro forma consolidated statement of financial position, consolidated income statement and consolidated statement of cash flows of the Remaining Group (the "Pro Forma Financial Information") have been prepared on the basis of (i) audited consolidated statement of financial position of the Group at 31 March 2010, audited consolidated income statement and consolidated statement of cash flows of the Group for the year ended 31 March 2010, which have been extracted from the accountants' report of the Group as set out in Appendix I to this circular; and (ii) unaudited pro forma adjustments directly attributable to the Disposal for the purpose of illustrating the effect of the Disposal as if it had taken place on 31 March 2010 for the unaudited pro forma consolidated statement of financial position and on 1 April 2009 for the unaudited pro forma consolidated income statement and consolidated statement of cash flows for the year ended 31 March 2010.

The unaudited Pro Forma Financial Information has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Group and the Disposal completed as at 31 March 2010 or at any future date and of the financial results and cash flows of the Remaining Group for the year ended 31 March 2010 had the Disposal been completed as at 1 April 2009 or for any future period.

Unaudited pro forma consolidated statement of financial position of the Remaining Group

	The Group as at 31 March 2010	Pro forma adjustments		Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		Note 1	*Note 2*	
Non-current assets				
Property, plant and equipment	541,067	–	–	541,067
Investment properties	1,133,308	–	–	1,133,308
Goodwill	–	–	–	–
Investment in an associate	789,547	(789,547)	–	–
Held-to-maturity investments	15,365	–	–	15,365
Other assets	6,401	–	–	6,401
	2,485,688			1,696,141
Current assets				
Inventories	3,001	–	–	3,001
File costs	–	–	–	–
Available-for-sale financial assets	8,093	–	–	8,093
Trade receivables	33,218	–	–	33,218
Other receivables, deposits and prepayments	23,685	–	–	23,685
Amount due from an associate	87,907	(87,907)	–	–
Bank balances and cash	1,279,074	–	1,453,726	2,732,800
	1,434,978			2,800,797
Current liabilities				
Trade payables	5,304	–	–	5,304
Other payables and accrued charges	27,647	–	–	27,647
Tax liabilities	1,000	–	–	1,000
Promissory notes	205,185	–	–	205,185
Conversion option derivative	60,000	–	–	60,000
Convertible note	379,010	–	–	379,010
	678,146			678,146
Net current assets	756,832			2,122,651
Total assets less current liabilities	3,242,520			3,818,792

	The Group as at 31 March 2010	Pro forma adjustments		Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		Note 1	*Note 2*	
Capital and reserves				
Share capital	1,179,157	–	–	1,179,157
Share premium and reserves	1,194,684	–	576,272	1,770,956
Equity attributable to owners of the Company	2,373,841			2,950,113
Minority interests	753,849	–	–	753,849
Total equity	3,127,690			3,703,962
Non-current liabilities				
Deferred tax liabilities	113,801	–	–	113,801
Other liabilities	1,029	–	–	1,029
	114,830			114,830
	3,242,520			3,818,792

Unaudited pro forma consolidated income statement of the Remaining Group

	The Group for the year ended 31 March 2010	Pro forma adjustments		Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		Note 3	*Note 4*	
Continuing operations				
Revenue	425,169	–	–	425,169
Cost of sales	(226,413)	–	–	(226,413)
Gross profit	198,756			198,756
Other income	38,512	(24,175)	–	14,337
Other gain and loss	(26,219)	–	692,471	666,252
Change in fair value of conversion option derivative	8,000	–	–	8,000
Selling and distribution costs	(4,628)	–	–	(4,628)
General and administrative expenses	(114,388)	6	–	(114,382)
Share of profit of an associate	248,221	(248,221)	–	–
Financial costs	(44,825)	–	–	(44,825)
Profit before taxation	303,429			723,510
Taxation credit	661	–	–	661
Profit for the year from continuing operations	304,090			724,171
Discontinued operations				
Profit for the year from discontinued operations	37,992	–	–	37,992
Profit for the year	342,082			762,163
Attributable to:				
Owners of the Company	275,660	(272,390)	692,471	695,741
Minority interests	66,422	–	–	66,422
	342,082			762,163

Unaudited pro forma consolidated statement of cash flows of the Remaining Group

	The Group for the year ended 31 March 2010	Pro forma adjustments		Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		Note 3	*Note 4*	
OPERATING ACTIVITIES				
Profit for the year	342,082	(272,390)	692,471	762,163
Adjustment for:				
Interest income	(37,160)	24,175	–	(12,985)
Interest expense	44,825	–	–	44,825
Taxation credit	(661)	–	–	(661)
Allowance for bad and doubtful debts for trade and other receivables	202	–	–	202
Change in fair value of conversion option derivative	(8,000)	–	–	(8,000)
Depreciation of property, plant and equipment	85,341	–	–	85,341
Depreciation of investment properties	112,060	–	–	112,060
Gain on deconsolidation/ disposal of subsidiaries	(49,458)	–	(692,471)	(741,929)
Amortisation of film costs	8,121	–	–	8,121
Share of profit of an associate	(248,221)	248,221	–	–
Operating cash flows before movements of working capital	249,131	–	–	249,137
Decrease in other assets	196	–	–	196
Increase in film costs	(1,791)	–	–	(1,791)
Increase in inventories	(548)	–	–	(548)
Increase in trade receivables	(1,740)	–	–	(1,740)
Increase in other receivables, deposits and prepayments	(4,437)	–	–	(4,437)
Decrease in amount due from a related company	500	–	–	500
Increase in trade payables	2,839	–	–	2,839
Increase in other payables and accrued charges	5,661	–	–	5,661
Increase in other liabilities	314	–	–	314
Cash generated from operations	250,125			250,131
Hong Kong Profits Tax Paid	–	–	–	–
NET CASH FROM OPERATING ACTIVITIES	250,125			250,131

	The Group for the year ended 31 March 2010	Pro forma adjustments		Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		Note 3	*Note 4*	
INVESTING ACTIVITIES				
Interest received	47,197	(24,175)	–	23,022
Net cash (outflow) inflow on deconsolidation/disposal of subsidiaries	(11,031)	–	1,731,057	1,720,026
Purchase of property, plant and equipment	(23,680)	–	–	(23,680)
Purchase of investment properties	(68)	–	–	(68)
Proceeds on disposal of property, plant and equipment	112	–	–	112
Purchase of held-to-maturity investments	(15,250)	–	–	(15,250)
Purchase of available-for-sale investments	(963)	–	–	(963)
Advance to an associate	(400,320)	–	–	(400,320)
Repayment from an associate	799,520	–	–	799,520
NET CASH FROM INVESTING ACTIVITIES	395,517			2,102,399
FINANCING ACTIVITIES				
Interest paid	(4,000)	–	–	(4,000)
Repayment of promissory notes	(88,408)	–	–	(88,408)
NET CASH USED IN FINANCING ACTIVITIES	(92,408)			(92,408)
NET INCREASE IN CASH AND CASH EQUIVALENTS	553,234			2,260,122
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	704,644			704,644
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	21,196			21,196

	The Group for the year ended 31 March 2010	Pro forma adjustments		Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		Note 3	*Note 4*	
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1,279,074			2,985,962
ANALYSIS OF CASH AND CASH EQUIVALENTS				
Bank balances and cash	1,279,074			2,985,962

Notes to the unaudited Pro Forma Financial Information

1. The adjustment reflects the deconsolidation of the assets and liabilities of Fortune Gate and 40% equity interest in Macau Co Group as at 31 March 2010, assuming that the Reorganisation had been completed and the Disposal had taken place on 31 March 2010. The assets and liabilities of Fortune Gate and 40% equity interest in Macau Co Group as at 31 March 2010 are extracted from note 45(i) of the accountants' report as set out in Appendix I to this circular.

2. The adjustments reflect (i) the assumed cash consideration of approximately HK$1,469.9 million as adjusted in accordance with the terms set out in the Agreement; (ii) the legal and professional fees in relation to the Disposal of approximately HK$16.2 million and the amount is assumed to be fully settled by bank balances and cash on 31 March 2010; and the estimated gain on the Disposal of approximately HK$576.3 million, assuming the Reorganisation had been completed and the Disposal had taken place on 31 March 2010.

3. The adjustments reflect the deconsolidation of the results of the Fortune Gate and 40% equity interest in Macau Co Group for the year ended 31 March 2010 including the interest income arising from the loan advanced to Macau Co, the general and administrative expenses and the share of profit of an associate, assuming the Reorganisation had been completed and the Disposal had taken place on 1 April 2009. The results of Fortune Gate and 40% equity interest in Macau Co Group for the year ended 31 March 2010 are extracted from note 45(ii) of the accountants' report as set out in Appendix I to this circular.

4. The adjustment reflects (i) the assumed cash consideration of approximately HK$1,747.2 million as adjusted in accordance with the terms set out in the Agreement; (ii) the legal and professional fees in relation to the Disposal of approximately HK$16.2 million and the amount is assumed to be fully settled by bank balances and cash on 1 April 2009; and the estimated gain on the Disposal of approximately HK$692.5 million, assuming the Reorganisation had been completed and the Disposal had taken place on 1 April 2009.

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 31 May 2010 of the property interests of Macau Co.

Jones Lang LaSalle Sallmanns Limited
17/F Dorset House Taikoo Place
979 King's Road Quarry Bay Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

30 July 2010

The Board of Directors
International Entertainment Corporation
Rooms 1207-8
New World Tower 1
16-18 Queen's Road Central
Hong Kong

Dear Sirs,

In accordance with your instructions to value the property in which International Entertainment Corporation (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in Arc of Triumph Development Company Limited ("Macau Co"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of the property interests as at 31 May 2010 (the "date of valuation").

Our valuation of the property interest of the Group in Macau Co represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

In arriving at our opinion of the value of the property, we have adopted the income capitalization approach, in which the value is developed on the basis of capitalization of the net potential earnings that would be generated if a specific stream of income can be attributed to an asset or a group of property. We have considered the property as a fully operational and going-concern hotel having regard to the trading potential, level of turnover and consequent net income likely to be achieved, following consultation with the Company. We have also made reference to the room rate and occupancy rate of hotels in the local market and compared that with the property.

Furthermore, we have assumed that the property will continue to be operated in an optimal manner by an international hotel group and that its continued operation will be in compliance with legal requirements in respect of all land concessions, gaming concessions and licenses. We have assumed that the property can be freely transferred in the open market and Macau Co has free and uninterrupted rights to use and assign the property during the whole of the unexpired term of the land use rights.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all requirements contained in Chapter 8 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have not been provided with copies of title relating to the property interest and have caused searches to be made at Conservatoria do Registo Predial of Macau (Real Estate Registry Office). However, we have not searched the original documents to verify the ownership or to ascertain any amendment.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary sums stated in this report are in Hong Kong Dollars. The exchange rate adopted in our valuation is approximately HK$1=MOP1.03, which is approximately the prevailing exchange rate as at the date of valuation.

Our valuation certificate is attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 27 years' experience in the valuation of properties in the PRC and 30 years of property valuation experience in Hong Kong and the United Kingdom as well as relevant valuation experience in the Asia-Pacific region.

VALUATION CERTIFICATE

PROPERTY INTEREST HELD BY THE GROUP IN MACAU CO

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2010 *HK$*
L'Arc Macau (Hotel and Casino) Avenida Sir Anders Ljungstedt Lote A2/J Novos Aterros do Porto Exterior Macau	The property comprises a portion of a building complex erected on a parcel of land with a site area of approximately 7,128 sq.m. completed in 2009. The building is a mixed-use complex comprising a 5-star hotel, casino and residential apartments.	The property is currently used for hotel, casino and ancillary purposes.	3,155,000,000 40% interest attributable to the Group: HK$1,262,000,000

The building is a 58-storey building (including 2 refuge floors) plus 3 basement floors.

The total gross floor area of the hotel and casino is approximately 87,276 sq.m. (plus ancillary hotel open area including the swimming pool with a total gross floor area of approximately 1,870 sq.m.) and comprises the following accommodation:

Usage	Gross Floor Area *(sq.m.)*
Hotel (301 rooms) (9/F to 21/F) with casino facilities	74,632
Commercial units	340
Parking	12,304
Total	87,276

*plus ancillary hotel open area (including swimming pool) of approximately 1,870 sq.m.

The land use rights of the property were granted for a term of 25 years commencing from 13 August 2003.

Notes:

1. Pursuant to Despacho do Secretario para os Transportes e Obras Publicas no 69/2003 dated 5 August 2003 ("Lease Hold Concession Agreement"), the land use rights of the property were granted to Macau Co for a term of 25 years commencing from 13 August 2003 at a consideration of MOP19,304,327. The land use rights can be further renewed up to 19 December 2049.

2. The registered owner of the property is Macau Co, a 40% interest-owned associate of the Company.

3. The property is subject to a mortgage in favour of Bank of China Limited registered on 10 February 2010 in the Real Estate Registry Office.

4. Our valuation of the property has taken into account the remaining term of casino service agreement of approximately 10 years and the net income derived from this period has been considered and incorporated in our valuation.

5. In our valuation, we have been advised by the Company that all land premium payments in respect of the property have been paid in full and there is no requirement for payment of further land premium or other onerous payments to the government. Besides, we have assumed that the property can be freely transferred, leased or mortgaged by Macau Co without payment of further land premium or transfer fee.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading; and all opinion express in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

DISCLOSURE OF INTERESTS

(a) The Directors' or chief executives' interests or short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations

Save as disclosed below, as at the Latest Practicable Date, 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 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 Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

Long positions in the Shares

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

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

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

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

Note: 10 shares are held by Up-Market Franchise Ltd. and 1 share is held by Pure Plum Ltd.. Both Up-Market Franchise Ltd. and Pure Plum Ltd. are wholly-owned by Mr. To Hin Tsun, Gerald, an executive Director.

(b) Substantial Shareholders' interests or short positions in the Shares and underlying Shares

Save as disclosed below, as at the Latest Practicable Date, so far as is known to the Directors or chief executives of the Company, no person, other than a Director or chief executive of the Company, had any interest or short position 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 as having an interest in 5% or more of the issued share capital of the Company.

Long positions in the Shares

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

Notes:

1. Mediastar is wholly-owned by CTF. Accordingly, CTF is deemed to be interested in 881,773,550 Shares held by Mediastar under the SFO.

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

   Cross-Growth is wholly-owned by CTF. Accordingly, CTF is deemed to be interested in 200,000,000 underlying Shares deemed to be held by Cross-Growth under the SFO.

3. CTF is wholly-owned by Centennial Success Limited. Accordingly, Centennial Success Limited is deemed to be interested in 881,773,550 Shares held by Mediastar, and 200,000,000 underlying Shares deemed to be held by Cross-Growth under the SFO.

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

(c) Interests in other members of the Group

Save as disclosed below, as at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, no persons were directly or indirectly deemed to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

Name of non wholly-owned subsidiary of the Company	Name of registered substantial shareholders	Number of shares held	Percentage of shareholding
Gugo Entertainment Company Limited	Mr. Chan Sik Yan	3,189,015 shares	15%
	Mr. Cheung Chun Keung	2,126,010 shares	10%
Maxprofit	Cross-Growth	22 shares	22%
	Up-Market Franchise Ltd.	10 shares	10%

SERVICE CONTRACTS

None of the Directors has any existing or proposed service contract with any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business, were entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date which are, or may be, material:

(a) the loan agreement dated 8 April 2008 ("Loan Agreement") entered into between Fortune Gate as lender and Macau Co as borrower in relation to the loan facilities of up to HK$760 million;

(b) the supplemental agreement to the Loan Agreement dated 29 July 2009 to extend the repayment date of the shareholder's loan under the loan facilities; and

(c) the Agreement.

LITIGATION AND POSSIBLE LEGAL ACTION

As at the Latest Practicable Date, no member of the Group is engaged in any litigation or claim of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of the Group.

COMPETING BUSINESS

Directors' interests in competing business

The following Directors are considered to have interests in the business which compete or are likely to compete, either directly or indirectly, with the business of the Group pursuant to the GEM Listing Rules as 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 of the Director in the entity
Mr. Cheung Hon Kit	ITC Properties Group Limited	Investment in hotel and residential property in Macau	executive director, optionholder and shareholder *(Note 1)*
Dr. Cheng Kar Shun	Many Town Company Limited	A minority investor of Sociedade de Jogos de Macau, S.A. which is principally engaged in casino business in Macau	director and beneficial owner *(Note 2)*
Dr. Cheng Kar Shun	New World Development Company Limited ("NWD") and its subsidiaries	Investment in hotel property in Makati, Manila, Philippines	executive director, optionholder and shareholder *(Note 3)*
Mr. Cheng Chi Kong	NWD and its subsidiaries	Investment in hotel property in Makati, Manila, Philippines	executive director and optionholder *(Note 4)*

Notes:

1. As at the Latest Practicable Date, Mr. Cheung Hon Kit was personally interested in 3,900,000 share options and 12,000,000 shares of ITC Properties Group Limited, together representing approximately 2.81% of the issued share capital of ITC Properties Group Limited.

2. As at the Latest Practicable Date, Many Town Company Limited was owned as to 93.3% by United Worldwide Investment S.A., of which 50% was owned by Dr. Cheng Kar Shun.

3. As at the Latest Practicable Date, Dr. Cheng Kar Shun was personally interested in 36,710,652 share options and his spouse was personally interested in 300,000 shares of NWD respectively, together representing approximately 0.96% of the issued share capital of NWD.

4. As at the Latest Practicable Date, Mr. Cheng Chi Kong was personally interested in 502,885 share options of NWD, representing approximately 0.01% of the issued share capital of NWD.

Potential competition

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

Fortune Holiday was also given the right, *inter alia*, under a separate agreement entered into in June 2002 to require PAGCOR to lease and operate a casino at no more than two sites at any one time acquired by Fortune Holiday in Metro Manila (but outside the Theme Park Manila). Dr. Cheng Kar Shun is a director of Fortune Holiday.

Save as disclosed above, none of the Directors, the controlling Shareholder and substantial Shareholder (as respectively defined in the GEM Listing Rules) and their respective associates has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest which any such person has or may have with the Group pursuant to Rule 11.04 of the GEM Listing Rules.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2010, being the date to which the latest published audited consolidated financial statements of the Group were made up.

OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date:

(a) none of the Directors had any interest, either direct or indirect, in any assets which have been, since 31 March 2010 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and

(b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which is subsisting as at the date of this circular and is significant in relation to the business of the Group.

EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advices which are contained or referred to in this circular:

Name	Qualification
Taifook Capital Limited	A licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity for the purpose of the SFO
Deloitte Touche Tohmatsu	Certified public accountants
Jones Lang LaSalle Sallmanns Limited	Property valuer

As at the Latest Practicable Date, each of Deloitte Touche Tohmatsu and Jones Lang LaSalle Sallmanns Limited had no beneficial interest in the share capital of any member of the Group nor any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor any interest, either directly or indirectly, in any assets which have been, since 31 March 2010 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of Taifook Capital Limited, Deloitte Touche Tohmatsu and Jones Lang LaSalle Sallmanns Limited has given and has not withdrawn its written letter of consent to the issue of this circular with the inclusion herein of the letter or report or references to its name in the form and context in which they appear.

MISCELLANEOUS

(a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is situated at Rooms 1207-8, New World Tower 1, 16-18 Queen's Road Central, Hong Kong.

(b) The Company established an audit committee (the "Audit Committee") in July 2000 with written terms of reference in compliance with the requirement of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls of the Group. The Audit Committee comprises three members all being the independent non-executive Directors and one of whom possesses the appropriate professional qualifications or accounting or related financial management expertise. Details of the members of the Audit Committee are set out below.

Mr. Cheung Hon Kit, aged 56, joined the Company as an independent non-executive Director in May 2001. He is also a member of the Audit Committee and the remuneration committee of the Company. Mr. Cheung has over 30 years of experience in real estate development, property investment and corporate finance and 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. Mr. Cheung is the chairman and an executive director of ITC Properties Group Limited (stock code: 199) and Rosedale Hotel Holdings Limited (stock code: 1189) respectively, an executive director of ITC Corporation Limited (stock code: 372) and an independent non-executive director of Future Bright Holdings Limited (stock code: 703), all of which are companies whose issued shares are listed on the Stock Exchange.

Mr. Lau Wai Piu, aged 46, joined the Company as an independent non-executive Director in July 2008. He is also a member of the Audit Committee and the remuneration committee of the Company. Mr. Lau possesses over 20 years of extensive experience in accounting and financial management. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. Mr. Lau is an independent non-executive director of Mongolia Energy Corporation Limited (stock code: 276), Taifook Securities Group Limited (stock code: 665) and Vision Values Holdings Limited (stock code: 862), all of which are companies whose issued shares are listed on the Stock Exchange.

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

(c) The secretary of the Company is Mr. Kwok Chi Kin. Mr. Kwok is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants.

(d) The compliance officer of the Company is Mr. To Hin Tsun, Gerald. Mr. To is also an executive Director and a practising solicitor in Hong Kong. He is also qualified as a solicitor in the United Kingdom, as well as an advocate and solicitor in Singapore.

(e) In the event of inconsistency, the English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Rooms 1207-8, New World Tower 1, 16-18 Queen's Road Central, Hong Kong during normal business hours on any Business Day from the date of this circular up to and including 27 August 2010:

(i) the memorandum and articles of association of the Company;

(ii) each of the material contracts as set out under the paragraph headed "Material contracts" in this appendix;

(iii) the annual reports of the Company for the two years ended 31 March 2010;

(iv) the accountants' report of the Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this circular;

(v) the letter from Deloitte Touche Tohmatsu regarding the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix II to this circular;

(vi) the letter and valuation certificate prepared by Jones Lang LaSalle Sallmanns Limited relating to the property interest of the Macau Co Group, the text of which is set out in Appendix III to this circular; and

(vii) a copy of each circular of the Company issued pursuant to the requirements set out in Chapter 19 and/or Chapter 20 of the GEM Listing Rules since the date of the latest published audited consolidated financial statements of the Group.

INTERNATIONAL ENTERTAINMENT CORPORATION
國際娛樂有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8118)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders of International Entertainment Corporation (the "Company") will be held at Meeting Room S228, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Friday, 27 August 2010 at 11:15 a.m. (or so soon thereafter as the annual general meeting of the Company convened on the same day and at the same place at 11:00 a.m. shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution as ordinary resolution, of the Company:

ORDINARY RESOLUTION

"**THAT**:

(A) the signing of the conditional agreement dated 7 May 2010 (the "Agreement") entered into between the Company as vendor and Power Link Fortune Limited as purchaser in relation to the disposal ("Disposal") of one share of Fortune Gate Overseas Limited ("Fortune Gate"), representing the entire issued share capital of Fortune Gate, and the entire amount of the shareholder's loan owing from Fortune Gate to the Company (a copy of the Agreement has been produced to the meeting marked "A" and initialled by the chairman of the meeting for the purpose of identification) and the performance of the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(B) the directors of the Company (the "Directors") be and are hereby authorised to do all such acts and things, sign and execute all such further documents and take such steps as the Directors may in their absolute discretion consider necessary, appropriate, desirable or expedient to implement and/or give effect to or in connection with the Agreement and the transactions contemplated thereunder."

By Order of the Board
International Entertainment Corporation
Kwok Chi Kin
Company Secretary

Hong Kong, 30 July 2010

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

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

As at the date of this notice, the Board comprises seven executive Directors, namely Dr. Cheng Kar Shun, Mr. Lo Lin Shing, Simon, Mr. To Hin Tsun, Gerald, Mr. Cheng Kam Chiu, Stewart, Mr. Cheng Kam Biu, Wilson, Mr. Cheng Chi Kong and Mr. Cheng Chi Him, and four independent non-executive Directors, namely Mr. Cheung Hon Kit, Mr. Kwee Chong Kok, Michael, Mr. Lau Wai Piu and Mr. Tsui Hing Chuen, William JP.

Notes:

1. Any shareholder of the Company entitled to attend and vote at the meeting of the Company may appoint another person as his proxy to attend and vote instead of him. A shareholder of the Company who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the meeting. A proxy need not be a shareholder of the Company. In addition, a proxy or proxies representing either a shareholder of the Company who is an individual or a shareholder of the Company which is a corporation shall be entitled to exercise the same power on behalf of the shareholder of the Company which he or they represent as such shareholder of the Company could exercise.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.

3. The instrument appointing a proxy and (if required by the board of directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Room 17M, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than forty-eight (48) hours before the time appointed for the holding of the meeting or any adjourned meeting thereof at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of the meeting or any adjourned meeting thereof, not less than twenty-four (24) hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid.

4. Delivery of an instrument appointing a proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and in such event, the instrument appointing a proxy shall be deemed to have been revoked.

5. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.