THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Response Document or the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a 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 Response Document to the purchaser(s) or transferee(s) or to the bank or licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

INTERNATIONAL ENTERTAINMENT CORPORATION
國際娛樂有限公司

(Incorporated in the Cayman Islands with limited liability)

(STOCK CODE: 01009)

RESPONSE DOCUMENT IN RELATION TO MANDATORY UNCONDITIONAL CASH OFFER BY

聯合證券有限公司
HEAD & SHOULDERS SECURITIES LIMITED
EXCHANGE PARTICIPANT OF THE STOCK EXCHANGE OF H.K. LTD.

FOR AND ON BEHALF OF BRIGHTEN PATH LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF INTERNATIONAL ENTERTAINMENT CORPORATION (OTHER THAN THOSE ALREADY OWNED BY BRIGHTEN PATH LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

Independent financial adviser to Independent Board Committee and Independent Shareholders

寶橋 BAOQIAO PARTNERS

BAOQIAO PARTNERS CAPITAL LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Response Document.

A letter from the Board is set out on pages 7 to 12 of this Response Document.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in relation to the Offer is set out on pages 13 to 14 of this Response Document.

A letter from Baoqiao Partners containing its advice on the Offer to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 39 of this Response Document.

This Response Document will remain on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.ientcorp.com as long as the Offer remains open.

26 May 2017

CONTENTS

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

"1st Joint Announcement"	the joint announcement dated 14 February 2017 issued by the Company and the Offeror in respect of, among other things, the Sale and Purchase Agreement and the Offer
"2nd Joint Announcement"	the joint announcement dated 10 May 2017 issued by the Company and the Offeror in respect of, among other things, the revised terms of the Offer
"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Additional Facility"	a term loan facility of up to HK$23,500,000 granted by Head & Shoulders Securities to the Offeror to finance the amount payable by the Offeror upon acceptance of the Offer
"associates"	has the meaning ascribed to it under the Takeovers Code
"Board"	the board of Directors
"Business Day"	a day on which the Stock Exchange is open for the transaction of business
"BVI"	the British Virgin Islands
"Closing Date"	Friday, 9 June 2017, the closing date of the Offer, which is 28 days after the date on which the Offer Document is posted, or if the Offer is extended, any subsequent closing date of the Offer as extended and announced by the Offeror in accordance with the Takeovers Code
"Company"	International Entertainment Corporation (國際娛樂有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange (Stock Code: 01009)
"Completion"	completion of the sale and purchase of the Sale Shares under the Sale and Purchase Agreement, which took place on 10 February 2017
"Consideration"	HK$1,222,037,680, being the total consideration for the Sale Shares
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company

"Dr. Choi"	Dr. Choi Chiu Fai Stanley, being the sole director and sole shareholder of Head and Shoulders Direct Investment
"Encumbrance"	means (a) any mortgage, charge, pledge, lien, hypothecation, encumbrance or other security arrangement of any kind; (b) any option, equity, claim, adverse interest or other third party right of any kind; (c) any arrangement by which any right is subordinated to any right of such third party; or (d) any contractual right of set-off, including any agreement or commitment to create or procure to create, or to permit or suffer to be created or subsisted any of the above
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"Facility"	a term loan facility (as amended by an amendment deed dated 9 May 2017) of up to HK$476,500,000 granted by the Vendor to the Offeror to finance the partial amount payable by the Offeror upon full acceptance of the Offer, which is secured by (i) the personal guarantee granted by Dr. Choi in favour of the Vendor; and (ii) the charge over the Offer Shares to be acquired pursuant to the Offer granted by the Offeror in favour of the Vendor
"Form of Acceptance"	the form of acceptance and transfer of Shares in respect of the Offer which accompanies the Offer Document
"Group"	the Company and its subsidiaries from time to time
"Head and Shoulders Direct Investment"	Head and Shoulders Direct Investment Limited, a company incorporated in the BVI with limited liability and wholly and beneficially owned by Dr. Choi
"Head & Shoulders Securities"	Head & Shoulders Securities Limited, a licensed corporation to carry on business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO and the agent making the Offer on behalf of the Offeror
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong

"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent Board committee which members comprise 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 to advise, for the purpose of the Takeovers Code, the Independent Shareholders in respect of the Offer
"Independent Financial Adviser" or "BaoQiao Partners"	BaoQiao Partners Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, which is appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer
"Independent Shareholder(s)"	Shareholder(s) other than the Offeror and parties acting in concert with it
"Joint Announcements"	collectively, the 1st Joint Announcement and the 2nd Joint Announcement
"Jones Lang"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer appointed to assess the market value of the properties of the Group, a report of which is set out in Appendix V to this Response Document
"Last Trading Day"	10 February 2017, being the last day on which the Shares were traded on the Stock Exchange prior to the temporary halt in trading of the Shares pending the release of the 1st Joint Announcement
"Latest Practicable Date"	23 May 2017, being the latest practicable date prior to the printing of this Response Document for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan Note"	a loan note in the principal amount of HK$622,037,680 issued by the Offeror in favour of the Vendor pursuant to the Sale and Purchase Agreement
"Offer"	the unconditional mandatory cash offer made by Head & Shoulders Securities for and on behalf of the Offeror for all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it) in accordance with Rule 26.1 of the Takeovers Code

"Offer Document"	the offer document issued by the Offeror on 12 May 2017, which sets out, among others, details of the Offer in accordance with the Takeovers Code
"Offer Document LPD"	10 May 2017, being the latest practicable date prior to the printing of the Offer Document for ascertaining certain information contained therein
"Offer Period"	has the meaning ascribed to it under the Takeovers Code, being the period commencing from 14 February 2017 and ending on the Closing Date
"Offer Price"	the price at which the Offer is made, being HK$1.644 per Offer Share
"Offer Share(s)"	issued Share(s), other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it (including the Remaining Shares)
"Offeror"	Brighten Path Limited, a company incorporated in the BVI, being the purchaser of the Sale Shares under the Sale and Purchase Agreement and the offeror of the Offer
"PRC" or "China"	the People's Republic of China excluding, for the purpose of this Response Document, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Profit Alert Announcement"	the announcement of the Company dated 8 May 2017 in respect of the estimated financial results of the Group for the year ended 31 March 2017, which is set out in Appendix II to this Response Document
"Relevant Period"	the period commencing on the date falling six months preceding 14 February 2017, being the date of commencement of the Offer Period, and ending on and including the Latest Practicable Date
"Remaining Shares"	118,000,000 Shares, representing approximately 10.01% of the entire issued share capital of the Company as at the Latest Practicable Date, held by the Vendor immediately after Completion
"Response Document"	this response document issued by the Company, which sets out, among others, information relating to the Offer and the Group

"Revised Loan Note"	the Loan Note (as amended by an amendment deed dated 9 May 2017 entered into by the Vendor, the Offeror and Dr. Choi), of which a principal amount of HK$522,037,680 was outstanding as at the Latest Practicable Date
"Sale and Purchase Agreement"	the sale and purchase agreement dated 10 February 2017 entered into between the Vendor as vendor and the Offeror as purchaser in respect of the sale and purchase of the Sale Shares
"Sale Shares"	a total of 763,773,550 Shares, representing approximately 64.77% of the entire issued share capital of the Company as at the Latest Practicable Date
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) with par value of HK$1.00 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Code on Takeovers and Mergers published by the SFC, as amended, supplemented or otherwise modified from time to time
"Veda Capital"	Veda Capital Limited, a licensed corporation permitted to carry out business in type 6 (advising on corporate finance) regulated activity under the SFO, which is appointed as the financial adviser to the Offeror in respect of the Offer

"Vendor"	Mediastar International Limited, a company incorporated in the BVI, the vendor of the Sale Shares under the Sale and Purchase Agreement and a Controlling Shareholder of the Company immediately prior to Completion, which is indirectly owned as to approximately 81.03% by Chow Tai Fook Capital Limited which is in turn owned as to approximately 48.98% and 46.65% by Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited respectively
"%"	per cent

Notes:

1. All time and date references contained in this Response Document refer to Hong Kong times and dates.

2. Certain amounts and percentage figures in this Response Document have been subject to rounding adjustments.

3. The singular includes the plural and vice versa, unless the context otherwise requires.

4. References to any Appendix, paragraph and any sub-paragraph of them are references to the appendix to, and paragraph of, this Response Document and any sub-paragraph of them respectively.

5. References to any statute or statutory provision include a statute or statutory provision which amends, consolidates or replaces the same whether before or after the date of this Response Document.

6. Reference to one gender is a reference to all or any genders.

INTERNATIONAL ENTERTAINMENT CORPORATION
國 際 娛 樂 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(STOCK CODE: 01009)

Executive Directors:
Dr. Cheng Kar Shun *(Chairman)*
Mr. Lo Lin Shing, Simon *(Deputy Chairman)*
Mr. To Hin Tsun, Gerald
Mr. Cheng Kam Chiu, Stewart
Mr. Cheng Kam Biu, Wilson
Dr. Cheng Chi Kong
Mr. Cheng Chi Him
Dr. Choi Chiu Fai Stanley
Mr. Lam Yat Ming
Mr. Zhang Yan Min

Independent non-executive Directors:
Mr. Cheung Hon Kit
Mr. Kwee Chong Kok, Michael
Mr. Lau Wai Piu
Mr. Tsui Hing Chuen, William
Mr. Ren Yunan
Ms. Lu Gloria Yi
Mr. Sun Jiong
Mr. Ha Kee Choy Eugene

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

26 May 2017

To the Independent Shareholders,

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY HEAD & SHOULDERS SECURITIES LIMITED FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE ALL THE ISSUED SHARES OF INTERNATIONAL ENTERTAINMENT CORPORATION (OTHER THAN THOSE ALREADY OWNED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

Reference is made to the Joint Announcements.

The Company and the Offeror jointly announced on 14 February 2017 that, on 10 February 2017 (after trading hours of the Stock Exchange), the Offeror and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Offeror purchased and the

Vendor sold a total of 763,773,550 Shares, representing approximately 64.77% of the total issued share capital of the Company as at the Latest Practicable Date, for the Consideration of HK$1,222,037,680 (equivalent to HK$1.60 per Sale Share). Completion of the Sale and Purchase Agreement took place on the same day immediately after signing thereof.

After Completion, the Offeror and the parties acting in concert with it (excluding the Vendor) owned a total of 763,773,550 Shares, representing approximately 64.77% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, Head & Shoulders Securities is making, on behalf of the Offeror, the Offer to the Independent Shareholders for all the issued Shares other than those already owned by the Offeror and parties acting in concert with it. The terms of the Offer are set out in the Offer Document and the Form of Acceptance.

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee, comprising 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, has been formed to advise the Independent Shareholders as to whether the terms of the Offer are, or are not, fair and reasonable and as to the acceptance of the Offer.

As announced on 24 February 2017, BaoQiao Partners has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Offer and in particular as to whether the terms of the Offer are, or are not, fair and reasonable and as to the acceptance of the Offer.

The purpose of this Response Document is to provide you with, among other things, (i) information relating to the Offer and the Group; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Offer and as to its acceptance; and (iii) a letter of advice from BaoQiao Partners to the Independent Board Committee and the Independent Shareholders in relation to the Offer and as to its acceptance.

THE OFFER

The terms of the Offer summarised below are set out in detail in the Offer Document and the Form of Acceptance. You are recommended to refer to them for further details.

Principal terms of the Offer

Head & Shoulders Securities is making the Offer for and on behalf of the Offeror in compliance with the Takeovers Code on the terms set out in the Offer Document in accordance with the Takeovers Code on the following basis:

For each Offer Share .... HK$1.644 in cash

The Independent Shareholders who accept the Offer are entitled to choose **either one** of the following alternatives:

(i) **Full Settlement Alternative:** the Independent Shareholders will receive full payment of the Offer Price of HK$1.644 per Offer Share within 7 Business Days from the date of acceptance; or

(ii) **Deferred Settlement Alternative:** the Independent Shareholders will receive payment of HK$0.9417 per Offer Share (i.e. approximately 57.28% of the Offer Price of HK$1.644 per Offer Share) within 7 Business Days from the date of the acceptance while the balance of HK$0.7023 per Offer Share (i.e. approximately 42.72% of the Offer Price of HK$1.644 per Offer Share) together with interest accruing at the same interest rate as the Revised Loan Note will be settled in single or multiple payment(s) at the discretion of the Offeror on or before the date which is the earlier of (i) the maturity date of the Revised Loan Note; or (ii) the date on which the outstanding amount of the Revised Loan Note is repaid by the Offeror in full.

The Offer is unconditional in all respects.

Confirmation of financial resources

As stated in the Offer Document, the Offeror intends to finance the consideration payable under the Offer through the Facility provided by the Vendor and the Additional Facility provided by Head & Shoulders Securities. Under the terms of the Facility, as security, (i) Dr. Choi has executed a personal guarantee in favour of the Vendor; and (ii) the Offeror has agreed to charge any Offer Shares acquired pursuant to the Offer in favour of the Vendor.

Veda Capital, the financial adviser to the Offeror, has confirmed in the Offer Document that it is satisfied that sufficient resources are, and will remain, available to the Offeror to satisfy the amount of funds required for full acceptance of the Offer.

Effect of accepting the Offer

By validly accepting the Offer, the Independent Shareholders will sell their tendered Shares to the Offeror free from all liens, charges and Encumbrance and together with all rights attaching to them including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made, being the date of the Offer Document.

SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (i) immediately prior to Completion; and (ii) as at the Latest Practicable Date based on the disclosure of interest notices filed by the relevant Shareholders under Part XV of the SFO:

	Immediately prior to Completion		**As at the Latest Practicable Date**	
	Number of Shares	*Approximate % of issued Shares*	*Number of Shares*	*Approximate % of issued Shares*
The Vendor	881,773,550	74.78%	118,000,000	10.01%
The Offeror and parties acting in concert with it (excluding the Vendor) *(Note 1)*	—	—	763,773,550	64.77%
Mr. Lo Lin Shing, Simon *(Note 2)*	364,800	0.03%	364,800	0.03%
Public Shareholders	297,018,885	25.19%	297,018,885	25.19%
Total	1,179,157,235	100.00%	1,179,157,235	100.00%

Notes:

1. Due to the issue of the Revised Loan Note in favour of the Vendor in partial settlement of the Consideration and the consideration payable under the Offer will be partly financed through the Facility provided by the Vendor as set out in the paragraph headed "Confirmation of financial resources" above, the Vendor, following Completion is a party acting in concert with the Offeror under the Takeovers Code.

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

INFORMATION ON THE GROUP

The Group is principally engaged in hotel operations, and leasing of properties for casino and ancillary leisure and entertainment operations.

The relevant financial information relating to the Group as required by the Takeovers Code is set out in Appendix I to this Response Document. Please also refer to the Profit Alert Announcement set out in Appendix II to this Response Document for the latest update of the Group's financial information.

INFORMATION ON THE OFFEROR AND INTENTION OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the Offer Document for the information on the Offeror, its intention regarding the Group and the change in composition of the Board including appointment of new Directors nominated by the Offeror.

In particular, as stated in the Offer Document, the Offeror intends to continue the existing principal businesses of the Group. The Offeror will conduct a review on the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the Offeror may look into business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group. Should such corporate actions materialise, further announcement(s) will be made in accordance with the Listing Rules.

As stated in the Offer Document, save for the Offeror's intention regarding the Group as set out therein, the Offeror has no intention to (i) discontinue the employment of any employees of the Group; or (ii) redeploy the fixed assets of the Group other than those in its ordinary and usual course of business.

The Board is aware of the Offeror's intention in relation to the Group and is willing to render co-operation with the Offeror and will continue to act in the best interests of the Group and the Shareholders as a whole.

MAINTAINING THE LISTING STATUS OF THE COMPANY

As stated in the Offer Document, the Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror and the seven new Directors appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

As stated in the Offer Document, the Offeror will enter into a placing agreement with Head & Shoulders Securities pursuant to which Head & Shoulders Securities will be appointed as the placing agent for the reasonable efforts placing of such number of Shares to be held by the Offeror and parties acting in concert with it upon close of the Offer in excess of 884,367,926 Shares (being such number of Shares representing 75% of the Shares in issue), at a placing price being the then prevailing market price of the Shares, within a period of 90 days from the date immediately following the close of the Offer (or such other period as the Offeror and Head & Shoulders Securities may agree in writing), to independent third parties who are not the Shareholders unless the Offeror is to sell the same in the market directly as soon as practicable after the close of the Offer, upon completion of which the minimum public float of 25% as set out in Rule 8.08(1)(a) of the Listing Rules will be restored. Accordingly, the placing arrangement contemplated under the placing agreement will not take effect prior to the close of the Offer.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25%, of the issued Shares, are held by the public, or if the Stock Exchange believes that:

(a) a false market exists or may exist in the trading of the Shares; or

(b) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend trading in the Shares.

RECOMMENDATION

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether the terms of the Offer are, or are not, fair and reasonable and as to the acceptance of the Offer.

BaoQiao Partners has been appointed and approved by the Independent Board Committee as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Offer are, or are not, fair and reasonable and as to the acceptance of the Offer.

Your attention is drawn to (i) the "Letter from the Independent Board Committee" set out on pages 13 to 14 of this Response Document, which contains its recommendation to the Independent Shareholders in relation to the Offer and as to its acceptance; and (ii) the "Letter from BaoQiao Partners" set out on pages 15 to 39 of this Response Document, which contains, among other things, its advice to the Independent Board Committee and the Independent Shareholders in relation to the Offer and as to its acceptance and the principal factors considered by it in arriving at its recommendation.

The Independent Shareholders are urged to read these letters carefully before taking any action in respect of the Offer.

ADDITIONAL INFORMATION

Your attention is also drawn to the Offer Document, the Form of Acceptance and the additional information contained in the Appendices to this Response Document.

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

INTERNATIONAL ENTERTAINMENT CORPORATION
國 際 娛 樂 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(STOCK CODE: 01009)

26 May 2017

To the Independent Shareholders,

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY HEAD & SHOULDERS SECURITIES LIMITED FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE ALL THE ISSUED SHARES OF INTERNATIONAL ENTERTAINMENT CORPORATION (OTHER THAN THOSE ALREADY OWNED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)

We refer to the response document issued by the Company dated 26 May 2017 (the ''Response Document''), of which this letter forms part. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Response Document.

We have been appointed to constitute the Independent Board Committee under the Takeovers Code to consider the terms of the Offer and to advise you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and as to its acceptance. BaoQiao Partners has been appointed as the independent financial adviser to advise us in this respect. Details of its advice and the principal factors and reasons taken into consideration in arriving at its advice are set out in the ''Letter from BaoQiao Partners'' set out on pages 15 to 39 of the Response Document.

We also wish to draw your attention to the Offer Document, the ''Letter from the Board'' and the additional information set out in the Appendices to the Response Document.

Taking into account the terms of the Offer and the independent advice from BaoQiao Partners, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer and elect the Full Settlement Alternative given that the Independent Shareholders may not be able to receive the maximum interest receivable under the Deferred Settlement Alternative as the Offeror may elect to settle the balance of the Offer Price before the final maturity date of the Revised Loan Note and the Full Settlement Alternative gives the Independent Shareholders a finality of settlement in respect of the Offer. Independent Shareholders are recommended to read the full text of the "Letter from BaoQiao Partners" set out on pages 15 to 39 of the Response Document.

Yours faithfully,
For and on behalf of the Independent Board Committee

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

Independent non-executive Directors

The following is the full text of the letter of advice from BaoQiao Partners Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this Response Document.

寶橋 BAOQIAO PARTNERS

BAOQIAO PARTNERS CAPITAL LIMITED

Unit 501, 5/F, Tower 1, Admiralty Centre,
18 Harcourt Road, Admiralty, Hong Kong

26 May 2017

To the Independent Board Committee and the Independent Shareholders,

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY HEAD & SHOULDERS SECURITIES LIMITED FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE ALL THE ISSUED SHARES OF INTERNATIONAL ENTERTAINMENT CORPORATION (OTHER THAN THOSE ALREADY OWNED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Offer, details of which are set out in the response document dated 26 May 2017 issued by the Company to the Shareholders (the "**Response Document**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Response Document, unless otherwise specified.

Reference is made to the 1st Joint Announcement that, on 10 February 2017 (after trading hours of the Stock Exchange), the Offeror as purchaser and the Vendor as vendor entered into the Sale and Purchase Agreement pursuant to which the Offeror purchased and the Vendor sold a total of 763,773,550 Shares, representing approximately 64.77% of the entire issued share capital of the Company as at the Latest Practicable Date, for the Consideration of HK$1,222,037,680 (equivalent to HK$1.60 per Sale Share).

The Completion took place on 10 February 2017 in accordance with the terms of the Sale and Purchase Agreement. Immediately after Completion, the Offeror and the parties acting in concert with it (excluding the Vendor) owned a total of 763,773,550 Shares, representing approximately 64.77% of the entire issued share capital of the Company as at the Latest Practicable Date.

Reference is also made to the 2nd Joint Announcement that the terms of the Offer have been revised by (i) increasing the Offer Price from HK$1.600 to HK$1.644 per Offer Share; and (ii) offering the Independent Shareholders the Deferred Settlement Alternative (hereinafter defined) in order to ensure that all the Shareholders are equally treated given that both the Facility and the Loan Note confer favourable conditions on the Vendor and the Executive considered that both the Facility and the Loan Note are special deals under Rule 25 of the Takeovers Code.

Pursuant to Rule 26.1 of the Takeovers Code, Head & Shoulders Securities is making, on behalf of the Offeror, the Offer to the Independent Shareholders for all the issued Shares other than those already owned by the Offeror and parties acting in concert with it. The terms of the Offer are set out in the Offer Document and the Form of Acceptance.

On 12 May 2017, the Offeror despatched the Offer Document, accompanied with the Form of Acceptance.

The Independent Board Committee comprising 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, has been established pursuant to Rule 2.1 of the Takeovers Code to advise the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

We, BaoQiao Partners Capital Limited, have been approved and appointed by the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Group or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees in connection with this appointment as the Independent Financial Adviser, no other arrangements exist whereby we had received or will receive any fees or benefits from the Group or any other parties that could reasonably be regarded as relevant to our independence. As such, we consider that we are independent pursuant to Rule 2.6 of the Takeovers Code and Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Offer Document, the Response Document, the annual report of the Company for the year ended 31 March 2016 (the "**2015/16 Annual Report**"), the interim report of the Company for the six months ended 30 September 2016 (the "**2016 Interim Report**") and the information and representations as provided to us by the Directors and the management of the Company. We have assumed that all information and representations that have been provided by the Directors and the management of the Company, for which they are solely and wholly responsible, are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the management of the Company in the Response Document were reasonably made after due enquiries and careful consideration.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Response Document (other than that relating to the Offeror and parties acting in concert with it, the terms of the Offer and the intention of the Offeror regarding the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Response Document (other than those expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in the Response Document, the omission of which would make any statements in the Response Document misleading.

We consider that we have been provided with, and we have reviewed, the currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the Offer, and to justify reliance on the accuracy of the information contained in both the Offer Document and the Response Document so as to provide a reasonable basis of our opinion. We have no reason to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, carried out any independent verification of the information provided by the Company, nor have we conducted any independent investigation into the business or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date and the Shareholders will be notified of any material changes as soon as possible in accordance with Rule 9.1 of the Takeovers Code. Save for our advice to the Independent Board Committee and the Independent Shareholders as to whether to accept or reject the Offer, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

We have not considered the tax implications, if any, on the Independent Shareholders of their acceptance or non-acceptance of the Offer since these are particular to their own individual circumstances, the Independent Shareholders should consider their own tax position with regard to the Offer and, if any doubt, should consult their own professional adviser in due course.

This letter of advice is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Offer, and, except for its inclusion in the Response Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL TERMS OF THE OFFER

According to the Offer Document, Head & Shoulders Securities, on behalf of the Offeror, makes the Offer to all the Independent Shareholders for all issued Shares (other than those Shares already owned by the Offeror and parties acting in concert with it) in compliance with Rule 26.1 of the Takeovers Code on the following basis:

The Offer

For each Offer Share .... HK$1.644 in cash

As disclosed in the Offer Document, the Independent Shareholders who accept the Offer are entitled to choose either one of the following alternatives:

(i) **Full Settlement Alternative:** the Independent Shareholders will receive full payment of the Offer Price of HK$1.644 per Offer Share within 7 Business Days from the date of acceptance (the "**Full Settlement Alternative**"); or

(ii) **Deferred Settlement Alternative:** the Independent Shareholders will receive payment of HK$0.9417 per Offer Share (i.e. approximately 57.28% of the Offer Price of HK$1.644 per Offer Share) (the "**Offer Price First Payment**") within 7 Business Days from the date of the acceptance while the balance of HK$0.7023 per Offer Share (i.e. approximately 42.72% of the Offer Price of HK$1.644 per Offer Share) (the "**Offer Price Balance Payment**") together with interest accruing at the same interest rate as the Revised Loan Note will be settled in single or multiple payment(s) at the discretion of the Offeror on or before the date which is the earlier of (i) the maturity date of the Revised Loan Note; or (ii) the date on which the outstanding amount of the Revised Loan Note is repaid by the Offeror in full (the "**Deferred Settlement Alternative**").

As disclosed in the Offer Document, as at the Offer Document LPD, the outstanding principal amount of the Revised Loan Note is HK$522,037,680, representing approximately 42.72% of the Consideration. In other words, approximately 57.28% of the Consideration has been settled by the Offeror.

As disclosed in the Offer Document, the arrangement of the Offer Price First Payment and the Offer Price Balance Payment is the same as the payment of the Consideration. In the event that the Offeror repays any amount of the Revised Loan Note before its maturity date, the Offer Price Balance Payment will be settled by the Offeror in the same proportion as the then amount repaid by the Offeror to the total outstanding amount of the Revised Loan Note.

As disclosed in the Offer Document, the Offer is unconditional in all respects and is extended to all Shares in issue on the date of despatch of the Offer Document. The Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all Encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them on the date on which the Offer is made or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made, being the date of posting of the Offer Document.

Undertaking not to dispose of the Remaining Shares

As disclosed in the Offer Document, immediately after Completion and as at the Offer Document LPD, the Vendor held 118,000,000 Shares (being the Remaining Shares), representing approximately 10.01% of the total issued share capital of the Company. The Vendor has irrevocably undertaken to and convenanted with the Offeror that the Remaining Shares will remain beneficially owned by it from the date of the Sale and Purchase Agreement up to and including the Closing Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and advice in respect of the Offer, we have taken into consideration the following principal factors and reasons:

1. Background and financial information of the Group

(a) Business of the Group

The Group is principally engaged in hotel operations, and leasing of properties for casino and ancillary leisure and entertainment operations.

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

The Group's revenue derived from the leasing of properties represents the rental income from the premises of the Group leased to Philippine Amusement and Gaming Corporation ("**PAGCOR**"), a corporation incorporated in the Philippines and controlled and owned by the government of the Philippines, for gaming and/or support functions for gaming and office space for PAGCOR's executive headquarters and office administration functions. The monthly rental income to the Group is based on an agreed percentage of net gaming revenue generated from the local gaming area of the casino operated by PAGCOR as lessee of the Group's premises or a fixed rental amount, whichever is higher.

(b) Financial information of the Group

Set out below are the consolidated financial statements of the Group for the two years ended 31 March 2016 ("**FY2016**") and 31 March 2015 ("**FY2015**") and the six months ended 30 September 2016 ("**1H2016**") and 30 September 2015 ("**1H2015**") as extracted from the 2015/16 Annual Report and the 2016 Interim Report:

	For the six months ended 30 September		For the year ended 31 March	
	2016	2015	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Revenue				
— Hotel	51,033	49,386	108,780	132,226
— Leasing of investment properties equipped with entertainment equipment	94,816	117,791	222,159	234,611
	145,849	167,177	330,939	366,837
Cost of sales	(52,714)	(98,839)	(176,562)	(206,837)
Gross profit	93,135	68,338	154,377	160,000
Other income	5,367	6,587	12,583	23,508
Other gains and losses	41,927	48,861	50,761	9,838
Change in fair value of financial assets at fair value through profit or loss	(31)	(21,546)	(21,154)	51,410
Selling and marketing expenses	(3,073)	(2,789)	(5,966)	(5,405)
General and administrative expenses	(64,246)	(60,871)	(132,856)	(153,502)
Profit before taxation	73,079	38,580	57,745	85,849
Income tax charge	(14,875)	(2,567)	(12,533)	(24,711)
Profit for the period/year	58,204	36,013	45,212	61,138

	For the six months ended 30 September		For the year ended 31 March	
	2016	**2015**	**2016**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Profit for the period/year attributable to:				
Owners of the Company	43,968	30,528	31,703	45,944
Non-controlling interests	14,236	5,485	13,509	15,194
	58,204	36,013	45,212	61,138
Earnings per share	*HK cent*	*HK cent*	*HK cent*	*HK cent*
Basic	3.73	2.59	2.69	3.90

	As at 30 September	As at 31 March	
	2016	**2016**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	(Audited)	(Audited)
Non-current assets			
— Property, plant and equipment	324,041	356,432	398,645
— Investment properties	413,818	444,384	555,412
— Other non-current assets	26,344	26,216	21,336
	764,203	827,032	975,393
Current assets	1,092,352	1,218,328	1,695,540
Total assets	1,856,555	2,045,360	2,670,933
Current liabilities	33,821	35,839	107,072
Non-current liabilities	94,302	129,604	121,181
Total liabilities	128,123	165,443	228,253
Net assets attributable to owners of the Company	1,294,226	1,313,972	1,875,134

(i) Financial performance of the Group

FY2016 versus FY2015

The Group's revenue for FY2016 was approximately HK$330.9 million, representing a decrease of approximately 9.8%, as compared with approximately HK$366.8 million for FY2015. All of the Group's revenue for FY2016 was generated from the business operations in the Philippines.

The Group's revenue derived from the leasing of properties for FY2016 was approximately HK$222.2 million, representing a decrease of approximately 5.3%, as compared with approximately HK$234.6 million for FY2015. The decrease was mainly due to the decrease in the net gaming revenue from the local gaming area of the casino operated by PAGCOR as lessee of the Group's premises during FY2016, which was due to the new independent casinos coming into operation in the vicinity. The Group's revenue derived from the hotel operations for FY2016 was approximately HK$108.8 million, representing a decrease of approximately 17.7%, as compared with approximately HK$132.2 million for FY2015. The decrease was mainly due to the decrease in both the room revenue and the food and beverage sales for FY2016.

The Group reported a gross profit of approximately HK$154.4 million for FY2016, representing a decrease of approximately 3.5%, as compared with approximately HK$160.0 million for FY2015.

The profit of the Group decreased by approximately 26.0% from approximately HK$61.1 million for FY2015 to approximately HK$45.2 million for FY2016.

1H2016 versus 1H2015

The Group recorded revenue of approximately HK$145.8 million for 1H2016, representing a decrease of approximately 12.8%, as compared with approximately HK$167.2 million for 1H2015. The Group's revenue derived from the leasing of properties for 1H2016 was approximately HK$94.8 million, representing a decrease of approximately 19.5%, as compared with approximately HK$117.8 million for 1H2015. The decrease was mainly due to the decrease in the net gaming revenue from the local gaming area of the casino operated by PAGCOR as lessee of the Group's premises during 1H2016. The revenue derived from the hotel operations for 1H2016 was approximately HK$51.0 million, representing an increase of approximately 3.2%, as compared with approximately HK$49.4 million for 1H2015. The increase was mainly due to the increase in both the room revenue and the food and beverage sales for 1H2016.

The Group reported a gross profit of approximately HK$93.1 million for 1H2016, representing an increase of approximately 36.3%, as compared with approximately HK$68.3 million for 1H2015. Gross profit margin for 1H2016 was approximately 63.9%, representing an increase of approximately 23.1% as compared to gross profit margin of approximately 40.8% for 1H2015. The increase in gross profit for the period was mainly due to the decrease in depreciation included in cost of sales after partial set off in a decrease in revenue.

The profit of the Group increased by approximately 61.7% from approximately HK$36.0 million for 1H2015 to approximately HK$58.2 million for 1H2016.

Estimated Financial Results for the Year ended 31 March 2017

As disclosed in the Profit Alert Announcement (the full text of which is also set out in Appendix II to the Response Document), the Board informed the Shareholders and potential investors of the Company that based on the preliminary assessment of the latest unaudited management accounts of the Group and the information currently available, the profit of the Group for the year ended 31 March 2017 was expected to increase by approximately 30% to 50% as compared to the profit of the Group of approximately HK$45.2 million for FY2016.

As also disclosed in the Profit Alert Announcement, the expected increase in the profit of the Group for the year ended 31 March 2017 was mainly attributable to, among other things, the combined effect of (i) an increase in gross profit as compared to the last corresponding period mainly due to a decrease in depreciation (included in cost of sales) after partial set off in a decrease in revenue; (ii) the recognition of a slight gain on the change in fair value of financial assets at fair value through profit or loss for the year ended 31 March 2017 as compared to the loss recognised for FY2016; and (iii) a one-off gain on the change in fair value of contingent consideration provision of HK$16.6 million recognised for FY2016.

(ii) Financial position of the Group

As at 30 September 2016, the Group's non-current assets amounted to approximately HK$764.2 million (as at 31 March 2016: HK$827.0 million), mainly comprising investment properties of approximately HK$413.8 million (as at 31 March 2016: HK$444.4 million) and property, plant and equipment of approximately HK$324.0 million (as at 31 March 2016: HK$356.4 million).

As at 30 September 2016, the Group's current assets amounted to approximately HK$1,092.4 million (as at 31 March 2016: HK$1,218.3 million), of which approximately HK$1,054.9 million (as at 31 March 2016: HK$1,179.5 million) was bank balances and cash.

As at 30 September 2016, the Group's total liabilities amounted to approximately HK$128.1 million (as at 31 March 2016: HK$165.4 million), mainly comprising deferred tax liabilities of approximately HK$88.3 million (as at 31 March 2016: HK$124.4 million).

As at 30 September 2016, the Group had (a) contingent liabilities of approximately HK$437.6 million (as at 31 March 2016: HK$460.2 million) relating to the tax disputes between a subsidiary of the Company principally engaging in the business of leasing of properties in the Philippines and Bureau of Internal Revenue in the Philippines ("**BIR**") for the calendar years of 2008 and 2012, as well as the potential income tax (but not taking into account any possible additional penalties or interest liability, of which existence can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of such subsidiary) that may be assessed by BIR for the taxable years which are not yet barred by prescription under the relevant laws, rules and regulations of the Philippines; and (b) contingent liabilities of approximately HK$2.8 million (as at 31 March 2016: HK$8.8 million) relating to the tax disputes between another subsidiary of the Company principally engaging in the hotel operations in the Philippines and BIR for the calendar year of 2011 (but not taking into account any possible additional penalties or interest liability, of which existence can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of such subsidiary). Based on the advice of the independent legal adviser of the subsidiaries of the Company, the Directors believe that subsidiaries have valid legal arguments to defend the tax disputes. Accordingly, no provision has been made for the tax disputes as at the Latest Practicable Date. We have reviewed the advice of the independent legal adviser of the subsidiaries of the Company provided by the Company, and we concur with the view of the Directors.

During 1H2016, the Group has paid a dividend to non-controlling interests amounted to approximately HK$120.1 million. Besides, the Group has paid the withholding tax amounted to approximately HK$45.9 million in respect of the dividend distributed by a subsidiary of the Company in the Philippines to its overseas immediate holding company.

Net assets attributable to owners of the Company as at 30 September 2016 amounted to approximately HK$1,294.2 million, representing a decrease of approximately 1.5%, as compared with approximately HK$1,314.0 million as at 31 March 2016.

The gearing ratio, measured in terms of total borrowings divided by total assets, was zero as at 30 September 2016 and 31 March 2016 respectively.

(c) Prospects of the Group

(i) Tourism Industry in the Philippines

Pursuant to the statistics issued by the Philippines' Department of Tourism (www.tourism.gov.ph), the total number of international arrivals reached approximately 5.36 million in 2015, representing an increase of approximately 11.0% as compared to approximately 4.83 million in 2014. Meanwhile, according to the Philippines' Department of Tourism, the annual average hotel occupancy rate recorded a decrease of approximately 0.26% from 67.21% in 2014 to 66.95% in 2015 in Metro Manila.

As noted from the Chairman's Statement of the 2015/16 Annual Report, despite the economic growth of the Philippines, the Group's business operations have been encountering challenges from new hotels and casinos in the vicinity of the Group's properties.

(ii) Gaming Industry in the Philippines

According to the website of PAGCOR (www.pagcor.ph), PAGCOR is a wholly owned corporation by the government of the Philippines with the mandate to (i) regulate, operate, authorize and license games of chance, games of cards and games of numbers, particularly casino gaming in the Philippines; (ii) generate revenues for the Philippine Government's socio-civic and national development programs; and (iii) help promote the Philippine tourism industry. PAGCOR operates 8 casino branches and a number of satellite casinos in major cities of the Philippines and one of the branches is located in the hotel complex of the Group.

As revealed from the "*Philippine Gaming Industry Data 3Q2016*" published in the website of PAGCOR, the total industry gross gaming revenues reached approximately Philippine Peso ("**Peso**") 118,037 million for the nine months ended 30 September 2016, representing an increase of approximately 19.7%, as compared with approximately Peso98,606 million for the nine months ended 30 September 2015.

Taking into account the above, we are of the view that the Group may be able to benefit from the growth potential in the tourism and gaming industries of the Philippines in the future, however, the Group's businesses development would very much depend on the industry competitions.

As disclosed under the sub-section headed "Estimated Financial Results for the Year ended 31 March 2017" above, the profit of the Group for the year ended 31 March 2017 was expected to increase by approximately 30% to 50% as compared to FY2016, mainly attributable to the decrease in depreciation (included in cost of sales). As advised by the management of the Company, the decrease in depreciation is mainly due to the change in depreciation period of investment properties of the Group after the renewal of the original lease of certain premises of the Group to PAGCOR on 18 December 2015, which had already been announced in the announcement of the Company dated 18 December 2015 and in the 2015/16 Annual Report. While the above decrease in depreciation in investment properties of the Group is positive to the Group's financial performance, we would also like to draw the Independent Shareholders' attention to the fact that the revenue of the Group for the year ended 31 March 2017 is expected to continue to decrease as disclosed in the Profit Alert Announcement. As such, we consider the Group's prospects are still subject to the industry factors as discussed in this section above.

2. Property Valuation

The property valuation conducted by Jones Lang is set out in the valuation report contained in Appendix V to the Response Document (the "**Valuation Report**"), which is summarized as follows:

Property	Particulars of occupancy	Market value in existing state as at 31 March 2017 *HK$*
New World Manila Bay Hotel 1588 M. H. Del Pilar cor. Pedro Gil Malate Manila The Philippines (the "**Property**")	The Property is currently used for hotel, casino and ancillary purposes.	2,082,000,000

Pursuant to the Valuation Report, the market value of the Property in existing state as at 31 March 2017 was HK$2,082,000,000 (the "**Valuation**").

The Valuation plays an important part in our evaluation of the Offer, given that the Group's business primarily depends on the income generated from the investment properties and the hotel business based on the Property. We have discussed the Valuation with Jones Lang with regard to (i) valuation approaches employed and relevant bases and assumptions used, and (ii) Jones Lang's due diligence work performed.

We note that on a primary basis, Jones Lang has used the income capitalisation approach for arriving at the value of the Property. The Property was valued based on the capitalisation 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 and an appropriate annual present value discount rate. As discussed with Jones Lang, the income capitalisation approach was used for the valuation of the Property because such valuation approach is commonly used for valuing hotels and casinos.

We consider that the valuation approaches used by Jones Lang are normal and reasonable approaches for establishing open market values for the Property. We have also discussed with Jones Lang the underlying bases and assumptions used when valuing the Property. We note that Jones Lang has carried out physical inspection of the Property on 3 June 2016 and made relevant enquiries in the context of the Valuation. We have also performed work as required under note (1)(d) to Listing Rule 13.80 in relation to Jones Lang and its work with regard to the Valuation.

3. The Offeror and its intention in relation to the Company

a. Information on the Offeror

As disclosed in the Offer Document, the Offeror is a company incorporated in the BVI with limited liability. It is principally engaged in investment holding. The Offeror is wholly and beneficially owned by Head and Shoulders Direct Investment. The sole director of the Offeror is Head and Shoulders Direct Investment.

Head and Shoulders Direct Investment is a company incorporated in the BVI with limited liability, which is engaged in investment holdings. Head and Shoulders Direct Investment is wholly and beneficially owned by Dr. Choi, who is also the sole director of Head and Shoulders Direct Investment.

Dr. Choi possesses more than 20 years of experience in financial service and merger and acquisition projects. He is the chairman of Head & Shoulders Financial Group Limited. Apart from working at senior positions for different financial groups in Hong Kong, Dr. Choi has also served as a member of the senior management of various listed companies in Hong Kong.

Please refer to the Offer Document for further details of the Offeror.

b. Intention of the Offeror in relation to the Group

As disclosed in the Offer Document, immediately after Completion, the Offeror has become the Controlling Shareholder of the Company. Following the close of the Offer, the Offeror intends to continue the existing principal businesses of the Group. The Offeror will conduct a review on the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the Offeror may look into business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group. Should such corporate actions materialise, further announcement(s) will be made in accordance with the Listing Rules.

Save for the Offeror's intention regarding the Group as set out above, the Offeror has no intention to (i) discontinue the employment of any employees of the Group; or (ii) redeploy the fixed assets of the Group other than those in its ordinary and usual course of business.

Proposed change to the Board composition

As at the Offer Document LPD, the Board was made up of eleven Directors, comprising seven executive Directors, being Dr. Cheng Kar Shun, Mr. Lo Lin Shing, Simon, Mr. To Hin Tsun, Gerald, Mr. Cheng Kam Chiu, Stewart, Mr. Cheng Kam Biu, Wilson, Dr. Cheng Chi Kong and Mr. Cheng Chi Him; and four independent non-executive Directors, being Mr. Cheung Hon Kit, Mr. Kwee Chong Kok, Michael, Mr. Lau Wai Piu and Mr. Tsui Hing Chuen, William.

As stated in the paragraph headed "PROPOSED CHANGE TO THE BOARD COMPOSITION" in the Offer Document, it is understood that all existing Directors will resign with effect from the day immediately after the first Closing Date and new executive and independent non-executive Directors will be appointed with effect from the Business Day immediately after the despatch of the Offer Document. The Offeror intended to nominate seven new members to the Board, namely Dr. Choi, Mr. Lam Yat Ming and Mr. Zhang Yan Min as executive Directors and Mr. Ren Yunan, Ms. Lu Gloria Yi, Mr. Sun Jiong and Mr. Ha Kee Choy Eugene as independent non-executive Directors. Such appointment took effect on 15 May 2017.

Please refer to the Offer Document for further details of the proposed change to the Board composition and biographies of the new executive and independent non-executive Directors.

Maintaining the listing status of the Company

As also disclosed in the Offer Document, the Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror and the seven proposed new Directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

The Offeror will enter into a placing agreement with Head & Shoulders Securities pursuant to which Head & Shoulders Securities will be appointed as the placing agent for the reasonable efforts placing of such number of Shares to be held by the Offeror and parties acting in concert with it upon close of the Offer in excess of 884,367,926 Shares (being such number of Shares representing 75% of the Shares in issue), at a placing price being the then prevailing market price of the Shares, within a period of 90 days from the date immediately following the close of the Offer (or such other period as the Offeror and Head & Shoulders Securities may agree in writing), to independent third parties who are not the Shareholders unless the Offeror is to sell the same in the market directly as soon as practicable after the close of the Offer, upon completion of which the minimum public float of 25% as set out in Rule 8.08(1)(a) of the Listing Rules will be restored. Accordingly, the placing arrangement contemplated under the placing agreement will not take effect prior to the close of the Offer.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the listed issuer, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that: (a) a false market exists or may exist in the trading of the Shares; or (b) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.

4. Offer Price Comparison

(a) The Offer Price

The Offer Price of HK$1.644 per Offer Share represents:

(i) an increase of 2.75% as compared to the original Offer Price of HK$1.600 per Offer Share;

(ii) a discount of approximately 5.52% to the closing price of HK$1.740 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(iii) a discount of approximately 2.72% to the closing price of HK$1.690 per Share as quoted on the Stock Exchange on the Offer Document LPD;

(iv) a discount of approximately 7.12% to the closing price of HK$1.770 per Share as quoted on the Stock Exchange on 15 February 2017, being the first trading day after the commencement of the Offer Period;

(v) a discount of approximately 2.14% to the closing price of HK$1.680 per Share as quoted on the Stock Exchange on 9 May 2017, being the last trading day prior to the date of the 2nd Joint Announcement;

(vi) a premium of approximately 26.46% over the closing price of HK$1.300 per Share as quoted on the Stock Exchange on 10 February 2017, being the Last Trading Day;

(vii) a premium of approximately 29.86% over the average of the closing prices of approximately HK$1.266 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;

(viii) a premium of approximately 33.33% over the average of the closing prices of approximately HK$1.233 per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;

(ix) a premium of approximately 37.34% over the average of the closing prices of approximately HK$1.197 per Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;

(x) a premium of approximately 47.58% over the audited consolidated net assets of the Group attributable to owners of the Company of approximately HK$1.114 per Share as at 31 March 2016, calculated based on the Group's audited consolidated net assets attributable to owners of the Company of approximately HK$1,314.0 million as at 31 March 2016 and 1,179,157,235 Shares in issue as at the Latest Practicable Date; and

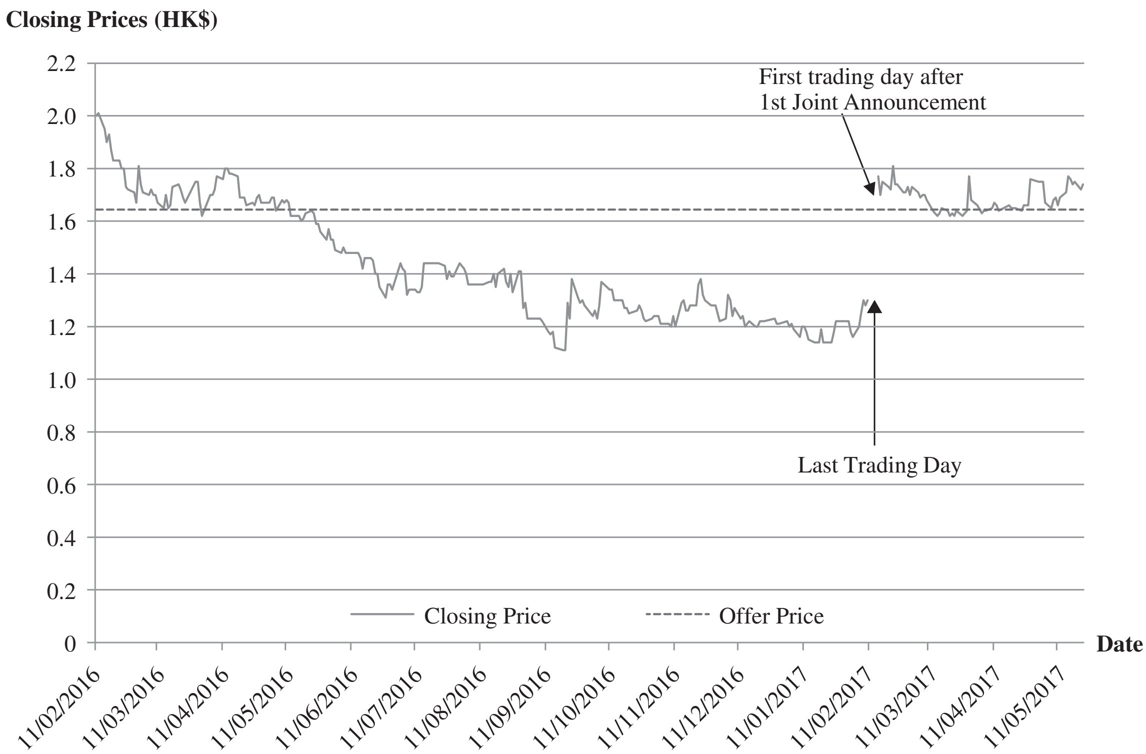
(xi) a premium of approximately 49.73% over the unaudited consolidated net assets of the Group attributable to owners of the Company of approximately HK$1.098 per Share as at 30 September 2016, calculated based on the Group's unaudited consolidated net assets attributable to owners of the Company of approximately HK$1,294.2 million as at 30 September 2016 and 1,179,157,235 Shares in issue as at the Latest Practicable Date.

As disclosed in the Offer Document, assuming that the Revised Loan Note will be repaid by the Offeror in full on the maturity date of the Revised Loan Note, the maximum price to be received by the Independent Shareholders who have chosen the Deferred Settlement Alternative will be HK$1.6788 per Share including the interest accruing from the date of the Offer Document to the maturity date of the Revised Loan Note (the "**Maximum Price Receivable under the Deferred Settlement Alternative**"). The Maximum Price Receivable under the Deferred Settlement Alternative represents a premium of approximately 2.12% over the Offer Price of HK$1.644 per Offer Share.

(b) Historical daily closing price per Share

In order to assess the fairness and reasonableness of the Offer Price, we have reviewed the movements in closing price of the Shares for the period commencing from 11 February 2016, being the 12-month period prior to the Last Trading Day, and up to the Latest Practicable Date (the "**Review Period**").

The chart below shows the daily closing prices of the Shares during the Review Period and the Offer Price.



Source: the website of the Stock Exchange

From the commencement of the Review Period to the Last Trading Day

The Shares were traded in a downward trend during the commencement of the Review Period until the Last Trading Day (the "**Pre-announcement Review Period**") with an average closing price of approximately HK$1.424 per Share. The closing prices of the Shares were below HK$1.644 per Share (equivalent to the Offer Price) on 1 April 2016, 6 May 2016 and during the period from 13 May 2016 until the Last Trading Day, being 187 trading days out of the total 247 trading days during the Pre-announcement Review Period. During the Pre-announcement Review Period, the highest closing price was HK$2.010 per Share on 12 February 2016 and the lowest closing price was HK$1.110 per Share on 19 September 2016 and 20 September 2016. The Offer Price represents a discount of approximately 18.21% to and a premium of approximately 48.11% over the highest and lowest closing price of the Share during the Pre-announcement Review Period. The Offer Price also represents a premium of approximately 15.45% over the average closing price of the Share during the Pre-announcement Review Period.

We have discussed with the management of the Company for the reasons for the downward trend in Share prices during the Pre-announcement Review Period, and we are given to understand that the management of the Company is not aware of any reasons for such Share price movement.

From the first trading day of the Shares after the 1st Joint Announcement to the Latest Practicable Date

At the request of the Company, trading in the Shares was suspended from 13 February 2017 to 14 February 2017 (both days inclusive) pending the publication of the 1st Joint Announcement. Immediately after the release of the 1st Joint Announcement, the closing price of the Shares surged by approximately 36.15% from HK$1.300 per Share on 10 February 2017, being the Last Trading Day, to HK$1.770 on 15 February 2017, being the first trading day after the release of the 1st Joint Announcement. In our opinion, such rise in Share price is probably due to the release of the 1st Joint Announcement in respect of the Offer and market speculation. However, there is no assurance that the Share price will continue to maintain at the current level after the Offer closes.

During the period from the first trading day of the Shares after the date of the 1st Joint Announcement to the Latest Practicable Date (the "**Post-announcement Review Period**"), the highest closing price was HK$1.810 per Share on 22 February 2017 and the lowest closing price was HK$1.620 per Share on 15 March 2017, 21 March 2017, 23 March 2017 and 27 March 2017 respectively. The Offer Price is within the range of the highest and lowest closing prices of the Shares during the Post-announcement Review Period and represents a discount of approximately 9.17% to the highest closing price of the Share and a premium of approximately 1.48% over the lowest closing price of the Share. The average closing price of the Share during the Post-announcement Review Period is HK$1.686 per Share and the Offer Price represents a discount of approximately 2.49% to it.

(c) Historical average daily trading volume of the Shares

We have also reviewed the historical trading volume of the Shares during the Review Period. The average daily trading volume of the Shares and the percentage of daily trading volume of the Shares as compared to the total number of issued Shares during the Review Period are shown in below table.

	Total monthly trading volume of Shares	**Average daily trading volume of Shares**	**Approximate % of average daily trading volume to the total issued Shares** *(Note 1)*
2016			
10 February–29 February	1,262,000	97,077	0.008%
March	1,740,000	82,857	0.007%
April	6,188,050	309,403	0.026%
May	1,610,000	76,667	0.007%
June	1,032,000	49,143	0.004%
July	928,000	46,400	0.004%
August	2,730,000	124,091	0.011%
September	10,114,000	481,619	0.041%
October	7,644,000	402,316	0.034%
November	3,476,000	158,000	0.013%
December	1,044,000	52,200	0.004%
2017			
January	938,000	49,368	0.004%
February	48,063,259	2,670,181	0.226%
March	69,832,530	3,036,197	0.257%
April	29,268,530	1,721,678	0.146%
1 May–Latest Practicable Date *(Note 2)*	65,788,150	4,385,877	0.372%

Source: the website of the Stock Exchange

Notes:

1. The calculation is based on the number of Shares in issue as at the end of each month.

2. The data of May 2017 represents the trading volume of the Shares for the period from 1 May 2017 to the Latest Practicable Date.

The above table demonstrates that during the Review Period, the percentage of the average daily trading volume of the Shares were in the range of approximately 0.004% to 0.372% with an average of approximately 0.073% of the total number of Shares in issue as at the end of the respective month. The above statistics revealed that trading in the

Shares was relatively very thin during the Review Period and the Shares were generally illiquid in the open market. Given the trading of the Shares is relatively illiquid, the Offer presents the Independent Shareholders with an opportunity to dispose of their Shares without exerting downward pressure on the market price of the Shares.

(d) Comparable analysis

In assessing the fairness and reasonableness of the Offer Price, we have considered using the commonly adopted trading multiple including price-to-earnings ratio (the "**P/E Ratio(s)**") and the price-to-book ratios (the "**P/B Ratio(s)**") of companies which are listed on the Main Board of the Stock Exchange and are engaged in similar businesses to those of the Group for comparison purposes.

Based on the Offer Price of HK$1.644 per Offer Share and the total number of 1,179,157,235 issued Shares as at the Latest Practicable Date, the Company is valued at approximately HK$1,938,534,494. The P/E Ratio of the Company implied by the Offer Price is approximately 61.1 times (the "**Implied P/E Ratio**") based on the profit attributable to owners of the Company of approximately HK$31,703,000 for FY2016. The P/B Ratio of the Company implied by the Offer Price is approximately 1.5 times (the "**Implied P/B Ratio**") based on the Group's latest audited net assets attributable to owners of the Company of approximately HK$1,313,972,000 as at 31 March 2016.

According to the Valuation Report, the net valuation surplus is approximately HK$1,379.5 million, being the Valuation of approximately HK$2,082.0 million less the net book value of the Property of approximately HK$702.5 million as at 30 September 2016 as advised by the management of the Company. The unaudited adjusted net assets of the Group (the "**Adjusted NAV**") was estimated to be approximately HK$1,969.9 million, representing the sum of the net assets of the Group of approximately HK$1,728.4 million as at 30 September 2016 and the net valuation surplus of approximately HK$1,379.5 million, less the total consideration of HK$1,138 million (of which, HK$788 million was settled by cash and HK$350 million was settled by way of issuing promissory note in the principal amount of HK$350 million) paid by the Group on 3 October 2016 pursuant to the sale and purchase agreement dated 25 July 2016 entered into between Fortune Growth Overseas Limited (a wholly-owned subsidiary of the Company) and Cross-Growth Co., Ltd. in relation to the acquisition of the remaining 49% equity interest in Maxprofit International Limited (a subsidiary of the Company). The P/B Ratio of the Company implied by the Offer Price based on the Adjusted NAV is approximately 1.0 times (the "**Implied Adjusted P/B Ratio**").

We have attempted to identify the comparable companies which are (i) listed on the Stock Exchange; (ii) principally engaged in same or similar business as the Group (i.e. hotel and casino businesses); and (iii) with market capitalisation below HK$10.0 billion given the market capitalization of the Company as at the Latest Practicable Date. In this regard, three comparable companies (the "**Comparables**") are identified, based on our research on the website of the Stock Exchange in accordance with the above criteria which we consider to be exhaustive, fair and representable. Details of our analysis are listed below:

Company name (Stock code)	**Principal Business**	**Latest Audited Annual Profit (HK$ Mn)**	**Latest Audited Net Assets Value (HK$ Mn)**	**Adjusted Net Asset Value (HK$ Mn)** *(Note 1)*	**Market Capitalisation as at Latest Practicable Date (HK$ Mn)**	**P/E Ratios** *(Note 2)*	**P/B Ratios** *(Note 3)*	**Adjusted P/B Ratios** *(Note 4)*
Macau Legend Development Limited (1680)	Provision of gaming services; and operation of the hotels, entertainment and leisure facilities.	–277	6,692	9,515	8,399	N/A	1.3	0.9
Emperor Entertainment Hotel Limited (296)	Operation in hotel and gaming.	256	3,443	3,443	2,266	8.9	0.7	0.7
China Star Entertainment Limited (326)	Hotel and gaming service, gaming promotion, sales of Chinese health products, film related business, property development.	–336	3,208	3,208	298	N/A	0.1	0.1
					Maximum	8.9	1.3	0.9
					Minimum	8.9	0.1	0.1
					Average	8.9	0.7	0.6
The Company						61.1	1.5	1.0

Source: the website of the Stock Exchange.

Notes:

1. The adjusted net asset value of the Comparables are calculated based on the net assets value attributable to the shareholders of the respective Comparables plus the surplus of the fair value over the net book value of the investment properties of the respective Comparables as extracted from their respective latest audited annual results.

2. The P/E Ratios of the Comparables are calculated based on the market capitalisation of the respective Comparables as at the Latest Practicable Date divided by the net profit attributable to the shareholders of the respective Comparables as extracted from their respective latest audited annual results.

3. The P/B Ratios of the Comparables are calculated based on the market capitalisation of the respective Comparables as at the Latest Practicable Date divided by the net assets value attributable to the shareholders of the respective Comparables as extracted from their respective latest audited annual results.

4. The adjusted P/B ratios of the Comparables are calculated based on the market capitalisation of the respective Comparables as at the Latest Practicable Date divided by the adjusted net asset value of the Comparables.

As illustrated in the table above, only one of the Comparable has the available P/E ratio of approximately 8.9 times and the Implied P/E Ratio of the Company of approximately 61.1 times is significantly higher than the P/E Ratio of the Comparables. The P/B Ratios of the Comparables ranged from approximately 0.1 times to approximately 1.3 times, with an average of approximately 0.7 times. The Implied P/B Ratio of the Company of approximately 1.5 times is higher than the maximum of the P/B Ratios of the Comparables. The adjusted P/B Ratios of the Comparables ranged from approximately 0.1 times to approximately 0.9 times, with an average of approximately 0.6 times. The Implied Adjusted P/B Ratio of the Company of approximately 1.0 times is higher than the maximum of the adjusted P/B Ratios of the Comparables.

Having considered that the Implied P/E Ratio, the Implied P/B Ratio and the Implied Adjusted P/B Ratio of the Company are higher than the maximum of the Comparables, we are of the view that the Offer Price is fair and reasonable to the Independent Shareholders.

5. Revision on the Terms of the Offer

As disclosed in the Offer Document, the terms of the Offer have been revised by (i) increasing the Offer Price from HK$1.600 to HK$1.644 per Offer Share; and (ii) offering the Independent Shareholders the Deferred Settlement Alternative in order to ensure that all the Shareholders are equally treated given that both the Facility and the Loan Note confer favourable conditions on the Vendor and the Executive considered that both the Facility and the Loan Note are special deals under Rule 25 of the Takeovers Code.

(a) The Offer Price

We have reviewed the terms of the Loan Note, the Revised Loan Note and the Facility (as amended by an amendment deed) and the calculation of difference between the Offer Price of HK$1.644 per Offer Share and the original Offer Price of HK$1.600 per Offer Share and we are of the view that the Offer Price is reasonably arrived at after considering the interest and arrangement fee under the Facility and the interests under the Loan Note and the Revised Loan Note (except for those reflected in the Deferred Settlement Alternative) paid/payable from the Offeror to the Vendor as far as the Independent Shareholders are concerned under the Offer.

(b) The Deferred Settlement Alternative

As disclosed in the Offer Document, the Independent Shareholders who accept the Offer are entitled to choose either one of the Full Settlement Alternative or the Deferred Settlement Alternative. As such, we consider that it is in the interests of Independent Shareholders to assess the fairness and reasonableness of the Deferred Settlement Alternative.

We noted from the Offer Document that, under the Deferred Settlement Alternative, the Independent Shareholders will receive the Offer Price First Payment within 7 Business Days from the date of the acceptance while Offer Price Balance Payment together with interest accruing at the same interest rate as the Revised Loan Note will be settled in single or multiple payment(s) at the discretion of the Offeror on or before the date which is the earlier of (i) the maturity date of the Revised Loan Note; or (ii) the date on which the outstanding amount of the Revised Loan Note is repaid by the Offeror in full.

As further disclosed above and disclosed in the Offer Document, the arrangement of the Offer Price First Payment and the Offer Price Balance Payment is the same as the payment of the Consideration, and in the event that the Offeror repays any amount of the Revised Loan Note before its maturity date, the Offer Price Balance Payment will be settled by the Offeror in the same proportion as the then amount repaid by the Offeror to the total outstanding amount of the Revised Loan Note.

Since under the Deferred Settlement Alternative, the Offer Price Balance Payment together with accrued interest will be settled in single or multiple payment(s) at the discretion of the Offeror on or before the date which is the earlier of (i) the maturity date of the Revised Loan Note; or (ii) the date on which the outstanding amount of the Revised Loan Note is repaid by the Offeror in full, we have considered the default risk associated with the Deferred Settlement Alternative as far as the Independent Shareholders are concerned, especially for the financial resources of the Offeror after the Closing Date to settle the Offer Price Balance Payment and the accruing interest. As disclosed in the Offer Document, Veda Capital, the financial adviser to the Offeror, is satisfied that sufficient resources are, and will remain, available to the Offeror to satisfy the amount of funds required for full acceptance of the Offer. Based on Veda Capital's confirmation on the financial resources of the Offeror for full acceptance of the Offer and the availability of the Facility, we are of the view that the default risk associated with the Deferred Settlement Alternative is minimal.

Based on the above, we are of the view that the deferred payment arrangement of the balance of the Consideration under the Revised Loan Note has been extended to all Independent Shareholders. Based on the analysis we conducted under the subsection headed "Comparable Analysis" above, we are of the view that the Offer Price under the Deferred Settlement Alternative is fair and reasonable to the Independent Shareholders.

Independent Shareholders must be reminded that, although the terms of the Offer under the Deferred Settlement Alternative is fair and reasonable to the Independent Shareholders, there are still uncertainty over the period of deferment in settlement of the Offer Price Balance Payment together with accrued interest as the Revised Loan Note will be settled in single or multiple payment(s) at the discretion of the Offeror on or before the date which is the earlier of (i) the maturity date of the Revised Loan Note; or (ii) the date on which the outstanding amount of the Revised Loan Note is repaid by the Offeror in full. As such, the timing of when the Offer Price Balance Payment together with accrued interest will be settled is uncertain and therefore the accrued interest amount is also uncertain.

Taking into account the above, we are of the view that the interest and arrangement fee under the Facility payable by the Offeror to the Vendor and the interest of and the deferred payment arrangement of the balance of the Consideration under the Revised Loan Note are extended to all Independent Shareholders.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, in particular:

(i) the Offer Price represents a premium over each of the closing price of the Shares on the Last Trading Day and the average closing price per Share as quoted on the Stock Exchange for the last five (5), ten (10) and thirty (30) consecutive trading days up to and including the Last Trading Day respectively. The Offer Price also represents a premium of approximately 47.58% over the audited consolidated net assets of the Group attributable to owners of the Company as at 31 March 2016. The Offer Price also represents a premium of approximately 49.73% over the unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 September 2016. For the price surge occurred after the release of the 1st Joint Announcement, there is no guarantee that such price surge may occur during and/or after the Offer Period. There is an uncertainty of the sustainability of the Share price momentum during the Post-announcement Review Period in the absence of the Offer;

(ii) the trading volume of the Shares was generally very thin during the Review Period and thus it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market without depressing the Share price. Accordingly, the market trading price of the Shares may not necessarily reflect the proceeds that the Independent Shareholders can receive by the disposal of their Shares in the open market;

(iii) the Implied P/E Ratio, the Implied P/B Ratio and the Implied Adjusted P/B Ratio are higher than the maximum of the Comparables;

(iv) the interest and arrangement fee under the Facility payable by the Offeror to the Vendor and the interest of and the deferred payment arrangement of the balance of the Consideration under the Revised Loan Note are extended to all Independent Shareholders; and

(v) the uncertainty as to whether the Group would be able to benefit from the growth potential in the tourism and gaming industries of the Philippines in view of the keen industry competitions,

we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

For the Independent Shareholders who choose to accept the Offer and subject to each Independent Shareholder's own situations (including financial situation), we recommend the Independent Shareholders to choose the Full Settlement Alternative over the Deferred Settlement Alternative for the reasons that (i) it gives the Independent Shareholders a finality of settlement in respect to the Offer under the Full Settlement Alternative; and (ii) under the Deferred Settlement Alternative, the timing of when the Offer Price Balance Payment together with accrued interest will be settled is uncertain and therefore the accrued interest amount is also uncertain.

Subject to each Independent Shareholder's own situations (including financial situation), the Independent Shareholders who prefer to enjoy a possible maximum premium of approximately 2.12% over the Offer Price of HK$1.644 per Offer Share can choose the Deferred Settlement Alternative. However, the Independent Shareholders who consider choosing the Deferred Settlement Alternative are reminded that the above-mentioned 2.12% premium is only a possible maximum premium. In the case the Offeror repays any amount of the Revised Loan Note before its maturity date, the Independent Shareholders may receive an amount less than 2.12% premium over the Offer Price of HK$1.644 per Offer Share.

The Independent Shareholders who wish to realise their investment in the Shares are reminded that they should carefully and closely monitor the market price of the Shares during the Offer Period and consider selling their Shares in the open market during the Offer Period, rather than accepting the Offer, if the net proceeds from the sales of such Shares in the open market would exceed the net amount receivable under the Offer. In any event, the Independent Shareholders should note that there is no certainty that the current trading volume and/or current trading price level of the Shares will be sustainable during or after the Offer Period.

Yours faithfully,
BaoQiao Partners Capital Limited

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the financial information of the Group for each of the three financial years ended 31 March 2016 and the six months ended 30 September 2016, as extracted from the audited consolidated financial statements of the Group set forth in the published annual reports of the Company for the relevant years, and the unaudited condensed consolidated financial statements of the Group set forth in the published interim report of the Company for the six months ended 30 September 2016 respectively.

	For the six months ended 30 September	**For the year ended 31 March**		
	2016	**2016**	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Audited)	(Audited)	(Audited)
Revenue	145,849	330,939	366,837	389,711
Profit before taxation	73,079	57,745	85,849	172,633
Income tax charge	(14,875)	(12,533)	(24,711)	(11,260)
Profit for the period/year	58,204	45,212	61,138	161,373
Profit for the period/year attributable to:				
Owners of the Company	43,968	31,703	45,944	114,694
Non-controlling interests	14,236	13,509	15,194	46,679
Dividend	—	—	542,412	—
Earnings per Share *(HK cents)*				
Basic	3.73	2.69	3.90	9.73
Dividend per Share *(HK cents)*	—	—	46	—

Notes:

(1) No qualified opinion in respect of the audited consolidated financial statements of the Group for each of the three financial years ended 31 March 2016 has been issued by Deloitte Touche Tohmatsu, the auditor of the Company.

(2) Except for a gain on the change in fair value of contingent consideration provision of HK$16.6 million recognised in the audited consolidated statement of profit or loss for the year ended 31 March 2016 (as disclosed in notes 8 and 19 to the consolidated financial statements set forth in the published annual report of the Company for the year ended 31 March 2016), there was no other extraordinary or exceptional item because of size, nature or incidence in the audited consolidated financial statements of the Group for each of the three financial years ended 31 March 2016 and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2016.

(3) Diluted earnings per Share are not applicable as there is no dilutive potential ordinary Share during any of the three financial years ended 31 March 2016 and the six months ended 30 September 2016.

2. AUDITED RESULTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

The following is the full text of the audited consolidated financial statements of the Group for the financial year ended 31 March 2016 extracted from the annual report of the Company for the financial year ended 31 March 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2016

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	13	356,432	398,645
Investment properties	14	444,384	555,412
Financial assets at fair value through profit or loss	15	20,290	20,444
Other receivables, deposits and prepayments		5,926	892
		827,032	975,393
Current assets			
Inventories	16	2,546	3,067
Financial assets at fair value through profit or loss	15	—	54,750
Trade receivables	17	20,211	25,932
Other receivables, deposits and prepayments		16,071	20,258
Bank balances and cash	18	1,179,500	1,591,533
		1,218,328	1,695,540
Current liabilities			
Trade payables	19	6,094	5,916
Other payables and accrued charges	19	28,015	42,640
Tax liabilities		1,730	58,516
		35,839	107,072
Net current assets		1,182,489	1,588,468
Total assets less current liabilities		2,009,521	2,563,861
Capital and reserves			
Share capital	20	1,179,157	1,179,157
Share premium and reserves		134,815	695,977
Equity attributable to owners of the Company		1,313,972	1,875,134
Non-controlling interests		565,945	567,546
Total equity		1,879,917	2,442,680
Non-current liabilities			
Deferred tax liabilities	21	124,434	117,001
Other liabilities	22	5,170	4,180
		129,604	121,181
		2,009,521	2,563,861

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

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

Notes:

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

1. GENERAL

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

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

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

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

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

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

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

New and revised HKFRSs in issue but not yet effective

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

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

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

HKFRS 9 "Financial instruments"

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

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

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

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

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

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

HKFRS 15 "Revenue from contracts with customers"

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

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

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

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

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

HKFRS 16 "Leases"

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

Basis of preparation

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

Revenue recognition

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

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

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

Service income is recognised when the services are provided.

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

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

Loans and receivables

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

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

Impairment of financial assets

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

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

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

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

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

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

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

Financial liabilities and equity instruments

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

Equity instrument

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

Financial liabilities

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

Effective interest method

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

Derecognition

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

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

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

Property, plant and equipment

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

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

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

Investment properties

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

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

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

Impairment losses of tangible assets

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

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

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

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

Inventories

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

Leasing

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

The Group as lessor

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

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

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

The Group as lessee

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

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

Taxation

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

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

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

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

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Borrowing costs

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

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

Foreign currencies

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

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

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

Retirement benefit costs

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

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

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);

- net interest expense or income; and

- remeasurement.

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

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

Provisions

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Allowance for bad and doubtful debts

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

Deferred tax assets

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

Deferred tax liabilities

Deferred tax liability on the undistributed profits earned by the subsidiaries of the Company in the Republic of the Philippines (the "Philippines") have been accrued at a tax rate of 15% on the expected dividend stream of not less than 70% of the yearly profit (2015: ranging between approximately 65% and 80% of the yearly profit) which is determined after taking into consideration of the current dividend policy of the relevant subsidiaries of the Company. During the year ended 31 March 2016, the Group has provided deferred tax in an amount of approximately HK$22,614,000 (2015: HK$19,241,000) in relation to the withholding tax of undistributed earnings that intends not to be retained under the relevant subsidiaries of the Company in the Philippines (details disclosed in note 21).

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

Taxation

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

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

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

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

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

5. REVENUE

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

6. SEGMENT INFORMATION

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

(i) Hotel — Operation of hotel business; and

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

Information regarding the above segments is presented below.

Segment revenue and results

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

For the year ended 31 March 2016

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

For the year ended 31 March 2015

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

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

Segment assets and liabilities

At 31 March 2016

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

At 31 March 2015

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

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

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

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

Other segment information

For the year ended 31 March 2016

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

For the year ended 31 March 2015

	Hotel	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	1,923	13,607	15,530	16	15,546
Allowance for bad and doubtful debts for trade receivables, net	29	1,712	1,741	—	1,741
Reversal of allowance for loan receivable (included in other gains and losses)	—	—	—	(6,000)	(6,000)
Depreciation	27,755	140,346	168,101	8	168,109
Interest income	1,590	5,726	7,316	13,709	21,025
Income tax credit (charge)	375	(19,353)	(18,978)	(5,733)	(24,711)

Geographical segments

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

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

Revenue from major services

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

Information about major customer

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

7. OTHER INCOME

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

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

8. PROFIT BEFORE TAXATION

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

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

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

(a) Directors' emoluments

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

	Cheng Kar Shun	Lo Lin Shing, Simon	To Hin Tsun, Gerald	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	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*
2016												
Fees:												
Executive directors	850	660	550	200	200	200	200	—	—	—	—	2,860
Independent non-executive directors	—	—	—	—	—	—	—	200	190	200	200	790
Total emoluments	850	660	550	200	200	200	200	200	190	200	200	3,650

	Cheng Kar Shun	Lo Lin Shing, Simon	To Hin Tsun, Gerald	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	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*
2015												
Fees:												
Executive directors	750	600	500	180	180	180	180	—	—	—	—	2,570
Independent non-executive directors	—	—	—	—	—	—	—	180	170	180	180	710
Total emoluments	750	600	500	180	180	180	180	180	170	180	180	3,280

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

(b) Employees' emoluments

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

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

Their emoluments were within the following bands:

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

(c) Senior management's emoluments

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

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

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

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

10. INCOME TAX CHARGE

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

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

The corporate income tax rate in the Philippines is 30% for both years. The withholding tax rate in respect of a dividend distributed by a subsidiary of the Company operating in the Philippines to its overseas immediate holding company is 15% for both years.

No provision for taxation in other jurisdictions was made in the consolidated financial statements for both years as the Group's operations outside Hong Kong and the Philippines either had no assessable profits or were exempted from profits tax in the respective jurisdictions.

During the year ended 31 March 2015, the Group utilised deferred tax liability in an amount of approximately HK$58,978,000 as a result of dividend distributed by a subsidiary of the Company in the Philippines to its overseas immediate holding company.

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

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

11. DIVIDENDS

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

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

12. EARNINGS PER SHARE

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

	2016	2015
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	31,703	45,944
	In thousand	*In thousand*
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	1,179,157	1,179,157

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

13. PROPERTY, PLANT AND EQUIPMENT

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

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

Buildings	Over the shorter of the remaining term of the land leases on which the buildings are located, or their estimated useful lives
Leasehold improvements	Over the shorter of the remaining term of the lease or land leases on which the buildings are located, or their estimated useful lives
Machinery	20%–33$^{1}/_{3}$%
Furniture, fixtures and equipment	20%–33$^{1}/_{3}$%
Entertainment equipment	20%
Computer hardware	33$^{1}/_{3}$%
Motor vehicles	20%

All the buildings are located in the Philippines.

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

14. INVESTMENT PROPERTIES

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

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

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

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

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

15. FINANCIAL ASSETS AT FVTPL

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

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

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

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

16. INVENTORIES

The amount represents hotel consumables, food and beverages.

17. TRADE RECEIVABLES

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

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

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

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

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

Ageing of trade receivables which are past due but not impaired

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

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

Movement in the allowance for doubtful debts for trade receivables

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

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

18. BANK BALANCES AND CASH

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

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

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

19. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

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

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

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

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

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

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

20. SHARE CAPITAL

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

21. DEFERRED TAXATION

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

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

Notes:

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

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

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

At 31 March 2016, the Group had estimated unused tax losses of approximately HK$212,485,000 (2015: HK$177,485,000) and deductible temporary differences of approximately HK$8,604,000 (2015: HK$7,193,000) arising from certain companies within the Group that are suffering from losses for years available for offset against future profits. At 31 March 2016 and 2015, no deferred tax assets was recognised for such losses due to the unpredictability of future profit streams from these companies within the Group. Tax losses amounting to approximately HK$187,646,000 (2015: HK$169,328,000) may be carried forward indefinitely.

The remaining tax losses will be expired as follows:

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

22. RETIREMENT BENEFIT COSTS

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

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

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

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

Defined contribution scheme

The Group participates in a mandatory provident fund retirement benefit scheme in Hong Kong. The relevant scheme assets held under mandatory provident funds operated by HSBC Life (International) Limited. Under that scheme, the Group is required to make contributions pursuant to the Mandatory Provident Fund Schemes Ordinance (Chapter 485, Laws of Hong Kong).

The Group's contributions to the retirement benefit scheme in Hong Kong charged to the consolidated statement of profit or loss for the year ended 31 March 2016 was approximately HK$103,000 (2015: HK$99,000).

Defined benefit scheme

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The actual return on plan assets was a loss of approximately HK$10,000 (2015: HK$2,000).

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

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

- If the discount rate increases (decreases) by 100 basis points (2015: 100 basis points), the defined benefit obligations would decrease by approximately HK$417,000 (2015: HK$361,000) (increase by approximately HK$472,000 (2015: HK$410,000)).
- If the expected growth rate of salary increases (decreases) by 100 basis points (2015: 100 basis points), the defined benefit obligations would increase by approximately HK$427,000 (2015: HK$377,000) (decrease by approximately HK$387,000 (2015: HK$340,000)).

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

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

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

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

23. CAPITAL RISK MANAGEMENT

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

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

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

24. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

(b) Financial risk management objectives and policies

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

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

Market risk

Currency risk

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

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

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

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

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

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

Sensitivity analysis

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

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

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

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

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

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

Interest rate risk

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

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

Sensitivity analysis

The Company is exposed to cash flow interest rate risk in relation to variable-rate bank balances including bank balances deposits in the banks in Hong Kong and in the Philippines. The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate time deposits at the end of the reporting period. The analysis is prepared assuming these bank balances outstanding at the end of the reporting period are outstanding for the whole year. A 50 basis points (2015: 50 basis points) in variable-rate time deposits in the banks in the Philippines is used in estimating the potential change in interest rate and represents the assessment of the reasonably possible change in interest rates made by the management of the Group. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year would increase/decrease by approximately HK$1,620,000 (2015: HK$951,000). A 30 basis points (2015: 30 basis points) in variable-rate time deposits in the banks in Hong Kong is used in estimating the potential change in interest rate and represents the assessment of the reasonably possible change in interest rates made by the management of the Group. If the interest rates had been 30 basis points higher/lower (2015: 30 basis points higher/lower) and all other variables were held constant, the Group's post-tax profit for the year would increase/decrease by approximately HK$2,030,000 (2015: HK$3,489,000).

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

Other price risk

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

Sensitivity analysis on financial assets/liabilities at FVTPL

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

Credit risk

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

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

At 31 March 2016, the Group had concentration of credit risk in respect of trade receivable from PAGCOR of approximately HK$16,242,000 (2015: HK$20,311,000). The credit risk on trade receivable from PAGCOR is limited as PAGCOR is controlled and owned by the government of the Philippines and with a good repayment history. The trade receivable from PAGCOR at 31 March 2016 was substantially settled subsequent to the end of the reporting period.

Liquidity risk

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

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

Liquidity tables

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

	Less than 1 month/ repayable on demand HK$'000	1–3 months HK$'000	Total undiscounted cash flows and carrying amounts at 31 March 2016 HK$'000
2015			
Non-derivative financial liabilities			
Trade payables	2,972	2,944	5,916
Other payables and accrued charges	9,372	12,818	22,190
Contingent consideration provision	16,600	—	16,600
	28,944	15,762	44,706

Fair value

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

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

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

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

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

(c) Fair value measurements of financial instruments

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

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

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

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

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

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

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

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

Fair value measurements and valuation processes

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

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

25. OPERATING LEASE COMMITMENTS

The Group as lessor

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

As announced by the Company on 18 December 2015, MSPI entered into the Lease Agreement with PAGCOR for the renewal of the lease of certain premises of the Group for a term commencing from 1 April 2016 and expiring on the earlier of 31 March 2031 or upon the total rent accruing against and/or payable by PAGCOR to MSPI under the Lease Agreement reaching an aggregate of Peso24.5 billion (equivalent to approximately HK$4,125,718,000).

The Group as lessee

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

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

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

26. CAPITAL COMMITMENTS

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

27. RELATED PARTY TRANSACTIONS

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

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

Notes:

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

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

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

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

(b) Compensation of key management personnel

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

28. CONTINGENT LIABILITIES

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

Details of the contingent liabilities are set out below:

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

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

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

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

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

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

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

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

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

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

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

(i) For the calendar year of 2010

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

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

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

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

(ii) For the calendar year of 2011

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

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

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

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

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

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

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

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

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

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

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

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

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

Maxprofit Group

	2016	2015
	HK$'000	*HK$'000*
Current assets	507,242	406,723
Non-current assets	806,732	954,930
Current liabilities	(29,529)	(88,392)
Non-current liabilities	(129,604)	(115,157)
Equity attributable to owners of the Company	588,969	590,633
Non-controlling interest	565,872	567,471
Revenue	330,939	366,837
Net expenses	(303,366)	(338,527)
Profit for the year	27,573	28,310
Profit for the year attributable to:		
Owners of the Company	14,062	14,438
Non-controlling interests	13,511	13,872
Profit for the year	27,573	28,310

	2016 *HK$'000*	2015 *HK$'000*
Other comprehensive (expense) income for the year attributable to:		
Owners of the Company	(15,726)	64
Non-controlling interests	(15,110)	62
Other comprehensive (expense) income for the year	(30,836)	126
Total comprehensive (expense) income for the year attributable to:		
Owners of the Company	(1,664)	14,502
Non-controlling interests	(1,599)	13,934
Total comprehensive (expense) income for the year	(3,263)	28,436
Net cash inflow from operating activities	123,774	203,229
Net cash outflow from investing activities	(7,720)	(7,895)
Net cash outflow from financing activities	—	(721,900)
Net cash inflow (outflow)	116,054	(526,566)

30. COMPANY'S STATEMENT OF FINANCIAL POSITION

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

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

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

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

3. UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

The following is the full text of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2016 extracted from the interim report of the Company for the six months ended 30 September 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2016

		Six months ended 30 September	
		2016	**2015**
	Notes	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	145,849	167,177
Cost of sales		(52,714)	(98,839)
Gross profit		93,135	68,338
Other income	*5*	5,367	6,587
Other gain and loss		41,927	48,861
Change in fair value of financial assets at fair value through profit or loss		(31)	(21,546)
Selling and marketing expenses		(3,073)	(2,789)
General and administrative expenses		(64,246)	(60,871)
Profit before taxation	*6*	73,079	38,580
Income tax charge	*7*	(14,875)	(2,567)
Profit for the period		58,204	36,013
Profit for the period attributable to:			
Owners of the Company		43,968	30,528
Non-controlling interests		14,236	5,485
		58,204	36,013
		HK cent	*HK cent*
Earnings per share	*9*		
Basic		3.73	2.59

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2016

	Six months ended 30 September	
	2016	**2015**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	58,204	36,013
Other comprehensive expense for the period		
Items that will not be reclassified to profit or loss:		
— remeasurement of defined benefit obligations	(688)	(799)
— exchange differences arising on translation to presentation currency	(90,122)	(106,865)
	(90,810)	(107,664)
Item that may be subsequently reclassified to profit or loss:		
— exchange differences arising on translation of foreign operations	1,171	5,254
Other comprehensive expense for the period, net of income tax	(89,639)	(102,410)
Total comprehensive expense for the period	(31,435)	(66,397)
Total comprehensive expense for the period attributable to:		
Owners of the Company	(19,746)	(45,377)
Non-controlling interests	(11,689)	(21,020)
	(31,435)	(66,397)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016

	Notes	30 September 2016 HK$'000 (Unaudited)	31 March 2016 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	*10*	324,041	356,432
Investment properties		413,818	444,384
Financial assets at fair value through profit or loss	*11*	20,259	20,290
Other receivables, deposits and prepayments		6,085	5,926
		764,203	827,032
Current assets			
Inventories		2,515	2,546
Trade receivables	*12*	18,734	20,211
Other receivables, deposits and prepayments		16,219	16,071
Bank balances and cash		1,054,884	1,179,500
		1,092,352	1,218,328
Current liabilities			
Trade payables	*13*	5,633	6,094
Other payables and accrued charges		26,458	28,015
Tax liabilities		1,730	1,730
		33,821	35,839
Net current assets		1,058,531	1,182,489
Total assets less current liabilities		1,822,734	2,009,521
Capital and reserves			
Share capital	*14*	1,179,157	1,179,157
Share premium and reserves		115,069	134,815
Equity attributable to owners of the Company		1,294,226	1,313,972
Non-controlling interests		434,206	565,945
Total equity		1,728,432	1,879,917
Non-current liabilities			
Deferred tax liabilities		88,295	124,434
Other liabilities		6,007	5,170
		94,302	129,604
		1,822,734	2,009,521

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Attributable to owners of the Company								
	Share capital	Share premium	Merger reserve	Other reserve	Exchange reserve	Retained profits (Accumulated losses)	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000* *(Note a)*	*HK$'000* *(Note b)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2015 (audited)	1,179,157	1,122	53,022	362,982	(19,769)	298,620	1,875,134	567,546	2,442,680
Profit for the period	—	—	—	—	—	30,528	30,528	5,485	36,013
Remeasurement of defined benefit obligations	—	—	—	—	—	(407)	(407)	(392)	(799)
Exchange differences arising on translation	—	—	—	—	(75,498)	—	(75,498)	(26,113)	(101,611)
Total comprehensive (expense) income for the period	—	—	—	—	(75,498)	30,121	(45,377)	(21,020)	(66,397)
Dividends recognised as distribution	—	—	—	—	—	(542,412)	(542,412)	—	(542,412)
At 30 September 2015 (unaudited)	1,179,157	1,122	53,022	362,982	(95,267)	(213,671)	1,287,345	546,526	1,833,871
At 1 April 2016 (audited)	1,179,157	1,122	53,022	362,982	(70,066)	(212,245)	1,313,972	565,945	1,879,917
Profit for the period	—	—	—	—	—	43,968	43,968	14,236	58,204
Remeasurement of defined benefit obligations	—	—	—	—	—	(351)	(351)	(337)	(688)
Exchange differences arising on translation	—	—	—	—	(63,363)	—	(63,363)	(25,588)	(88,951)
Total comprehensive (expense) income for the period	—	—	—	—	(63,363)	43,617	(19,746)	(11,689)	(31,435)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(120,050)	(120,050)
At 30 September 2016 (unaudited)	1,179,157	1,122	53,022	362,982	(133,429)	(168,628)	1,294,226	434,206	1,728,432

Notes:

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	Six months ended 30 September 2016 HK$'000 (Unaudited)	2015 HK$'000 (Unaudited)
Operating activities		
Cash generated from operations	55,281	115,260
Income tax paid	(45,923)	(57,553)
Net cash from operating activities	9,358	57,707
Investing activities		
Purchase of property, plant and equipment	(6,976)	(2,621)
Interest received	5,220	5,564
Other investing cash flows	1,229	858
Net cash (used in) from investing activities	(527)	3,801
Financing activities		
Dividends paid to non-controlling interests	(120,050)	—
Dividends paid to shareholders of the Company	—	(542,412)
Cash used in financing activities	(120,050)	(542,412)
Net decrease in cash and cash equivalents	(111,219)	(480,904)
Cash and cash equivalents at 1 April	1,179,500	1,591,533
Effect of foreign exchange rate changes	(13,397)	(17,076)
Cash and cash equivalents at 30 September	1,054,884	1,093,553
Analysis of cash and cash equivalents		
Bank balances and cash	1,054,884	1,093,553

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

1. GENERAL

The Company is a public company incorporated in the Cayman Islands with limited liability and its issued shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 27 September 2010.

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 condensed consolidated financial statements are presented in Hong Kong Dollars ("HK$") as the directors of the Company (the "Directors") consider that it is an appropriate presentation for a company listed in Hong Kong and for convenience of the shareholders of the Company (the "Shareholders").

The Company is an investment holding company.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2016.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE

	Six months ended 30 September	
	2016	**2015**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The Group's revenue comprises:		
Hotel		
Room revenue	32,626	31,171
Food and beverages	17,060	16,883
Other hotel service income	1,347	1,332
	51,033	49,386
Leasing of investment properties equipped with entertainment equipment	94,816	117,791
	145,849	167,177

4. SEGMENT INFORMATION

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

(i) Hotel — Operation of hotel business; and
(ii) Leasing — Leasing of investment properties equipped with entertainment equipment.

Information regarding the above segments is presented below.

Segment revenue and results

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

For the six months ended 30 September 2016

	Hotel	**Leasing**	**Reportable segment total**	**Elimination**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUE					
External sales	51,033	94,816	145,849	—	145,849
Inter-segment sales	1,535	318	1,853	(1,853)	—
Total	52,568	95,134	147,702	(1,853)	145,849
RESULTS					
Segment (loss) profit	(12,309)	36,059	23,750		23,750
Unallocated other income					3,297
Other gain and loss					41,927
Change in fair value of financial assets at fair value through profit or loss					(31)
Unallocated expenses					(10,739)
Profit for the period					58,204

For the six months ended 30 September 2015

	Hotel	Leasing	Reportable segment total	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUE					
External sales	49,386	117,791	167,177	—	167,177
Inter-segment sales	109	327	436	(436)	—
Total	49,495	118,118	167,613	(436)	167,177
RESULTS					
Segment (loss) profit	(15,079)	21,917	6,838		6,838
Unallocated other income					4,798
Other gain and loss					48,861
Change in fair value of financial assets at fair value through profit or loss					(21,546)
Unallocated expenses					(6,713)
Unallocated income tax credit					3,775
Profit for the period					36,013

Segment profit (loss) represents the profit after tax earned by or loss after tax from each segment without allocation of unallocated expenses (including corporate expenses), other gain and loss, change in fair value of financial assets at fair value through profit or loss, unallocated other income (i.e. investment income), and unallocated income tax credit. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

5. OTHER INCOME

	Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income from bank balances	4,312	5,554
Dividend income from financial assets at fair value through profit or loss	776	780
Sundry income	279	253
	5,367	6,587

6. PROFIT BEFORE TAXATION

	Six months ended 30 September 2016 HK$'000 (Unaudited)	2015 HK$'000 (Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
(Reversal of allowance) allowance for bad and doubtful debts for trade and other receivables	(7)	346
Cost of inventories recognised as an expense	6,165	6,555
Change in fair value of financial assets at fair value through profit and loss	31	21,546
Legal and professional expenses	6,622	2,513
Depreciation of property, plant and equipment	21,295	22,434
Depreciation of investment properties	9,098	58,525
Net foreign exchange gain (included in other gain and loss)	(41,927)	(48,861)
Rental expenses under operating leases on premises and land	2,917	3,029
Gross revenue from leasing of investment properties equipped with entertainment equipment	(94,816)	(117,791)
Less: Direct operating expenses that generated revenue from leasing of investment properties equipped with entertainment equipment (Note)	44,107	88,561
	(50,709)	(29,230)

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

7. INCOME TAX CHARGE

	Six months ended 30 September 2016 HK$'000 (Unaudited)	2015 HK$'000 (Unaudited)
Current tax:		
Hong Kong	—	(2,248)
The Philippines	(45,923)	—
	(45,923)	(2,248)
Deferred taxation — current period	31,048	(319)
	(14,875)	(2,567)

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

The corporate income tax rate in the Republic of the Philippines (the "Philippines") is 30% for both periods. The withholding tax rate in respect of a dividend distributed by a subsidiary of the Company operating in the Philippines to its overseas immediate holding company is 15% for both periods.

No provision for taxation in other jurisdictions was made in the condensed consolidated financial statements for both periods as the Group's operations outside Hong Kong and the Philippines either had no assessable profits or were exempted from profits tax in the respective jurisdictions.

For the six months ended 30 September 2016, the Group has provided deferred tax in an amount of approximately HK$17,777,000 (for the six months ended 30 September 2015: HK$9,549,000) in relation to the withholding tax of undistributed earnings arising from the subsidiaries of the Company in the Philippines.

During the six months ended 30 September 2016, the Group utilised deferred tax liability in an amount of approximately HK$45,923,000 (for the six months ended 30 September 2015: nil) as a result of dividend distributed by a subsidiary of the Company in the Philippines to its overseas immediate holding company.

8. DIVIDENDS

	Six months ended 30 September	
	2016	**2015**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Dividends recognised as distribution to owners of the Company during the period:		
Final dividend for 2015/16 — nil (2015: Final dividend for 2014/15 — HK$0.01 per share)	—	11,792
Special dividend for 2015/16 — nil (2015: Special dividend for 2014/15 — HK$0.45 per share)	—	530,620
	—	542,412

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2016 (for the six months ended 30 September 2015: nil).

9. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2016	**2015**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	43,968	30,528
	In thousand	*In thousand*
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	1,179,157	1,179,157

For the six months ended 30 September 2016 and 2015, no diluted earnings per share has been presented as there were no potential ordinary shares in issue during both periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2016, total additions to property, plant and equipment were approximately HK$6,314,000 (for the six months ended 30 September 2015: HK$2,621,000). The additions comprised entertainment equipment of approximately HK$3,810,000 (for the six months ended 30 September 2015: HK$1,983,000).

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2016 *HK$'000* (Unaudited)	31 March 2016 *HK$'000* (Audited)
Financial assets at fair value through profit or loss comprise:		
Non-current:		
8% perpetual subordinated capital securities listed overseas *(Note)*	20,259	20,290

The perpetual subordinated capital securities are financial assets designated as at fair value through profit or loss at initial recognition.

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

12. TRADE RECEIVABLES

The average credit terms for trade receivables granted by the Group range from 0 to 90 days. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date, which approximate the respective revenue recognition date, at the end of the reporting period.

	30 September 2016 *HK$'000* (Unaudited)	31 March 2016 *HK$'000* (Audited)
Aged:		
0–30 days	18,391	18,850
31–60 days	333	1,123
61–90 days	10	238
	18,734	20,211

13. TRADE PAYABLES

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

	30 September 2016 *HK$'000* (Unaudited)	31 March 2016 *HK$'000* (Audited)
Aged:		
0–30 days	3,046	3,248
31–60 days	249	1,098
61–90 days	150	278
Over 90 days	2,188	1,470
	5,633	6,094

14. SHARE CAPITAL

	Par value of shares *HK$*	Number of shares	Value *HK$'000*
Authorised:			
Ordinary shares			
At 1 April 2015 (audited), 31 March 2016 (audited) and 30 September 2016 (unaudited)	1 each	2,000,000,000	2,000,000
Issued and fully paid:			
Ordinary shares			
At 1 April 2015 (audited), 31 March 2016 (audited) and 30 September 2016 (unaudited)	1 each	1,179,157,235	1,179,157

15. OPERATING LEASE COMMITMENTS

The Group as lessor

As announced by the Company on 18 December 2015, Marina Square Properties, Inc. ("MSPI"), a subsidiary of the Company operating in the Philippines as lessor, entered into a lease agreement with Philippine Amusement and Gaming Corporation ("PAGCOR") as lessee for the renewal of the lease of certain premises of the Group for a term commencing from 1 April 2016 and expiring on the earlier of 31 March 2031 or upon the total rent accruing against and/or payable by PAGCOR to MSPI under the lease agreement reaching an aggregate of Peso24.5 billion (equivalent to approximately HK$3,923,685,000). The monthly rental is based on a certain percentage of net gaming revenue of the casino operated by PAGCOR or a fixed amount of Peso100,000 (equivalent to approximately HK$16,000 (as at 30 September 2015: HK$17,000)), whichever is higher. Rental income arising from such agreement during the six months ended 30 September 2016 was approximately HK$94,816,000 (for the six months ended 30 September 2015: HK$117,791,000), representing contingent rental income.

The Group as lessee

At 30 September 2016, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fell due as follows:

	30 September 2016 *HK$'000* (Unaudited)	31 March 2016 *HK$'000* (Audited)
Within one year	5,697	5,910
In the second to fifth year inclusive	18,665	20,256
Over five years	35,205	39,260
	59,567	65,426

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

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	**Fair value as at 30 September 2016** *HK$'000* (Unaudited)	**31 March 2016** *HK$'000* (Audited)	**Fair value hierarchy**	**Valuation techniques and key inputs**
Perpetual subordinated capital securities listed overseas classified as financial assets at fair value through profit or loss	20,259	20,290	Level 1	Quoted bid prices in an active market

There was no transfer between different levels of fair value hierarchy during the six months ended 30 September 2016 and 2015 respectively.

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

17. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 September 2016 *HK$'000* (Unaudited)	**2015** *HK$'000* (Unaudited)
Accommodation and beverages income *(Note i)*	48	77
Rental expenses *(Note ii)*	784	825
Expenses incurred under the hotel management agreement and the sales and marketing agreement *(Note iii)*	2,191	2,275

Notes:

(i) Accommodation and beverages income were received from a subsidiary indirectly controlled by Chow Tai Fook (Holding) Limited ("CTFHL"), an intermediate parent of the Company.

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

(iii) The amount represented the expenses incurred under the hotel management agreement and the sales and marketing agreement entered into with the entities related to the Company. These entities were associates of CTFHL and became subsidiaries indirectly controlled by CTFHL during the year ended 31 March 2016.

(b) Compensation of key management personnel for the period is as follows:

	Six months ended 30 September	
	2016	**2015**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries and other benefits	2,001	1,963
Contributions to retirement benefit scheme	18	18
	2,019	1,981

18. CONTINGENT LIABILITIES

At 30 September 2016, the Group had (a) contingent liabilities of approximately HK$437,647,000 (31 March 2016: HK$460,182,000) relating to the tax disputes between a subsidiary of the Company principally engaging in the business of leasing of properties in the Philippines and Bureau of Internal Revenue in the Philippines ("BIR") for the calendar years of 2008 and 2012, as well as the potential income tax (but not taking into account any possible additional penalties or interest liability, of which existence can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of such subsidiary) that may be assessed by BIR for the taxable years which are not yet barred by prescription under the relevant laws, rules and regulations of the Philippines; and (b) contingent liabilities of approximately HK$2,848,000 (31 March 2016: HK$8,773,000) relating to the tax disputes between another subsidiary of the Company principally engaging in the hotel operations in the Philippines and BIR for the calendar year of 2011 (but not taking into account any possible additional penalties or interest liability, of which existence can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of such subsidiary).

Details of the contingent liabilities are set out below:

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

At 30 September 2016, the Group had contingent liabilities of approximately HK$437,647,000 (31 March 2016: HK$460,182,000) relating to the tax disputes between MSPI, a subsidiary of the Company principally engaging in the business of leasing of properties in the Philippines, and BIR for the calendar years of 2008 and 2012 as well as the potential income tax (but not taking into account any possible additional penalties or interest liability, of which existence can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of such subsidiary) that may be assessed by BIR for the taxable years which are not yet barred by prescription under the relevant laws, rules and regulations of the Philippines.

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

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

On 2 November 2015, MSPI received the final decision on disputed assessment from BIR (the ''MSPI-Final Decision on Disputed Assessment for 2008'') for the alleged deficiency taxes for the calendar year of 2008 amounting to approximately Peso1,156,803,000 (equivalent to approximately HK$185,262,000) (inclusive of surcharge and interest).

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

On 23 February 2016, MSPI received another formal letter of demand from BIR (the ''MSPI-Formal Letter of Demand for 2012'') for the alleged deficiency taxes for the calendar year of 2012 amounting to approximately Peso671,266,000 (equivalent to approximately HK$107,504,000) (inclusive of penalties, surcharge and interest) arising mainly from the imposition of income tax on the rental income of MSPI from the lease of certain premises to PAGCOR.

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

Based on the advice of the independent legal adviser of MSPI, the Directors believe that MSPI has valid legal arguments to defend the tax disputes. Accordingly, no provision has been made for the tax disputes in the condensed consolidated financial statements of the Group for the six months ended 30 September 2016 and 2015. However, as there is at present a possible obligation (existence of which can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of such subsidiary) which may or may not require an initial outflow of resources, the Directors consider it prudent to estimate that as at 30 September 2016, the contingent liabilities in respect of the alleged deficiency taxes covering the calendar year of 2008 as stated in the MSPI-Final Decision on Disputed Assessment for 2008, the contingent liabilities in respect of the alleged deficiency taxes covering the calendar year of 2012 as stated in the MSPI-Formal Letter of Demand for 2012, and the contingent liabilities in respect of the potential income tax arising from the rental income of MSPI from the lease of certain premises to PAGCOR (but not taking into account any possible additional penalties or interest liability, of which existence can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of such subsidiary) that may be assessed by BIR for the taxable years which are not yet barred by prescription under the relevant laws, rules and regulations of the Philippines as being a total of approximately Peso2,732,725,000 (equivalent to approximately HK$437,647,000) as a possible outflow of resources.

At 31 March 2016, the contingent liabilities in respect of the alleged deficiency taxes covering the calendar years of 2008 and 2012 and the contingent liabilities in respect of the potential income taxes arising from the rental income of MSPI from the lease of certain premises to PAGCOR that may be assessed by BIR for the taxable years which were not yet barred by prescription under the relevant laws, rules and regulations of the Philippines was approximately Peso2,732,725,000 (equivalent to approximately HK$460,182,000) in total.

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

At 30 September 2016, the Group had contingent liabilities of approximately HK$2,848,000 (31 March 2016: HK$8,773,000) relating to the tax dispute between NCHI and BIR for the calendar year of 2011 (but not taking into account any possible additional penalties or interest liability, of which existence can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of such subsidiary).

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

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

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

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

Based on the advice of the independent legal adviser of NCHI, the Directors believe that NCHI has valid arguments to defend the tax dispute. Accordingly, no provision has been made for the tax dispute in the condensed consolidated financial statements of the Group for the six months ended 30 September 2016 and 2015. However, as there is at present a possible obligation (existence of which can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of such subsidiary) which may or may not require an initial outflow of resources, the Directors consider it prudent to estimate that as at 30 September 2016, the contingent liabilities in respect of the alleged deficiency taxes of NCHI covering the calendar year of 2011 as stated in the NCHI-Final Decision on Disputed Assessment for 2011 (but not taking into account of any possible additional penalties or interest liability, of which existence can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of such subsidiary) as being a total of approximately Peso17,781,000 (equivalent to approximately HK$2,848,000) as a possible outflow of resources.

19. EVENT AFTER THE REPORTING PERIOD

On 3 October 2016, Fortune Growth Overseas Limited, a wholly-owned subsidiary of the Company, completed the acquisition of the remaining 49% equity interest in Maxprofit International Limited at a consideration of HK$1,138 million, of which HK$788 million was settled by cash and HK$350 million was settled by way of the issuance of a promissory note in the principal amount of HK$350 million by Fortune Growth Overseas Limited to Cross-Growth Co., Ltd. pursuant to the acquisition agreement. Details of the acquisition are set out in the announcement of the Company dated 25 July 2016 and the circular of the Company dated 25 August 2016.

4. STATEMENT OF INDEBTEDNESS OF THE GROUP

Promissory note

The Group has an interest bearing promissory note in the principal amount of HK$350 million outstanding as at 28 February 2017 which is unsecured and guaranteed by the Company.

Contingent liabilities

Save for the contingent liabilities as set out in Note 18 "Contingent Liabilities" in the published interim report of the Company for the six months ended 30 September 2016 of which the status of those contingent liabilities remain unchanged as at 28 February 2017, there is no further contingent liabilities of the Group as at 28 February 2017.

Save as aforesaid and apart from intra-group liabilities and normal trade and bills and other payables in the ordinary course of the business, as at the close of business on 28 February 2017, the Group did not have other material debt securities issued and outstanding or authorised or otherwise created but unissued, mortgage, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

5. MATERIAL CHANGE

The Directors confirm that save and except for the following, there has been no material change in the financial or trading position or outlook of the Group since 31 March 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date:

1. as disclosed in the interim report of the Company for the six months ended 30 September 2016 (the "**Period**"),

   (a) the Group recorded a net profit of approximately HK$58.2 million for the Period as compared to a net profit of approximately HK$36.0 million for the six months ended 30 September 2015. Such increase in the net profit of the Group was mainly attributable to (i) the increase in gross profit of approximately HK$24.8 million for the Period mainly due to the decrease in depreciation (included in cost of sales) after partial set off in a decrease in revenue; (ii) the decrease of loss on the change in fair value of financial assets at fair value through profit or loss of approximately HK$21.5 million; partially offset by (iii) the increase in income tax charge of approximately HK$12.3 million resulting mainly from an increase in deferred tax charge in relation to the withholding tax on undistributed earnings arising from the subsidiaries of the Company in the Republic of the Philippines during the Period; and

   (b) the Group's cash position decreased to approximately HK$1,054.9 million as at 30 September 2016 as compared to approximately HK$1,179.5 million as at 31 March 2016, mainly attributable to the dividend paid by the Group to non-controlling interests during the Period which amounted to approximately HK$120.1 million;

2. on 3 October 2016, the Group completed the acquisition (the "**Acquisition**") of the remaining 49% equity interest in Maxprofit International Limited ("**Maxprofit**") at a consideration of HK$1,138 million, of which HK$788 million was settled by cash and HK$350 million was settled by way of the issuance of a promissory note in the principal amount of HK$350 million pursuant to the sale and purchase agreement dated 25 July 2016 (the details of which are set out in the announcement of the Company dated 25 July 2016 and the circular of the Company dated 25 August 2016). Upon completion of the Acquisition, Maxprofit became an indirect wholly-owned subsidiary of the Company; and

3. as disclosed in the Profit Alert Announcement, based on the preliminary assessment of the latest unaudited management accounts of the Group and the information then available, the profit of the Group for the year ended 31 March 2017 is expected to increase by approximately 30% to 50% as compared to the profit of the Group of approximately HK$45.2 million for the year ended 31 March 2016, which is mainly attributable to, among other things, the combined effect of (i) an increase in gross profit as compared to the last corresponding period mainly due to a decrease in depreciation (included in cost of sales) after partial set off in a decrease in revenue; (ii) the recognition of a slight gain on the change in fair value of financial assets at fair value through profit or loss for the year ended 31 March 2017 as compared to the loss recognised for the year ended 31 March 2016; and (iii) a one-off gain on the change in fair value of contingent consideration provision of HK$16.6 million recognised for the year ended 31 March 2016.

INTERNATIONAL ENTERTAINMENT CORPORATION
國際娛樂有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01009)

ESTIMATED FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

The Board wishes to inform the Shareholders and potential investors of the Company that based on the preliminary assessment of the latest unaudited management accounts of the Group and the information currently available, the profit of the Group for the year ended 31 March 2017 is expected to increase by approximately 30% to 50% as compared to the profit of the Group of approximately HK$45.2 million for the year ended 31 March 2016.

The Company would like to draw the attention of the Shareholders and potential investors of the Company that the Profit Alert as set out in this announcement does not meet the requirements under Rule 10 of the Takeovers Code.

Shareholders and potential investors of the Company are advised to exercise caution in placing reliance on the Profit Alert when assessing the merits and demerits of the Offer and when dealing in the shares of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

This announcement is made by International Entertainment Corporation (the "Company", together with its subsidiaries, the "Group") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO").

The board of directors (the ''Board'') of the Company wishes to inform the shareholders of the Company (the ''Shareholders'') and potential investors of the Company that based on the preliminary assessment of the latest unaudited management accounts of the Group and the information currently available, the profit of the Group for the year ended 31 March 2017 is expected to increase by approximately 30% to 50% as compared to the profit of the Group of approximately HK$45.2 million for the year ended 31 March 2016 (the ''Profit Alert''). The expected increase in the profit of the Group for the year ended 31 March 2017 was mainly attributable to, among other things, the combined effect of (i) an increase in gross profit as compared to the last corresponding period mainly due to a decrease in depreciation (included in cost of sales) after partial set off in a decrease in revenue; (ii) the recognition of a slight gain on the change in fair value of financial assets at fair value through profit or loss for the year ended 31 March 2017 as compared to the loss recognised for the year ended 31 March 2016; and (iii) a one-off gain on the change in fair value of contingent consideration provision of HK$16.6 million recognised for the year ended 31 March 2016.

The information contained in this announcement can only be treated as a preliminary assessment by the management of the Group based on the latest unaudited management accounts of the Group and the information currently available, and is not based on any figures nor information that has been audited, confirmed and/or reviewed by the auditor of the Company. Shareholders and potential investors of the Company are advised to read the annual results announcement of the Company for the year ended 31 March 2017 which is expected to be published in June 2017.

References are made to the joint announcements dated 14 February 2017, 7 March 2017, 30 March 2017 and 27 April 2017 jointly issued by Brighten Path Limited (the ''Offeror'') and the Company in relation to, among other things, an unconditional mandatory cash offer by Head & Shoulders Securities Limited for and on behalf of the Offeror to acquire all the issued shares of the Company (other than those already owned by the Offeror and parties acting in concert with it) (the ''Offer'').

The Company would like to draw the attention of the Shareholders and potential investors of the Company that as the Profit Alert is published during the offer period, it constitutes a profit forecast under Rule 10 of The Hong Kong Code on Takeovers and Mergers (the ''Takeovers Code'') and would need to be reported by both the Company's financial adviser and its accountants or auditor in accordance with Rule 10.4 of the Takeovers Code and their reports must be included in the next document to be sent to the Shareholders under Rule 10.4 of the Takeovers Code.

As the Company is required to publish the Profit Alert as soon as practicable pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO and given the time constraints, the Company encounters genuine practicable difficulties in meeting the requirements under Rule 10 of the Takeovers Code. The reports as required under Rule 10.4 of the Takeovers Code will be contained in the next document to be sent by the Company to the Shareholders if the Company has not published its annual results announcement for the year ended 31 March 2017 when such document is published.

The Company would like to draw the attention of the Shareholders and potential investors of the Company that the Profit Alert as set out in this announcement does not meet the requirements under Rule 10 of the Takeovers Code.

Shareholders and potential investors of the Company are advised to exercise caution in placing reliance on the Profit Alert when assessing the merits and demerits of the Offer and when dealing in the shares of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

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

Hong Kong, 8 May 2017

As at the date of this announcement, 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, Dr. 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.

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The following is the full text of the report prepared for the purpose of inclusion in this Response Document, received from BaoQiao Partners Capital Limited, the Independent Financial Adviser.

BAOQIAO PARTNERS CAPITAL LIMITED

Unit 501, 5/F, Tower 1, Admiralty Centre,
18 Harcourt Road, Admiralty, Hong Kong

26 May 2017

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

Dear Sir/Madam,

We refer to the announcement dated 8 May 2017 (the "**Profit Alert Announcement**") issued by International Entertainment Corporation (the "**Company**", together with its subsidiaries, the "**Group**"), which is also set forth in Appendix II to the response document in relation to the mandatory unconditional cash offer by Head & Shoulders Securities Limited for and on behalf of Brighten Path Limited to acquire all the issued shares of the Company (other than those already owned by Brighten Path Limited and parties acting in concert with it) dated 26 May 2017 (the "**Response Document**"). Capitalised terms used in this letter shall have the same meanings as defined in the Profit Alert Announcement and the Response Document unless otherwise specified.

It was announced by the Company in the Profit Alert Announcement that, based on the preliminary assessment of the latest unaudited management accounts of the Group and the information then available, the profit of the Group for the year ended 31 March 2017 is expected to increase by approximately 30% to 50% as compared to the profit of the Group of approximately HK$45.2 million for the year ended 31 March 2016 (the "**Profit Estimate**"). The Profit Estimate is regarded as a profit forecast under the Takeovers Code and therefore, is required to be reported on pursuant to Rule 10 of the Takeovers Code.

The Profit Estimate has been prepared by the directors of the Company (the "**Directors**") based on the unaudited consolidated results of the Group for the year ended 31 March 2017.

We have reviewed the Profit Estimate which the Directors are solely responsible for and discussed with the management of the Company the bases of the Profit Estimate. We have also considered the letter issued by Deloitte Touche Tohmatsu, the reporting accountant of the Company, relating to the Profit Estimate as set out in Appendix IV to the Response Document ("**Deloitte's Letter**"). Pursuant to Deloitte's Letter, Deloitte Touche Tohmatsu is of the opinion that so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled based on the unaudited consolidated management accounts of the Group for the year ended 31 March 2017 and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the published annual report of the Company for the year ended 31 March 2016 and unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2016.

Based on the above, we are satisfied that the Profit Estimate, for which the Directors are solely responsible, has been prepared with due care and consideration.

For the purpose of this report, we have relied on and assumed the accuracy and completeness of all information provided to us by the Company. We are not reporting on the arithmetical calculations of the Profit Estimate and do not assume any responsibility for independently verifying the accuracy and completeness of such information or undertaking any independent evaluation or appraisal of any of the financial information of the Group. Save as provided in this report, we do not express any other opinion or views on the Profit Estimate and the financial results of the Group for the year ended 31 March 2017, for which the Directors are solely responsible.

Yours faithfully,
For and on behalf of
BaoQiao Partners Capital Limited
Monica Lin
Managing Director

Deloitte. 德勤

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

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Email: enquiry@deloitte.com.hk
www.deloitte.com/cn

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

26 May 2017

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

Dear Sirs,

International Entertainment Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group")

PROFIT ESTIMATE FOR YEAR ENDED 31 MARCH 2017

We refer to the profit alert announcement reproduced in appendix II to the response document in relation to the mandatory unconditional cash offer by Head & Shoulders Securities Limited for and on behalf of Brighten Path Limited (the "Offeror") to acquire all the issued shares of the Company (other than those already owned by the Offeror and parties acting in concert with it) which contains an estimate of the unaudited consolidated profit of the Group for the year ended 31 March 2017 which has been prepared by Company's directors (the "Profit Estimate") as extracted below:

"The Board wishes to inform the Shareholders and potential investors of the Company that based on the preliminary assessment of the latest unaudited management accounts of the Group and the information currently available, the profit of the Group for the year ended 31 March 2017 is expected to increase by approximately 30% to 50% as compared to the profit of the Group of approximately HK$45.2 million for the year ended 31 March 2016."

The Profit Estimate is prepared by the directors of the Company and constitutes a profit forecast under Rule 10 of the Code on Takeovers and Mergers issued by The Securities and Futures Commission.

DIRECTORS' RESPONSIBILITIES

The Profit Estimate has been prepared by the directors of the Company based on the unaudited consolidated management accounts of the Group for the year ended 31 March 2017.

The Company's directors are solely responsible for the Profit Estimate.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

OPINION

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled based on the unaudited consolidated management accounts of the Group for the year ended 31 March 2017 and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the published annual report of the Company for the year ended 31 March 2016 and unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2016.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this Response Document received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 March 2017 of the property interest held by the Group.

JLL
仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No: C-030171

26 May 2017

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 interest held by International Entertainment Corporation and its subsidiaries (hereinafter together referred to as the "Group") in the Philippines, 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 market value of the property interest as at 31 March 2017 (the "valuation date").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

In arriving at our opinion of the value of the property owned and held for investment by the Group, 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 and leasing operation having regard to the trading accounts of previous years, where available, and taking into account the future trading potential and level of turnover likely to be achieved, following consultation with the instructing party. To this income stream, an appropriate annual present value discount rate has been applied to arrive at an indicated market value.

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 5 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation — Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors ("HKIS"); 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 other relevant matters.

We have been, in some instances, provided by the instructing party with extracts of the title documents relating to the property in the Philippines. However, we have not examined the original documents and assumed that the copies of the documents obtained are consistent with their originals.

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.

The site inspection was carried out on 3 June 2016 by Mr. Isaac Yip and Ms. Tracy Yuen. Mr. Isaac Yip has 10 years' experience in the valuation of property in Hong Kong and the Asia-Pacific region and Ms. Tracy Yuen is a probationer of HKIS.

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 at an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong Dollar (HKD). The exchange rates adopted in our valuation is approximately HKD1 = Philippine Peso (Peso) 6.470038 which was approximately the prevailing exchange rate as at the valuation date.

Our valuation certificate is attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 23 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

VALUATION CERTIFICATE

Property interest held by the Group in the Philippines

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2017 *HKD*
New World Manila Bay Hotel 1588 M. H. Del Pilar cor. Pedro Gil Malate Manila The Philippines	The property comprises a portion of a building complex erected on 2 contiguous parcels of land. The building is a mixed-use complex comprising a hotel, casino and apartments originally completed in about 1990 but renovated in 2003. *(see note 5)* One of the above 2 contiguous parcels of land with a site area of 7,255.3 sq.m. is leased to Marina Square Properties, Inc. ("MSPI") from Harbor View Properties and Holdings, Inc. ("HVPHI") for a term of 28 years from 13 February 2004 at an annual rental of Peso6,960,000. The other parcel of land with a site area of 1,514.7 sq.m., land improved with a building (known as Marina Square Suites) is held under strata-title. The property has a total gross floor area of approximately 92,875 sq.m., the area schedule is as follows:	The property is currently used for hotel, casino and ancillary purposes.	2,082,000,000

Usage	Floor	Gross Floor Area *(sq.m.)*
Casino	LG–5/F	17,650
Entertainment	G/F & 6/F–8/F	5,100
Hotel	B2–5/F & 8/F–Roof (376 rooms)	44,625
Philippine Amusement and Gaming Corporation ("PAGCOR")		
Office	LG, G/F, 4/F, 6/F & 7/F	5,350
Carpark	B2–LG	12,850
Common area	B2–2/F, 5/F–7/F, 9/F & 10/F	7,300

Out of the 92,875 sq.m. of the total gross floor area of the property, 6 commercial condominium units of Marina Square Suites with a total gross floor area of 5,882.16 sq.m. are leased to New Coast Hotel, Inc. ("NCHI") and were renovated as additional hotel accommodation (please refer to note 7).

Notes:

1. The property is situated at the eastern side of M.H. Del Pilar Street at the junction with Pedro Gil Street, close to Manila Bay, in the west of Manila. Hotels, shopping centre, commercial buildings and low to middle-rise composite buildings can be found in the locality. The upper floors of the subject hotel command seaview towards Manila Bay.

2. We are instructed to value the property as a going concern hotel and casino and we have considered the rental expenses for the parcel of land and portions of the building (please refer to notes 6 & 7).

3. Pursuant to a Transfer Certificate of Title (''TCT'') No. 258812 dated 19 March 2003 issued by the Registry of Deeds for the City of Manila, the registered owner of the parcel of land with a site area of 7,255.3 sq.m. (the subject land) is HVPHI.

4. A contiguous area of land with a site area of 1,514.7 sq.m. is owned by HVPHI.

5. The two contiguous parcels of land with respective site areas of 7,255.3 sq.m. and 1,514.7 sq.m. formerly comprised a parcel of land on which were erected 2 buildings, namely the Plaza Building and Marina Square Suites. The former 12-storey Plaza Building has been converted to a 31-storey building and forms part of New World Manila Bay Hotel (formerly known as Hyatt Regency Hotel and Casino Manila). Marina Square Suites is a strata-title building and some of the condominium units have been disposed of in the market. The remaining portion of Marina Square Suites has been refurbished and forms a part of New World Manila Bay Hotel.

6. Pursuant to a lease agreement (''LA 1'') dated 2 April 2003 and supplementary agreements dated 30 June 2004, 23 November 2004, 20 October 2010 and 1 September 2015 (collectively ''SLA 1'') entered into between HVPHI and MSPI, the parcel of land of 7,255.3 sq.m. is leased to MSPI for a term of 28 years commencing from 13 February 2004 at a current annual rent of Peso6,960,000 with an option to renew for a further term of 25 years thereafter. The parties have agreed to review the rent under LA 1 two years from the commencement of the lease and every two years thereafter, to determine if any adjustment to the rent is necessary.

7. Pursuant to a lease agreement (''LA 2'') dated 2 April 2003 and supplementary agreements dated 30 June 2004, 23 November 2004 and 20 October 2010 (collectively ''SLA 2'') entered into between Pacific Bayview Properties, Inc. (''PBPI'') and NCHI, 6 commercial condominium units (10A–16A) with a total gross floor area of 5,882.16 sq.m. are leased to NCHI for a term of 25 years from 15 September 2004 at an annual rental of Peso17,998,750 with an option to renew for a further 25 years. These units have been renovated to form additional hotel accommodation. The parties have agreed to review the rent under LA 2 two years from the commencement of the lease and every two years thereafter, to determine if any adjustment to the rent is necessary.

8. Pursuant to 10 Condominium Certificates of Title (CCT) — nos. 47656, 47657, 47658, 47659, 47660, 47661, 47662, 47663, 47664 and 47665 all dated 3 March 2003 issued by the Registry of Deeds for the City of Manila, the registered owner of unit nos. LG-A, 1-A, 2-A, 3-A, 4-A, 5-A, 6-A, 8-A, 23-B and 25-F of Marina Square Suites with a total gross floor area of 8,915.9 sq.m. (''NCHI Units'') is NCHI.

9. Both MSPI and NCHI are indirectly owned as to 100% by International Entertainment Corporation (the ''Company'').

10. Pursuant to a lease agreement (''PAGCOR Lease'') dated 14 March 2003 entered into between MSPI and PAGCOR as amended by addenda dated 1 August 2003, 6 June 2008 and 22 June 2010, the leased premises (including gaming premises and office premises) with a total gross floor area of not less than 20,000 sq.m. are leased to PAGCOR for a term of 12 years commencing from the earlier of the date that the gaming premises are officially opened to the public at the end of the soft opening period or 31 March 2004 (provided that in the event that the PAGCOR Charter is not extended or renewed on its expiry date on 10 July 2008 the lease shall terminate on 10 July 2008) at monthly rental of Peso100,000 or a fixed percentage of gaming revenue, whichever shall be the higher, excluding revenue from foreign area after deducting 5% gaming franchise tax. According to an announcement of the Company dated 9 July 2007, PAGCOR's corporate term was extended from 11 July 2008 for a period of 25 years and renewable for another 25 years under Republic Act No. 9487

of the Philippines entitled ''An Act Further Amending Presidential Decree No. 1869, otherwise known as PAGCOR Charter'' (''RA 9487'') and RA 9487 was effective 15 days from its publication on 29 June 2007 or on 14 July 2007.

11. Pursuant to a lease agreement (''Carpark Lease'') entered into between MSPI and NCHI dated 31 January 2003, 160 carpark spaces on Basements 1 and 2 of the Plaza Building are leased to NCHI for a term of 25 years commencing from 1 February 2003 and expiring on 31 January 2028 at an annual rental of Peso3,840,000 renewable for a further term of 25 years.

12. On 24 June 2014, NCHI entered into a Hotel Management Agreement with NWH Management Philippines, Incorporated and a Sales and Marketing Agreement with New World Hotel Management Limited, both for an operating term of 3 years commencing from 1 January 2015 and expiring on 31 December 2017, which may be renewed for successive periods of 3 years.

13. According to an announcement of the Company dated 18 December 2015, the original lease between MSPI and PAGCOR of the leased premises within the property expired on 31 March 2016 and the renewal lease (''New PAGCOR Lease'') commenced from 1 April 2016 and will expire on the earlier of 31 March 2031 or upon the total rent accruing against and/or payable by PAGCOR to MSPI under the New PAGCOR Lease reaching an aggregate of Peso24,500,000,000. In our valuation, we have made an assumption that New PAGCOR Lease will not expire earlier than 31 March 2031.

14. The Company's Philippines legal adviser states as follows:

    (i) The property interest of MSPI in the Plaza Building and the Marina Square Suites consist of the following:

        a. Leasehold right over the 7,255.3 sq.m. parcel of land covered by TCT No. 258812 dated 19 March 2003 issued by the Registry of Deeds for the City of Manila under the name of HVPHI, as evidenced by the Lease Agreement dated 2 April 2003 and the supplementary agreements dated 30 June 2004, 23 November 2004, 20 October 2010, and 1 September 2015 (collectively, the ''HVPHI Lease'') entered into between HVPHI and MSPI;

        b. The original first 12 floors (the ''MSPI Plaza'') of the 31-storey Plaza Building; and

        c. 160 carpark spaces (the ''Parking Units'') on Basements 1 and 2 of the Plaza Building.

    (ii) The property interest of NCHI in the Plaza Building and the Marina Square Suites consist of the following:

        a. The additional 19-storey tower built on top of the MSPI Plaza (the ''Plaza Extension'');

        b. Leasehold right over the 160 Parking Units on Basements 1 and 2 of the Plaza Building owned by MSPI, as evidenced by the Lease Agreement notarized on and deemed dated 6 February 2003 and the supplementary agreement dated 30 June 2004 entered into between MSPI and NCHI (the ''Carpark Lease'');

        c. Ten (10) condominium units particularly designated as Units LG-A, 1-A, 2-A, 3-A, 4-A, 5-A, 6-A, 8-A, 23-B, and 25-F of the Marina Square Suites, covered by CCT Nos. 47656, 47657, 47658, 47659, 47660, 47661, 47662, 47663, 47664 and 47665 all dated 3 March 2003 issued by the Registry of Deeds for the City of Manila under the name of NCHI, with a total gross floor area of 8,915.9 sq.m. (the NCHI Units); and

        d. Leasehold right over six (6) condominium units particularly designated as Units 10A–16A of the Marina Square Suites owned by PBPI, with a total gross floor area of 5,883.16 sq.m. (the ''PBPI Units''), as evidenced by the Lease Agreement dated 2 April 2003 and the supplementary agreements dated 30 June 2004, 23 November 2004, and 20 October 2010 (collectively, the ''PBPI Lease'') entered into between NCHI and PBPI.

(iii) The HVPHI Lease Agreement (as amended) is valid and enforceable as between HVPHI and MSPI. Furthermore, the original HVPHI Lease Agreement notarized on and deemed dated 2 April 2003 is binding upon third persons because it was annotated on HVPHI's TCT No. 258812.

(iv) The Tax Declarations (TD) issued under the name of MSPI, MSPI's payment of real property taxes, the annotations on HVPHI's TCT No. 258812, and the continued possession of the property by MSPI, taken together, constitute substantial proof of MSPI's ownership and legal title over the MSPI Plaza, including the Parking Units. MSPI has all the rights of an owner under Philippine law, which include the absolute right to sell, dispose, mortgage, pledge or encumber.

(v) The TD issued under the name of NCHI, NCHI's payment of real property taxes on the Plaza Extension, the annotations at the back of HVPHI's TCT No. 258812, and the continued possession of the property by NCHI, taken together, constitute substantial proof of NCHI's ownership and legal title over the Plaza Extension. NCHI has all the rights of an owner under Philippine law, which include the absolute right to sell, dispose, mortgage, pledge or encumber.

(vi) NCHI has a valid title over the NCHI Units. Thus, NCHI has the exclusive right to mortgage, pledge or encumber the NCHI Units and the absolute right to sell or dispose of the same. Based on Part II, Section 8(B) of the Master Deed and Declaration of Restrictions of the Marina Square Suites (the "Master Deed"), NCHI is free to lease the NCHI Units, provided that proper notice thereof, with such particulars as Marina Square Suites Condominium Association, Inc. ("MSSCAI") may reasonably require, is given to MSSCAI within five (5) days from the effectivity of the lease. Part I, Section 5 of the Master Deed provides that the common areas of Marina Square Suites are owned by MSSCAI. As a unit owner in Marina Square Suites and a member of MSSCAI, NCHI has an undivided interest in and the right to use the common areas of the Marina Square Suites.

(vii) The PBPI Lease is valid and enforceable as between PBPI and NCHI. Furthermore, the original PBPI Lease Agreement notarized on and deemed dated 2 April 2003 is binding upon third persons because it was annotated on PBPI's CCT Nos. 47655, 47654, 47653, 47652, 47651 and 47650.

(viii) The Carpark Lease is valid and enforceable as between MSPI and NCHI. Furthermore, the original Carpark Lease Agreement dated 31 January 2003 is binding upon third persons because it was annotated on HVPHI's TCT No. 258812. Given that the Carpark Lease has been duly registered at the Registry of Deeds for the City of Manila, the interest of NCHI over the Parking Units is protected.

15. As advised by the Group, after securing the renewal of the lease with PAGCOR in December 2015, the management of the Group considers that it will be a proper timing to carry out a renovation plan to improve the hotel complex of the Group as well as the facilities therein.

16. In valuing the casino portion of the property, we have considered the annual rental due to MSPI, which is a certain percentage of net gaming revenue of the casino operated by PAGCOR or a fixed amount of Peso100,000, whichever is higher. The fixed amount of Peso100,000 is the minimum monthly rental set in the New PAGCOR Lease. Discount rate of 12.5% has been adopted. In valuing the hotel portion of the property, our adopted key assumptions are summarized as follows:

(i)	Average daily room rate ("ADR")	Peso4,877 for year 1
(ii)	Average occupancy rate on available room basis	70.0%
(iii)	Discount rate	11.0%
(iv)	Capitalization rate	6.0%

The discount rates of 12.5% for the casino portion and the 11.0% for the hotel portion above were derived by the weighted average cost of capital (WACC) and capital assets pricing model (CAPM) formulas. Parameters are determined by making reference to the comparable companies listed in the Philippine Stock Exchange. Capitalization rate of 6.0% for the hotel portion is derived by deducting the long term growth rate from the discount rate. For ADR of Peso4,877 for year 1 and occupancy rate of 70.0%, reference has been made to the historical performance of the subject property and the market research of local hotel market.

In valuation of hotel by income capitalization approach, conventionally a forecast period of 5 to 10 years is considered for hotel cash flow projection. Since the subject property is held for long term investment, a forecast period of 10 years for the hotel portion is adopted, while a forecast period equals to the remaining valid period of the New PAGCOR Lease is adopted for the casino portion.

17. As advised by the Group, the potential tax liabilities which would arise if the property was to be sold at the amount of the valuation are estimated to be approximately HKD534.9 million. The taxes levied on the sale of property mainly include income tax and documentary stamp tax by the Bureau of Internal Revenue in the Philippines. As confirmed by the Group, they have no intention to sell the property and will continue to use that property for the existing operations of the Group. Therefore, the possibility of incurrence of such tax liabilities is very small.

1. RESPONSIBILITY STATEMENT

This Response Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Shareholders with regard to the Company and the Offer.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Response Document (other than information relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Response Document (other than those expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts (other than those relating to the Offeror and parties acting in concert with it) not contained in this Response Document, the omission of which would make any statement in this Response Document misleading.

2. SHARE CAPITAL

The share capital of the Company as at the Latest Practicable Date was as follows:

		HK$
Authorised:		
2,000,000,000	Shares	2,000,000,000
Issued and fully paid up:		
1,179,157,235	Shares	1,179,157,235

As at the Latest Practicable Date, there were no outstanding options, warrants or conversion rights affecting Shares (including any derivatives or other securities which may confer any rights to the holders thereof to subscribe for, convert or exchange into Shares).

All of the Shares currently in issue rank pari passu in all respects with each other, including all rights in respect of capital, dividends and voting.

All of the Shares in issue are listed on the Stock Exchange. None of the securities of the Company are listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

There were 1,179,157,235 Shares in issue at 31 March 2017, being the end of the last financial year of the Company. Since that date and up to the Latest Practicable Date:

(a) the Company has not issued any Shares, options, warrants or conversion rights affecting Shares (including any derivatives or other securities which may confer any rights to the holders thereof to subscribe for, convert or exchange into Shares) and has not entered into any agreement for the issue of any of such securities; and

(b) no Shares have been issued or repurchased by the Company or any of its subsidiaries.

3. MARKET PRICES

(a) During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK$1.81 per Share on 22 February 2017 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK$1.11 per Share on 19 September 2016 and 20 September 2016.

(b) The table below sets out the closing prices of the Shares as quoted on the Stock Exchange on: (i) the Latest Practicable Date; (ii) the Last Trading Day; and (iii) the last trading day of each of the calendar months during the Relevant Period:

Date	**Closing price** *(HK$)*
31 August 2016	1.27
30 September 2016	1.27
31 October 2016	1.23
30 November 2016	1.28
30 December 2016	1.21
27 January 2017	1.22
The Last Trading Day	1.30
28 February 2017	1.71
31 March 2017	1.68
28 April 2017	1.76
The Latest Practicable Date	1.74

4. SHAREHOLDINGS AND DEALINGS IN SHAREHOLDINGS AND PERSONS ACTING IN CONCERT

(a) In this paragraph:

(i) any reference to "shareholdings" is a reference to (a) in the case of shareholdings in the Company, holdings of (i) Shares (being securities which are being offered for under the Offer or which carry voting rights); and (ii) convertible securities, warrants, options and derivatives in respect of (i); and (b) in the case of shareholdings in the Offeror, holdings of (i) its equity share capital; and (ii) convertible securities, warrants, options and derivatives in respect of (i); and

(ii) any reference to Directors being "interested" in shareholdings is interpreted in the manner described in Part XV of the SFO.

(b) As at the Latest Practicable Date:

(i) Dr. Choi, an executive Director, is the sole shareholder of Head and Shoulders Direct Investment, which in turn is the sole shareholder of the Offeror. Dr. Choi was thus interested, through the Offeror, in 763,773,550 Shares (representing approximately 64.77% of the entire issued share capital of the Company as at the Latest Practicable Date); and

(ii) Mr. Lo Lin Shing, Simon, an executive Director, was interested, through a company wholly-owned by him, in 364,800 Shares (representing approximately 0.03% of the entire issued share capital of the Company as at the Latest Practicable Date).

(c) As at the Latest Practicable Date, the Vendor held 118,000,000 Shares (being the Remaining Shares), representing approximately 10.01% of the total issued share capital of the Company. The Vendor has irrevocably undertaken to and covenanted with the Offeror that the Remaining Shares will remain beneficially owned by it from the date of the Sale and Purchase Agreement up to and including the date of the close of the Offer.

(d) As at the Latest Practicable Date, the Company had no shareholdings in the Offeror and the Company has not dealt for value in the shareholdings in the Offeror during the Relevant Period.

(e) Save as disclosed in (b) above, as at the Latest Practicable Date, there were no shareholdings in the Company or in the Offeror in which any of the Directors was interested; and save for the acquisition of the Sale Shares by the Offeror, none of the Directors has dealt for value in the shareholdings in the Company or in the Offeror during the Relevant Period.

(f) As at the Latest Practicable Date, there were no shareholdings in the Company which were owned or controlled by a subsidiary of the Company, by a pension fund of the Company or of a subsidiary of the Company, or by an adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code, there being no exempt principal traders of the Company for the purpose of such disclosure under paragraph 2(iii) of Schedule II to the Takeovers Code; nor has any of such persons whose shareholdings in the Company are required to be disclosed as aforesaid dealt for value in the shareholdings in the Company during the Offer Period and ending with the Latest Practicable Date.

(g) Save as disclosed in (c) above, as at the Latest Practicable Date, no persons had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code; nor had any of such persons whose shareholdings in the Company are required to be disclosed as aforesaid dealt for value in shareholdings in the Company during the Offer Period and ending with the Latest Practicable Date.

(h) As at the Latest Practicable Date, there were no shareholdings in the Company managed on a discretionary basis by fund managers connected with the Company, there being no exempt fund managers connected with the Company for the purpose of such disclosure under paragraph 2(v) of Schedule II to the Takeovers Code; nor had any of such persons whose shareholdings in the Company are required to be disclosed as aforesaid dealt for value in shareholdings in the Company during the Offer Period and ending with the Latest Practicable Date.

(i) Mr. Lo Lin Shing, Simon, an executive Director, has indicated that he intended to reject the Offer in respect of his own beneficial holdings in the Shares.

(j) As at the Latest Practicable Date, no shareholdings in the Company had been borrowed or lent by the Company or the Directors nor were there any borrowed Shares which had either been on-lent or sold.

5. OTHER DISCLOSURES AND DIRECTORS' SERVICE CONTRACTS

(a) As at the Latest Practicable Date:

(i) no benefit will be given to any Director as compensation for loss of office or otherwise in connection with the Offer;

(ii) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and

(iii) there was no material contract entered into by the Offeror in which any Director has a material personal interest.

(b) As at the Latest Practicable Date, there was no service contract with the Company or any of its subsidiaries or associated companies in force for Directors (i) which (including both continuous and fixed term contracts) has been entered into or amended within 6 months before the commencement of the Offer Period; (ii) which is a continuous contract with a notice period of 12 months or more; or (iii) which is a fixed term contract with more than 12 months to run irrespective of the notice period.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

7. MATERIAL CONTRACT

Save for the sale and purchase agreement dated 25 July 2016 entered into between Fortune Growth Overseas Limited (a wholly-owned subsidiary of the Company) and Cross-Growth Co., Ltd. in relation to the acquisition of the remaining 49% equity interest in

Maxprofit (a subsidiary of the Company) at a consideration of HK$1,138 million (the "Acquisition Agreement"), the Group did not enter into any contract which is or may be material (other than those entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) within the two years immediately preceding the date on which the Offer Period commenced.

8. EXPERTS

The followings are the qualifications of the experts who have given opinion or advice contained in this Response Document:

Name	Qualification
Deloitte Touche Tohmatsu	certified public accountants
BaoQiao Partners	a licensed corporation permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Jones Lang	an independent property valuer

Each of Deloitte Touche Tohmatsu, BaoQiao Partners and Jones Lang has given and has not withdrawn its written consent to the issue of this Response Document with the inclusion of its advice, letter and recommendation and the references to its name and logo in the form and context in which they respectively appear.

9. MISCELLANEOUS

(a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The head office and principal place of business of the Company in Hong Kong is at Rooms 1207–8, New World Tower 1, 16–18 Queen's Road Central, Hong Kong.

(c) As at the date of this Response Document, the Board comprises ten 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, Dr. Cheng Chi Kong, Mr. Cheng Chi Him, Dr. Choi Chiu Fai Stanley, Mr. Lam Yat Ming and Mr. Zhang Yan Min and eight independent non-executive Directors, namely, Mr. Cheung Hon Kit, Mr. Kwee Chong Kok, Michael, Mr. Lau Wai Piu, Mr. Tsui Hing Chuen, William, Mr. Ren Yunan, Ms. Lu Gloria Yi, Mr. Sun Jiong and Mr. Ha Kee Choy Eugene.

(d) As at the date of this Response Document, the company secretary of the Company is Mr. Kwok Chi Kin.

(e) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(f) The Offer is not a securities exchange offer.

(g) The Offer does not involve issue of any unlisted securities.

(h) This Response Document is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

10. DOCUMENTS ON DISPLAY

Copies of the following documents are on display at the websites of the SFC (www.sfc.hk) and the Company (www.ientcorp.com) during the period from the date of this Response Document up to and including the Closing Date:

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

(b) the annual reports of the Company for each of the two financial years ended 31 March 2016 and the interim report of the Company for the six months ended 30 September 2016;

(c) the "Letter from the Board", the text of which is set out in this Response Document, in respect of the Offer;

(d) the "Letter from the Independent Board Committee", the text of which is set out in this Response Document, in respect of its advice and recommendation to the Independent Shareholders in respect of the Offer;

(e) the "Letter from BaoQiao Partners", the text of which is set out in this Response Document, in respect of its advice to the Independent Board Committee and the Independent Shareholders in respect of the Offer;

(f) the report from BaoQiao Partners as required under Rule 10 of the Takeovers Code, the text of which is set out in Appendix III to this Response Document;

(g) the letter from Deloitte Touche Tohmatsu as required under Rule 10 of the Takeovers Code, the text of which is set out in Appendix IV to this Response Document;

(h) the property valuation report from Jones Lang, the text of which is set out in Appendix V to this Response Document;

(i) the written consent from Deloitte Touche Tohmatsu as referred to in the paragraph headed "Experts" in this Appendix;

(j) the written consent from BaoQiao Partners as referred to in the paragraph headed "Experts" in this Appendix;

(k) the written consent from Jones Lang as referred to in the paragraph headed "Experts" in this Appendix; and

(l) the Acquisition Agreement as referred to in the paragraph headed "Material Contract" in this Appendix.