THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

INTERNATIONAL ENTERTAINMENT CORPORATION
國際娛樂有限公司

(Incorporated in the Cayman Islands with limited liability)

(STOCK CODE: 01009)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE REMAINING 49% EQUITY INTEREST IN MAXPROFIT INTERNATIONAL LIMITED AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

HALCYON 鎧盛

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

上銀國際有限公司
BOSC International Company Limited

Capitalised terms used on this cover shall have the same meanings as those defined in this circular, unless the content requires otherwise.

A letter from the Board is set out on pages 5 to 16 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 17 to 18 of this circular. A letter from BOSC International Company Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 39 of this circular.

A notice convening the EGM to be held at Meeting Room S425, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Wednesday, 28 September 2016 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend such meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at such meeting or any adjourned meeting thereof (as the case may be) should you so wish.

25 August 2016

CONTENTS

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

"Acquisition"	the proposed acquisition of the remaining 49% equity interest in Maxprofit by Fortune Growth pursuant to the Acquisition Agreement
"Acquisition Agreement"	the sale and purchase agreement dated 25 July 2016 entered into between Cross-Growth and Fortune Growth in relation to the Acquisition
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday) on which banks are open for business in Hong Kong
"BVI"	British Virgin Islands
"Company"	International Entertainment Corporation, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 01009)
"Completion"	completion of the Acquisition in accordance with the provisions of the Acquisition Agreement
"Completion Date"	the date on which Completion will take place
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"Cross-Growth"	Cross-Growth Co., Ltd., a company incorporated in the BVI and is wholly-owned by CTFE, as at the Latest Practicable Date, holds 49% equity interest in Maxprofit
"CTFE"	Chow Tai Fook Enterprises Limited, a company incorporated in Hong Kong with limited liability and is wholly-owned by CTFHL
"CTFHL"	Chow Tai Fook (Holding) Limited, a company incorporated in the BVI and a controlling shareholder of the Company

"Director(s)"	director(s) of the Company
"EGM"	an extraordinary general meeting of the Company convened to be held at Meeting Room S425, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Wednesday, 28 September 2016 at 11:00 a.m. for the purpose of considering and, if thought fit, approving the Acquisition Agreement and the transactions contemplated thereunder, including but not limited to the issuance of the Promissory Note and other ancillary matters as may be required under the Listing Rules, the notice of which is set out on pages EGM-1 to EGM-3 of this circular
"Enlarged Group"	the Group immediately after completion of the Acquisition
"Fortune Growth"	Fortune Growth Overseas Limited, a company incorporated in the BVI and is wholly-owned by the Company
"Group"	the Company and its subsidiaries
"HKFRSs"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hotel"	New World Manila Bay Hotel, a deluxe hotel located within the hotel complex of the Target Group in Metro Manila, the Philippines
"Independent Board Committee"	the independent committee of the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders in respect of, among other things, the Acquisition and the issuance of the Promissory Note
"Independent Financial Adviser" or "BOSC International"	BOSC International Company Limited, a licensed corporation to carry on type 1 (dealing in securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders on the terms of the Acquisition Agreement and the transactions contemplated thereunder (including the issuance of the Promissory Note)

"Independent Property Valuer" or "Jones Lang LaSalle"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer to assess the market value of the properties of the Target Group, a report of which is set out in Appendix IV to this circular
"Independent Shareholders"	Shareholders other than CTFHL and their respective associates and persons who have a material interest in the Acquisition and are required to abstain from voting on the resolution for approving the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to the issuance of the Promissory Note) at the EGM under the Listing Rules
"Latest Practicable Date"	22 August 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information for the purpose of inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Longstop Date"	31 December 2016 or such other date as the parties of the Acquisition Agreement may agree in writing
"Maturity Date"	the Business Day immediately preceding the fifth anniversary of the date of issue of the Promissory Note
"Maxprofit"	Maxprofit International Limited, a company incorporated in the BVI and the holding company of the companies comprising the Target Group
"Mediastar"	Mediastar International Limited, a company incorporated in the BVI and a substantial shareholder of the Company holding approximately 74.78% of its issued share capital as at the Latest Practicable Date and is an indirect wholly-owned subsidiary of CTFHL
"Philippines"	The Republic of the Philippines
"Promissory Note"	an interest bearing promissory note in the principal amount of HK$350 million due in 5 years, to be issued by Fortune Growth on Completion to settle part of the consideration of the Acquisition
"Purchase Price"	the purchase price for the 49% equity interest in Maxprofit pursuant to the Acquisition Agreement
"SFO"	Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong

"Share(s)"	ordinary share(s) of HK$1.00 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Target Group"	Maxprofit and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Peso"	Philippine Peso, the lawful currency of the Philippines
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

For ease of reference and unless otherwise specified in this circular, sum in HK$ and Peso in this circular is translated at the rate of HK$1.0 = Peso6.01168. This does not mean that HK$ could be converted into Peso, or vice versa, based on such exchange rate.

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

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

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

25 August 2016

To the Shareholders,

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE REMAINING 49% EQUITY INTEREST IN MAXPROFIT INTERNATIONAL LIMITED

INTRODUCTION

Reference is made to the announcement of the Company dated 25 July 2016 in relation to, among other things, the Acquisition, the Acquisition Agreement and the transactions contemplated thereunder (including the issuance of the Promissory Note).

On 25 July 2016 (after trading hours), Fortune Growth, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with Cross-Growth to acquire the remaining 49% equity interest in Maxprofit at a consideration of HK$1,138 million, of which HK$788 million will be settled by cash and HK$350 million will be settled by way of the issuance of the Promissory Note.

THE ACQUISITION AGREEMENT

The principal terms of the Acquisition Agreement are set out below:

Date:	25 July 2016
Vendor:	Cross-Growth
Purchaser:	Fortune Growth

Interest to be acquired under the Acquisition

Subject to the terms and conditions of the Acquisition Agreement, Cross-Growth shall sell and Fortune Growth shall purchase the 49 ordinary shares of US$1.00 each in the share capital of Maxprofit legally and beneficially owned by Cross-Growth, representing 49% of the entire issued share capital in Maxprofit, with effect from the Completion Date free from all encumbrances together with all rights attaching thereto, including but not limited to all dividends or distributions which may be paid, declared or made in respect thereof at any time on or after the date of the Acquisition Agreement.

Consideration

The Purchase Price shall be a fixed sum of HK$1,138 million, which shall be satisfied by Fortune Growth at Completion in the following manners:

(i) as to HK$788 million, by way of cashier's order dated on or before the Completion Date and issued by a licensed bank in Hong Kong in favour of Cross-Growth or as it may direct, or in such other manner as may be agreed between Cross-Growth and Fortune Growth; and

(ii) as to HK$350 million, by way of Fortune Growth issuing to Cross-Growth (or as it may direct) the Promissory Note, which shall bear interest at the rate of 4% per annum on the outstanding principal amount, and shall include a guarantee to be provided by the Company in favour of the holder of the Promissory Note to secure the performance of Fortune Growth's payment obligations thereunder.

Conditions

Completion of the Acquisition shall be conditional upon all the following conditions precedent being fulfilled (or, where applicable, waived) at or before 5:00 p.m. on the Longstop Date:

(A) the Company having complied with (or, as the case may be, having obtained waiver from) any requirements under the Listing Rules (including but not limited to the requirements set out in paragraph (B) below) as may be applicable in connection with the Acquisition Agreement and the transactions contemplated thereunder;

(B) (where applicable) Independent Shareholders having passed an ordinary resolution or resolutions to approve the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to the issuance of the Promissory Note) at the EGM;

(C) (where required) all necessary governmental and regulatory (including the Stock Exchange and the regulatory authorities of the Philippines) approvals and consents (or waivers) in relation to the transactions contemplated under the Acquisition Agreement having been obtained; and

(D) (where required) all approvals, consents, authorisations and licences (so far as are necessary) in relation to the transactions contemplated under the Acquisition Agreement having been obtained from any third party.

Completion

Subject to the fulfillment or (where applicable) waiver of all conditions precedent stated above, Completion shall take place on the day falling 10 Business Days following the date on which the last condition precedent is fulfilled or (where applicable) waived.

BASIS FOR DETERMINING THE CONSIDERATION

The Purchase Price of HK$1,138 million was determined on normal commercial terms and after arm's length negotiations having regard to various factors, including but not limited to (i) the unaudited adjusted net asset value of the Target Group; (ii) the estimated valuation of the properties of the Target Group as at 31 March 2016 which was carried out by an independent valuer of approximately HK$2,381.0 million; (iii) a dividend of HK$245 million declared by Maxprofit on 12 July 2016; and (iv) the historical financial results of the Target Group. Based on the unaudited adjusted net asset value of the Target Group as calculated based on the above factors, which amounted to approximately HK$2,531.0 million, the Purchase Price of HK$1,138 million represents a discount of approximately 8.2% to the 49% of the unaudited adjusted net asset value of the Target Group as at 31 March 2016 of approximately HK$1,240.2 million.

As set out in Appendix IV to this circular, the valuation of the properties of the Target Group as at 30 June 2016, which was carried out by an independent valuer, was approximately HK$2,333.0 million. Taking into account the audited net asset value of the Target Group as at 31 March 2016 as set out in Appendix II-A to this circular, the valuation of the properties of the Target Group as at 30 June 2016 and the dividend of HK$245 million declared by Maxprofit on 12 July 2016, the unaudited adjusted net asset value of the Target Group amounted to approximately HK$2,483.0 million. The Purchase Price of HK$1,138 million represents a discount of approximately 6.5% to the 49% of the unaudited adjusted net asset value of the Target Group of approximately HK$1,216.7 million.

The Directors (including the independent non-executive Directors, who have taken into account the advice of the Independent Financial Adviser) consider that the consideration payable to Cross-Growth is fair and reasonable.

The Group will finance the cash portion of the Purchase Price by the Group's internally generated cash flows.

THE PROMISSORY NOTE

The principal terms of the Promissory Note are summarised below:

Issuer:	Fortune Growth
Guarantor:	the Company
Principal amount:	HK$350 million
Term:	5 years
Interest Rate:	The Promissory Note carries interest which accrues on the outstanding principal amount from its issue date until repayment in full of the principal amount at the fixed rate of four per cent. (4%) per annum. Such interest shall accrue on a daily basis and be calculated on the basis of the actual number of days elapsed and a 365 day year, and shall be payable yearly in arrears on the Business Day immediately preceding each anniversary of its issue date When determining the interest rate of the Promissory Note, the Directors noted that the current Hong Kong Dollar Best Lending Rate or Prime Rate offered by certain commercial banks in Hong Kong is 5% per annum. In view of the Group's debt free position, the Promissory Note is unsecured with no collateral except for the Company's guarantee and is allowed to be repaid by Fortune Growth at any time prior to maturity, the Directors consider that a 4% interest rate per annum is in the interest of the Company and the Shareholders as a whole which also allows the Group to retain certain amount of cash on hand for future use so as to maintain its financial flexibility
Transferability:	The Promissory Note shall not be transferred by its holder to any person or persons at any time unless (i) the prior written consent will have been obtained from Fortune Growth and (ii) such transfer, if effected, is in compliance with all applicable laws, regulations and rules (including without limited to the Listing Rules)
Maturity date and early redemption:	The Promissory Note shall become due and payable in full on the Business Day immediately preceding the fifth anniversary of its issue date

	Fortune Growth has the right to redeem the whole or any part of the outstanding principal amount of the Promissory Note at any time prior to the Maturity Date if Fortune Growth has given to the holder of the Promissory Note not less than seven days' prior written notice (to the extent the holder of the Promissory Note being located and such notice served) specifying the date of redemption, provided that any partial prepayment shall be not less than HK$10 million or (if the amount prepaid is greater than HK$10 million) integral multiples of HK$1 million and interest accrued on such amount prepaid (if any) shall be paid at the same time
Status:	The Promissory Note constitutes the direct, general, unsubordinated and unsecured obligations of Fortune Growth which will at all times rank *pari passu* with all other present and future unsecured and unsubordinated obligations of Fortune Growth, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application
Guarantee:	The Company unconditionally and irrevocably guarantees, by way of continuing security, the payment to the holder of the Promissory Note, on its written demand, of any principal or interest payable under the Promissory Note which Fortune Growth fails to pay on the due date for payment in accordance with the terms of the Promissory Note
Listing:	No application has been or will be made for the listing of the Promissory Note on the Stock Exchange or any other stock exchange

INFORMATION OF THE GROUP AND FORTUNE GROWTH

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

Fortune Growth, a direct wholly-owned subsidiary of the Company, is a company incorporated in the BVI with limited liability and is an investment holding company.

INFORMATION ON THE TARGET GROUP

The Company, through Fortune Growth, is interested in 51% of the equity interest in Maxprofit. Maxprofit and its subsidiaries (i.e. the Target Group) owns and/or leases properties which are used for hotel operations, and leasing of properties for casino and ancillary leisure and entertainment operations.

The Target Group appointed NWH Management Philippines, Incorporated, and New World Hotel Management Limited to provide management services, sales and marketing services and other related services in respect of the Hotel for a term of three years commencing from 1 January 2015 and expiring on 31 December 2017.

Apart from hotel operations, the Target Group also leased out certain premises located within the hotel complex of the Target Group to Philippine Amusement and Gaming Corporation ("PAGCOR") for gaming and/or support functions for gaming and office space for PAGCOR's executive headquarters and other general office administration functions. According to the annual audit report of PAGCOR, PAGCOR is a 100% the Philippines government-owned and controlled corporation domiciled in the Philippines. PAGCOR was created to regulate all games of chance, particularly casino gaming in the country, to raise funds for the government's socio-civic and national developmental efforts, and to help boost the country's tourism industry. PAGCOR operates nine casino branches in major cities in the country, aside from slot machine arcades and PAGCOR clubs. In December 2015, an indirect wholly-owned subsidiary of Maxprofit as lessor entered into a lease agreement with PAGCOR as lessee for the renewal of the lease of certain premises in the hotel complex of the Target 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 the subsidiary of Maxprofit under the lease agreement reaching an aggregate of Peso 24.5 billion (equivalent to approximately HK$4.1 billion).

The key specification of the Hotel is as follows:

Name:	New World Manila Bay Hotel
Location:	1588 M.H. Del Pilar cor. Pedro Gil, Malate Manila, The Philippines
Number of guestrooms and suites:	376
Facilities:	Restaurants, Business Center, Conference Rooms, Swimming Pool, Music Bar and Fitness Center
Year of opening:	Commenced to receive guest in year 2004

According to the record of Cross-Growth, the total cost of Cross-Growth in respect of the 49% equity interest in Maxprofit amounted to approximately HK$502.8 million.

Renovation Plan

The hotel complex of the Target Group commenced operations in year 2004, during its' twelve years of operations, no major renovation has been carried out. After the Target Group secured the renewal of the lease with PAGCOR in December 2015, the management of the Target Group considers that it will be a proper timing to carry out a renovation plan to improve the hotel complex as well as the facilities therein in order to attract more guests and enhance their experience during their stay. The management of Target Group has been analysing the demand of each room type on a regular basis and noted that the demand on each room type varies, the renovation plan will also remodel the hotel rooms into the most preferable type. With regard to the area leased to PAGCOR for gaming, the management of the Target Group will consider the renovation plan, in consultation with PAGCOR, to upgrade the facilities therein so as to attract more guests.

Financial information

As at 31 March 2016, based on the audited consolidated financial statements of the Target Group for the year ended 31 March 2016 as set out in Appendix II-A to this circular, prepared in accordance with HKFRSs, the total assets of the Target Group amounted to approximately HK$1,314.0 million and the net assets amounted to approximately HK$1,154.8 million.

Set out below is the financial information of the Target Group for the three years ended 31 March 2016 based on the accountants' report of the Target Group as set out in Appendix II-A to this circular, prepared in accordance with HKFRSs:

	For the year ended 31 March		
	2014	**2015**	**2016**
	HK$' million	*HK$' million*	*HK$' million*
	(audited)	(audited)	(audited)
Profit before taxation	103.4	47.3	43.9
Profit after taxation	90.2	28.3	27.6

Following the Completion, Maxprofit will become a wholly-owned subsidiary of the Company, profit or loss and each item of other comprehensive income and net assets of the Target Group will no longer be required to attribute to non-controlling interests in the consolidated financial statements of the Group.

INFORMATION ON CROSS-GROWTH

Cross-Growth, a company incorporated in the BVI and is wholly-owned by CTFE. As at the Latest Practicable Date, Cross-Growth is an investment holding company and is interested in 49% of the equity interest in Maxprofit.

OVERVIEW OF THE PHILIPPINES' TOURISM INDUSTRY

The tourism industry in the Philippines has experienced steady growth, with higher disposable incomes, increasingly discerning market demographic and other positive factors have driven the booming development of the hospitality and gaming industries in the Philippines.

Pursuant to the statistics issued by the Philippines' Department of Tourism (www.tourism.gov.ph), total earnings gained from tourism activities from January to May 2016 amounted to about Peso 106.6 billion. This recorded a double-digit growth of approximately 13.5% compared to approximately Peso 93.9 billion earnings for the corresponding period in year 2015. For the month of May 2016, receipts amounted to an estimated Peso 20.0 billion, posting a significant increase of approximately 19.0% as compared to the earning of May 2015 of approximately Peso 16.8 billion. The month of February 2016 recorded the biggest receipts of approximately Peso 27.5 billion as well as the highest growth of approximately 42.1%.

In the short-run, on 14 July 2016, the Philippines' Department of Tourism (www.tourism.gov.ph) announced that the Philippines is planning to host the forthcoming Miss Universe pageant to be held in Manila in January 2017. In the long-run, the Philippines government will devote more resources to the development of the tourism industry, which was demonstrated by the substantial increase in budget of the Philippines' Department of Tourism in year 2016 by approximately 44% from the 2015 budget of approximately Peso 2.5 billion to approximately Peso 3.6 billion for year 2016 according to the Official Gazette published by the Department of Budget and Management of the Philippines (http://www.dbm.gov.ph).

REASONS FOR AND BENEFITS OF THE ACQUISITION

The principal activities of the Group are hotel operations, and leasing of properties for casino and ancillary leisure and entertainment operations. The Group acquired 51% interest in the Target Group in year 2007, since then the Target Group has provided the Group with continuous positive contribution. Even though the Group has been prudently exploring various investment opportunities, the Group continues to focus on its existing business operations and investments in the Philippines. The management of the Group will also consider a renovation plan to improve the hotel complex of the Target Group as well as the facilities therein so as to attract more guests and enhance their experience during their stays.

Having considered the recent renewal of the lease between the subsidiary of Maxprofit and PAGCOR upon which the term of the lease 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 the subsidiary of Maxprofit under the lease agreement reaching an aggregate of Philippine Peso 24.5 billion (equivalent to approximately HK$4.1 billion), the Directors (including the independent non-executive Directors, who have taken into account the advice of the Independent Financial Adviser), took into account (i) the prospect of the hospitality and gaming industry in the Philippines; (ii) the historical performance of the hotel operations and the leasing of properties of the Target Group (including the tax disputes and contingent liabilities); (iii) the upcoming renovation plan of the hotel complex of the Target Group; and (iv) the available cash on hand of the Group, most of which are not available for normal dividend pay-out to the Shareholders, unanimously consider it is to be the appropriate time for the Group to consolidate its interest in the Target Group by acquiring the remaining 49% equity interest in Maxprofit. Equipped with more than 8 years of successful experience in running the Hotel and the related casino facilities, the Directors believe that the Acquisition will be able to provide an anticipated larger contribution to the Company.

Based on the above, the Directors (including the independent non-executive Directors, who have taken into account the advice of the Independent Financial Adviser) consider that the terms of the Acquisition Agreement (including the issuance of the Promissory Note) to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE ACQUISITION

(i) Assets and liabilities

The audited consolidated total assets and total liabilities of the Group as at 31 March 2016, as extracted from the Company's annual report for the year ended 31 March 2016, were approximately HK$2,045.4 million and HK$165.4 million respectively. As set out in Appendix III to this circular, assuming Completion had taken place on 31 March 2016, the unaudited pro forma consolidated total assets of the Enlarged Group would decrease to approximately HK$1,252.9 million, taking into account the payments of cash consideration of the Purchase Price amounted to HK$788 million and the estimated transaction costs of approximately HK$4.5 million, and the total liabilities of the Enlarged Group would increase to approximately HK$500.8 million, taking into account the pro forma fair value of the Promissory Note amounted to approximately HK$335.4 million.

Furthermore, following the Completion, Maxprofit will become a wholly-owned subsidiary of the Company, net assets of the Target Group will no longer be required to attribute to non-controlling interests in the consolidated statement of financial position of the Group.

(ii) Gearing

As at 31 March 2016, the Group (including the Target Group) had no outstanding borrowings. Given that the Group will finance part of the consideration of the Acquisition by way of issuance of the Promissory Note, after Completion and the issuance of the Promissory Note, the Enlarged Group will recognise a borrowing in the principal amount of HK$350 million.

(iii) Earnings

After the Completion, Maxprofit will become a wholly-owned subsidiary of the Company, profit or loss and each item of other comprehensive income of the Target Group will no longer be required to attribute to non-controlling interests in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income of the Group.

LISTING RULES IMPLICATIONS

As some of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 25% but are less than 100%, the Acquisition constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Cross-Growth is beneficially and wholly-owned by CTFE and CTFE is wholly-owned by CTFHL, which is a controlling shareholder of the Company, hence Cross-Growth is an associate of CTFHL and a connected person of the Company under Chapter 14A of the Listing Rules. The Acquisition and the issuance of the Promissory Note thus constitute connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements. Under the Listing Rules, CTFHL and its associate(s) are required to abstain from voting on the resolution(s) in relation to approve the Acquisition (including the issuance of the Promissory Note).

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, apart from CTFHL and their respective associates (including Mediastar), which are interested in approximately 74.8% of the issued Shares held by Mediastar, no other Shareholder has any material interest in the Acquisition (including the issuance of the Promissory Note) and thus no other Shareholder will be required to abstain from voting on the resolution(s) to approve the Acquisition (including the issuance of the Promissory Note) at the EGM.

Dr. Cheng Kar Shun is a director of Cross-Growth, CTFE and CTFHL; Mr. To Hin Tsun, Gerald is a director of Cross-Growth; Mr. Cheng Kam Biu, Wilson is a director of CTFE; and Dr. Cheng Chi Kong is a director of CTFE and CTFHL. Because of such directorships in Cross-Growth, CTFE and CTFHL and the family relationship among Dr. Cheng Kar Shun, Mr. Cheng Kam Chiu, Stewart, Mr. Cheng Kam Biu, Wilson, Dr. Cheng Chi Kong and Mr. Cheng Chi Him, the executive Directors present at the meeting of the Board (including Dr. Cheng Kar Shun, Mr. To Hin Tsun, Gerald, Mr. Cheng Kam Chiu, Stewart, Mr. Cheng Kam Biu, Wilson and Dr. Cheng Chi Kong) approving the Acquisition and the transactions contemplated thereunder abstained from voting on all resolutions proposed at that meeting and Mr. Cheng Chi Him, an executive Director, was not present at that meeting.

EGM

A notice convening the EGM to be held at Meeting Room S425, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Wednesday, 28 September 2016 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. An ordinary resolution will be proposed to the Independent Shareholders to consider and, if thought fit, to approve, among other things, the Acquisition Agreement and the transactions contemplated thereunder, including the issuance of the Promissory Note. A form of proxy for use by the Independent Shareholders at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting thereof (as the case may be).

Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolution proposed at the EGM will be taken by way of poll. An announcement on the poll results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 27 September 2016 to Wednesday, 28 September 2016 (both dates inclusive) during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 26 September 2016 for registration.

RECOMMENDATION

The Independent Board Committee (comprising the independent non-executive Directors only) has been formed to advise the Independent Shareholders, among other things, as to whether the terms of the Acquisition Agreement (including the issuance of the Promissory Note) are fair and reasonable and how to vote in respect of the resolution in relation to the Acquisition Agreement and the transactions contemplated thereunder (including the issuance of the Promissory Note), after taking into account the recommendation of the Independent Financial Adviser. Your attention is drawn to the letter from the Independent Board Committee set out on pages 17 to 18 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM regarding the Acquisition Agreement and the transactions contemplated thereunder (including the issuance of the Promissory Note).

Your attention is also drawn to the letter from the Independent Financial Adviser set out on pages 19 to 39 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition Agreement and the transactions contemplated thereunder (including the issuance of the Promissory Note).

The Directors (including the independent non-executive Directors, who have taken into account the advice of the Independent Financial Adviser) consider the terms of the Acquisition Agreement and the transactions contemplated thereunder (including the issuance of Promissory Note) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Therefore, the Directors (including the independent non-executive Directors, who have taken into account the advice of the Independent Financial Adviser) recommended the Independent Shareholders to vote in favour of the proposed resolution approving among other things, the Acquisition Agreement and the transactions contemplated thereunder (including the issuance of Promissory Note).

ADDITIONAL INFORMATION

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

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

INTERNATIONAL ENTERTAINMENT CORPORATION
國 際 娛 樂 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(STOCK CODE: 01009)

25 August 2016

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE REMAINING 49% EQUITY INTEREST IN MAXPROFIT INTERNATIONAL LIMITED

We refer to the circular of the Company dated 25 August 2016 (the "Circular"), 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 Circular.

We have been appointed by the Board as the members of the Independent Board Committee to advise you on the terms of the Acquisition Agreement and the transactions contemplated thereunder (including the issuance of the Promissory Note). BOSC International has been appointed as the independent financial adviser to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out in their letter set out on pages 19 to 39 of the Circular.

Your attention is also drawn to the "Letter from the Board" set out on pages 5 to 16 of the Circular and the additional information set out in the appendices thereto.

Having considered the terms of the Acquisition Agreement and the transactions contemplated thereunder (including the issuance of the Promissory Note) and taking into account the independent advice of BOSC International, in particular factors, reasons and recommendation as set out in their letter, we consider that the entering into of the Acquisition Agreement and the transactions contemplated thereunder (including the issuance of the Promissory Note) are in the ordinary and usual course of business of the Group, and the respective terms of the Acquisition Agreement and the transactions contemplated thereunder (including the terms of the Promissory Note) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend you to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder (including the issuance of the Promissory Note).

Your 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

上銀國際有限公司
BOSC International Company Limited

34/F Champion Tower
3 Garden Road
Hong Kong

25 August 2016

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE REMAINING 49% EQUITY INTEREST IN MAXPROFIT INTERNATIONAL LIMITED

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company (the "**Circular**") to the Shareholders dated 25 August 2016, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 25 July 2016, the Board announced that Fortune Growth, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with Cross-Growth to acquire the remaining 49% equity interest in Maxprofit at a consideration of HK$1,138 million of which HK$788 million will be settled by cash and HK$350 million will be settled by way of the issuance of the Promissory Note.

Since more than one of the applicable percentage ratios in respect of the Acquisition exceed 25% but are less than 100%, the Acquisition constitutes a major transaction for the purpose of Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Further, given that Cross-Growth is beneficially and wholly-owned by CTFE and CTFE is wholly-owned by CTFHL, which is a controlling Shareholder, the Acquisition and the issuance of the Promissory Note also constitute connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements. CTFHL and its associate(s) are required to abstain from voting on the resolution(s) in relation to the Acquisition Agreement and the transactions contemplated thereunder (including the issuance of the Promissory Note).

The Independent Board Committee comprising all 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 in relation to the Acquisition Agreement and the transactions contemplated thereunder (including the issuance of the Promissory Note).

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Company.

The Directors have declared in a responsibility statement set out in Appendix V to the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular and that there are no other matters the omission of which would make any statement in the Circular misleading. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, Fortune Growth, Cross-Growth, the Target Group or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice in relation to the Acquisition, we have considered the following principal factors and reasons:

A. Background and reasons for entering into the Acquisition Agreement

(i) Information on the Group

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

Set out below is a summary of the audited consolidated financial information of the Group for each of the three years ended 31 March 2016 as extracted from the annual reports of the Company.

	For the year ended 31 March		
	2016 ("FY2016") (audited) *(HK$'000)*	**2015 ("FY2015") (audited)** *(HK$'000)*	**2014 ("FY2014") (audited)** *(HK$'000)*
Revenue	330,939	366,837	389,711
Cost of sales	(176,562)	(206,837)	(216,530)
Gross profit	154,377	160,000	173,181
Other income	12,583	23,508	36,016
Other gains and losses	50,761	9,838	99,623
Change in fair value of financial assets at fair value through profit or loss	(21,154)	51,410	3,469
Selling and marketing expenses	(5,966)	(5,405)	(4,792)
General and administrative expenses	(132,856)	(153,502)	(134,864)
Profit before taxation	57,745	85,849	172,633
Income tax charge	(12,533)	(24,711)	(11,260)
Profit for the year	45,212	61,138	161,373
Profit for the year attributable to:			
Owners of the Company	31,703	45,944	114,694
Non-controlling interests	13,509	15,194	46,679
	45,212	61,138	161,373

FY2016 vs FY2015

The Group generated a revenue of approximately HK$330.9 million in FY2016, representing a decrease of approximately 9.8%, as compared with approximately HK$366.8 million in FY2015. The Group's revenue from leasing of properties represents the rental income from the premises of the Group leased to PAGCOR and amounted to approximately HK$222.2 million for FY2016, representing a decrease of approximately 5.3%, as compared with approximately HK$234.6 million in FY2015. Such decrease was mainly due to the decrease in the net gaming revenue from the gaming area of the casino leased to and operated by PAGCOR as a result of several new independent casinos coming into operation in the vicinity. The Group's revenue from hotel operations mainly includes room revenue, revenue from food and beverages and other hotel service income. The 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 in FY2015, which was mainly due to the decrease in both the room revenue and the food and beverage sales for the year. As advised by the Company, there was a decline in occupancy rate of the Hotel mainly due to the opening of new hotels in the vicinity and the change of hotel management service provider since January 2015. The Group's gross profit margin for FY2016 increased to approximately 46.6%, as compared with that for FY2015 of approximately 43.6%.

The Group's other income, which mainly comprised interest income, amounted to approximately HK$12.6 million in FY2016, representing a decrease of approximately 46.4%, as compared with approximately HK$23.5 million in FY2015. There was no interest income from financial assets at fair value through profit or loss ("**FVTPL**") and loan receivable for FY2016, while the interest income from financial assets at FVTPL and loan receivable amounted to approximately HK$9.7 million for FY2015. This is mainly attributable to the disposal of financial assets at FVTPL and the repayment of loan receivable during FY2015. The Group recorded a loss of approximately HK$21.2 million on change in fair value of financial assets at FVTPL in FY2016, as compared to a gain of approximately HK$51.4 million for FY2015, mainly due to the disposal of Hong Kong-listed equity securities held by the Group. For the Group's other gains and losses, the Group recorded (i) a net foreign exchange gain of approximately HK$34.2 million in FY2016, representing an increase of approximately HK$30.4 million, as compared with a net foreign exchange gain of approximately HK$3.8 million in FY2015, due to the fluctuation of exchange rate of Peso against USD and HK$; and (ii) a gain of approximately HK$16.6 million on change in fair value of contingent consideration provision in relation to a tax indemnity provided to the purchaser of a subsidiary of the Company disposed of by the Group during the year ended 31 March 2011. Selling and marketing expenses, and general and administrative expenses of the Group decreased by approximately 12.6% to approximately HK$138.8 million for FY2016 from approximately HK$158.9 million in FY2015.

As a result of the above, the profit attributable to owners of the Company decreased by approximately 31.0% to approximately HK$31.7 million for FY2016 from approximately HK$45.9 million for FY2015.

As disclosed in the section headed "Chairman's Statement" of the annual report of the Company for FY2016 ("**Annual Report 2015/16**"), the Group remains optimistic for the growth of its hotel operations and leasing of properties business in long term and considers that the existing business operations in the Philippines will continue to contribute significantly towards the Group's revenue and results.

FY2015 vs FY2014

Revenue of the Group for FY2015 amounted to approximately HK$366.8 million, representing a decrease of approximately 5.9%, compared with approximately HK$389.7 million for FY2014. Both the revenue from the leasing of properties and the hotel operations for FY2015 decreased as compared with FY2014. The revenue derived from the leasing of properties for FY2015 was approximately HK$234.6 million, representing a decrease of approximately 5.9%, as compared with approximately HK$249.4 million in FY2014, mainly due to the decrease in the net gaming revenue from the gaming area of the casino leased to and operated by PAGCOR as a result of new independent casinos coming into operation in the vicinity. The revenue derived from the hotel operations for FY2015 was approximately HK$132.2 million, representing a decrease of approximately 5.8%, as compared with approximately HK$140.3 million in FY2014. The decrease was mainly due to the decrease in both the room revenue and the food and beverage sales for FY2015 as a result of the drop in occupancy rate as explained above. The Group's gross profit margin for FY2015 remained stable at approximately 43.6%, as compared with that for FY2014 of approximately 44.4%.

The Group's other income, which mainly comprised interest income, amounted to approximately HK$23.5 million in FY2015, representing a decrease of approximately 34.7%, as compared with approximately HK$36.0 million in FY2014. Such decrease was mainly attributable to the repayment of loan receivable and the disposal of debt securities notes listed overseas held by the Group which resulted in decrease in financial assets at FVTPL and loan receivable during FY2015. For other gains and losses, the Group recorded a net foreign exchange gain of approximately HK$3.8 million for FY2015, representing a decrease of approximately 96.3%, as compared with a net foreign exchange gain of approximately HK$101.6 million in FY2014, due to the fluctuation of exchange rate of Peso against USD and HK$. The Group recorded a gain of approximately HK$51.4 million on change in fair value of financial assets at FVTPL for FY2015, representing an increase of approximately HK$47.9 million, as compared with a gain of approximately HK$3.5 million in FY2014, mainly due to increase in fair value of Hong Kong-listed equity securities held by the Group.

Selling and marketing expenses, and general and administrative expenses of the Group increased by approximately 13.7% to approximately HK$158.9 million for FY2015 from approximately HK$139.7 million in FY2014. The legal and professional expenses for FY2015 was approximately HK$19.0 million, representing an increase of approximately 475.8%, as compared with approximately HK$3.3 million in FY2014. Such significant increase was mainly due to the legal and professional expenses incurred for a possible acquisition as mentioned in the announcements of the Company dated 9 January 2014, 27 June 2014, 29 December 2014 and 31 December 2014.

As a result of the above, the Group recorded a profit attributable to owners of the Company of approximately HK$45.9 million for FY2015, compared with that of approximately HK$114.7 million for FY2014.

(ii) Information on the Target Group

As at the Latest Practicable Date, the Company is interested in 51% of the equity interest in the Target Group which owns and/or leases properties used as a hotel complex comprising a deluxe hotel (i.e the Hotel) and properties currently leased to PAGCOR for casino and ancillary leisure and entertainment operations. All of the Target Group's current revenue is generated from the hotel operations, and leasing of properties for casino and ancillary leisure and entertainment operations located within the hotel complex.

The Hotel commenced operations in 2004 and is located at 1588 M.H. Del Pilar cor. Pedro Gil, Malate Manila, the Philippines. It comprises 376 guestrooms and suites and facilities such as restaurants, business center, conference rooms and swimming pool.

In respect of the operation of the Hotel, a subsidiary of Maxprofit had, on 24 June 2014 entered into (i) the hotel management agreement (the "**Hotel Management Agreement**") with NWH Management Philippines, Incorporated ("**NWHM (Philippines)**"); and (ii) the sales and marketing agreement (the "**Sales and Marketing Agreement**") with New World Hotel Management Limited ("**NWHML**"). Pursuant to the Hotel Management Agreement, NWHM (Philippines) shall provide to the Target Group management services in respect of the Hotel, including (a) formulation of business strategy, operational plans, pricing policy and setting guidelines on the operating standard of the Hotel; (b) provision of assistance in the preparation of budgets and overseeing the financial accounting and treasury management function; (c) overseeing the decoration, maintenance of facilities and assistance in the procurement of furniture, equipment, groceries and other supplies; (d) supervision of hotel personnel, advising on recruitment and remuneration policies and provision of staff training; and (e) coordinating with NWHML with regard to the advertising, marketing and promotional activities of the Hotel. Pursuant to the Sales and Marketing Agreement, NWHML shall provide to the Target Group worldwide sales and marketing services in respect of the Hotel, such as formulation of strategies on sales and marketing, brand development, preparation of advertising materials, provision of centralized reservation system and coordination of frequent customers rewarding scheme, marketing and promotional programs.

Both the Hotel Management Agreement and the Sales and Marketing Agreement have an initial operating term of three years commencing from 1 January 2015 and expiring on 31 December 2017, which may be renewed for successive periods of three years subject to the applicable laws or regulations in the Philippines and compliance with the requirements under the Listing Rules.

Furthermore, the Target Group also leases certain premises located within the hotel complex to PAGCOR, a 100% the Philippines government-owned and controlled corporation domiciled in the Philippines created to regulate all games of chance (particularly casino gaming in the Philippines) to raise funds for the Philippines government's socio-civic and national development efforts and to help boost the Philippines tourism industry in the Philippines, for gaming and/or support functions for gaming and office space for PAGCOR's executive headquarters and other general office administration functions, pursuant to the lease agreement (the "**Lease Agreement**") among Marina Square Properties, Inc. (as lessor), an indirect wholly owned subsidiary of Maxprofit, and PAGCOR (as lessee) dated 18 December 2015. The term of the Lease Agreement commenced on 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 reaching an aggregate of Peso 24.5 billion (equivalent to approximately HK$4.1 billion).

Set out below is the selected audited consolidated financial information of the Target Group (prepared in accordance with the HKFRSs) for FY2014, FY2015 and FY2016, respectively, as extracted from Appendix II-A to the Circular:

	FY2016 **(audited)** *(HK$'000)*	**FY2015** **(audited)** *(HK$'000)*	**FY2014** **(audited)** *(HK$'000)*
Revenue	330,939	366,837	389,711
Cost of sales	(176,562)	(206,837)	(216,530)
Gross profit	154,377	160,000	173,181
Other income	4,854	8,239	8,345
Other gain and loss	2,879	5,132	45,649
Selling and marketing expenses	(5,966)	(5,405)	(4,792)
General and administrative expenses	(112,244)	(120,678)	(118,945)
Profit before taxation	43,900	47,288	103,438
Income tax charge	(16,327)	(18,978)	(13,260)
Profit for the year	27,573	28,310	90,178

	As at 31 March 2016 (Audited) *(HK$'000)*
Current assets	507,242
Non-current assets	806,732
Total assets	**1,313,974**
Current liabilities	(29,529)
Non-current liabilities	(129,604)
Total liabilities	**(159,133)**
Net assets	**1,154,841**

FY2016 vs FY2015

The Target Group's revenue mainly represented revenue from leasing of properties and hotel operations. The Target 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 in the last year. The Target 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 in the last year. As explained in the paragraph headed "Information on the Group" above, the decline in revenue was mainly attributable to both the decline in rental income as a result of the commencement of operation of new hotels and casinos in the vicinity and the decline in room revenue and the food and beverage sales. The Target Group's gross profit margin for FY2016 increased to approximately 46.6%, as compared with that for FY2015 of approximately 43.6%.

For the Target Group's other income, which mainly comprised interest income, amounted to approximately HK$4.9 million in FY2016, representing a decrease of approximately 41.0%, as compared with approximately HK$8.2 million in FY2015. Such decrease was due to the decrease in interest rate and average bank balances for FY2016. Other gain and loss of the Target Group represented the net foreign exchange gain or loss. The Target Group recorded a net foreign exchange gain of approximately HK$2.9 million for FY2016, representing a decrease of approximately HK$2.2 million, as compared with a net foreign exchange gain of approximately HK$5.1 million in FY2015. This is mainly attributable to the fluctuation of exchange rate of Peso against USD and

HK$. Selling and marketing expenses, and general and administrative expenses of the Target Group decreased by approximately 6.2% to approximately HK$118.2 million for FY2016 from approximately HK$126.1 million in FY2015.

As a result of the above, the profit of the Target Group remained stable at approximately HK$27.6 million for FY2016 as compared to approximately HK$28.3 million for FY2015.

FY2015 vs FY2014

The Target Group's revenue derived from the leasing of properties for FY2015 was approximately HK$234.6 million, representing a decrease of approximately 5.9%, as compared with approximately HK$249.4 million in the last year. The Target Group's revenue derived from the hotel operations for FY2015 was approximately HK$132.2 million, representing a decrease of approximately 5.8%, as compared with approximately HK$140.3 million in the last year. As explained in the paragraph headed "Information on the Group" above, the decline in revenue was mainly attributable to both the decline in rental income as a result of the commencement of operation of new hotels and casinos in the vicinity and the decline in room revenue and the food and beverage sales. The Target Group's gross profit margin for FY2015 remained stable at approximately 43.6%, as compared with that for FY2014 of approximately 44.4%.

Other income of the Target Group remained stable at approximately HK$8.2 million for FY2015, as compared to approximately HK$8.3 million for FY2014. The Target Group recorded a significant amount of net foreign gain of approximately HK$45.6 million for FY2014 due to the fluctuation of exchange rate of Peso against USD and HK$. For FY2015, the net foreign exchange gain decreased to approximately HK$5.1 million. Selling and marketing expenses, and general and administrative expenses of the Target Group remained stable at approximately HK$126.1 million for FY2014, as compared to approximately HK$123.7 million in FY2015.

As a result of the above, the profit of the Target Group decreased by approximately 68.6% to approximately HK$28.3 million for FY2015 from approximately HK$90.2 million for FY2014.

Financial Position of the Target Group and the Reconciliation of the valuation of the Target Group

As at 31 March 2016, the Target Group's non-current assets amounted to approximately HK$806.7 million, mainly comprising investment properties of approximately HK$444.4 million and buildings of approximately HK$315.4 million, which represent the hotel complex of the Target Group (the "**Properties**"). As at 31 March 2016, the Target Group's, current assets amounted to approximately HK$507.2 million and mainly consisted bank and cash balances of approximately HK$470.1 million.

As at 31 March 2016, the Target Group's total liabilities amounted to approximately HK$159.1 million, mainly comprising deferred tax liabilities of approximately HK$124.4 million.

As at 31 March 2016, the Target Group had (a) contingent liabilities of approximately HK$460.2 million, relating to the tax dispute between a subsidiary of Maxprofit and Bureau of Internal Revenue in the Philippines ("**BIR**") for 2008 and 2012, as well as the potential income tax (but not taking into account any possible additional penalties or interest liability) that may be assessed by BIR for the taxable years which are not yet barred by prescription under the relevant laws, rules and regulations in the Philippines; and (b) contingent liabilities of approximately HK$8.8 million, relating to the tax dispute between another subsidiary of Maxprofit and BIR for 2011 (but not taking into account any possible additional penalties or interest liability). For details of the contingent liabilities of the Target Group, please refer to note 25 of the accountant's report of the Target Group as set out in Appendix II-A to the Circular.

The table below sets forth the reconciliation between the net book value of the Properties as of 31 March 2016 as extracted from the accountants' report of the Target Group in Appendix II-A to the Circular, and the amounts of the valuation of the Properties as at 30 June 2016 (the "**Valuation**") as extracted from the valuation report (the "**Valuation Report**") prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the "**Valuer**") in Appendix IV to the Circular:

	As at 31 March 2016 *(HK$'000)*
Net book value of the Properties	
Investment properties	444,384
Buildings	315,438
	759,822
Valuation of the Properties	2,333,000
Net valuation surplus	1,573,178

Note:

In arriving at the above reconciliation, we have not taken into account the depreciation during the period from 1 April 2016 to 30 June 2016, given that any depreciation during the said period will decrease the net book value of the Properties by such amount while the net valuation surplus will increase by the same amount, and thus has no effect on unaudited adjusted net asset value of the Target Group.

The unaudited adjusted net asset value of the Target Group of approximately HK$2,483.0 million (the "**Adjusted NAV**"), represent the sum of the net asset value of the Target Group of approximately HK$1,154.8 million as of 31 March 2016 and the net valuation surplus of approximately HK$1,573.2 million, less the dividend of HK$245 million declared by Maxprofit on 12 July 2016.

(iii) Overview of the tourism and gaming industries in the Philippines

According to the Philippines' Department of Tourism (www.tourism.gov.ph), for the five months ended May 2016, the total number of visitor arrivals to the Philippines amounted to approximately 2.52 million, which represented an increase of approximately 13.0% as compared to the same period in the previous year. In 2015, the total number of visitor arrivals to the Philippines amounted to approximately 5.36 million arrivals, which represented (i) an increase of approximately 10.9% as compared to that of 2014; and (ii) a compound annual growth rate ("**CAGR**") of approximately 7.8% from 4.27 million arrivals in 2012. According to the Philippines' Department of Tourism (www.tourism.gov.ph), the occupancy rate of hotel rooms in Metro Manila remained relatively stable at approximately 67.2% between 2012 and 2013.

For the gaming industry, according to the 2014 annual report of PAGCOR, PAGCOR operates nine casino branches in major cities in the country, aside from slot machine arcades and PAGCOR clubs. For the six months ended 30 June 2016, the total gaming income of PAGCOR was approximately Peso26,084 million, which represented an increase of approximately 19.6% over the same period in the previous year. In 2015, the total gaming income of PAGCOR was approximately Peso43,385 million which represented an significant increase of approximately 45.0% as compared to total gaming income of approximately Peso29,931 million in 2014. The total gaming income of PAGCOR grew at a CAGR of approximately 16.4% from approximately Peso27,479 million in 2012 to approximately Peso43,385 million in 2015.

Taking into account the above, we concur with the view of the management of the Group that there would be growth potential in the tourism and gaming industries of the Philippines in the future.

As set forth in the paragraph headed "Information of the Group" above, the revenue and profit of the Group had been declining in FY2015 and FY2016. We note from the "Chairman Statement" of the Annual Report 2015/16 that despite the economic growth of the Philippines, the Group's business operations have been encountering challenges from the opening of new hotels and casinos in the vicinity of the Properties in the past several years. In particular, the commencement of operation a large scale integrated casino resort complex namely City of Dreams Manila, which consists (i) three hotel brands and six hotel tower being Crown Towers, Nobu, and Hyatt; and (ii) casino with up to approximately 380 gaming tables, 1,700 slot machines and 1,700 electronic table games, has created strong competition for existing hotels and casino in Manila including the Properties. As stated in the Letter from the Board, there has been no major renovation of the Hotel since its commencement of operation in 2004. After the Target Group secured the renewal of the lease with PAGCOR in

December 2015, the management of the Target Group considers that it will be a proper timing to carry out a renovation plan to improve the Properties as well as the facilities therein to attract more guests and enhance their experience during their stay. The renovation plan will also include the remodeling of the hotel rooms into the most preferable room type with the highest demand. With regard to the area leased to PAGCOR for gaming, the management of the Target Group will consider the renovation plan, in consultation with PAGCOR, to upgrade the facilities therein so as to attract more guests. Taking into account the growth potential of the tourism and gaming industries of the Philippines and the renovation plan of the Target Group, the management of the Group remains optimistic for the growth of its hotel operations and leasing of properties business in long term.

(iv) Reasons for the Acquisition

Taking into account (i) the prospect of the hospitability and gaming industry in the Philippines; (ii) the historical performance of the hotel operations and the leasing of properties of the Target Group (including the tax disputes and contingent liabilities); (iii) the upcoming renovation plan of the hotel complex of the Target Group; (iv) the available cash on hand, most of which are not available for normal dividend pay-out to the Shareholders, the Directors consider it is to be the appropriate time for the Group to consolidate its interest in the Target Group by acquiring the remaining 49% equity interest in Maxprofit. For details, please refer to the section headed "Reasons for and benefits of the Acquisition" in the Letter from the Board.

Furthermore, as disclosed in the Letter from the Board, the Group acquired 51% equity interest in the Target Group in 2007 and since then the Target Group has provided the Group with continuous positive contribution. As stated in the section headed "Chairman's Statement" of the Annual Report 2015/16, higher disposable incomes, increasingly discerning market demographic and other positive factors are driving the booming development of the hospitality and gaming industries in the Philippines and the Group will remain focused on existing business operations and investments in the Philippines, and will make good use of cash on hand for investment for better return to the Shareholders. The management of the Group will also consider a renovation plan to improve the Properties as well as the facilities therein so as to attract more guests and enhance their experience during their stays.

Although the renovation cost of the Target Group will be fully attributable to the Company after the Acquisition, we concur with the Directors that it is an appropriate time for the Group to consolidate its interest in the Target Group taking into account (i) the recent renewal of the lease between the subsidiary of Maxprofit and PAGCOR upon which the term of the lease 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 the subsidiary of Maxprofit under the lease agreement reaching an aggregate of Peso24.5 billion (equivalent to approximately HK$4.1 billion); (ii) the anticipated increase in revenue from the Properties following the renovation which will be fully attributable to the Company after the Acquisition; (iii) that the renovation is expected to be funded by working capital of the Target Group; and (iv) that the renovation is currently intended to be carried out by stages such that at each stage, only a certain part of the Properties will undergo renovation and most part of the Properties will remain its normal operations, so as to minimize the impact, if any, on the operations of the Properties.

(v) Our view on the Acquisition

Having taken into consideration the above, in particular, (i) the Acquisition is in line with the strategy of the Group; (ii) the continuous revenue contribution by the Target Group to the Group since 2007; (iii) the recurring income to be generated from the Target Group under the Lease Agreement; (iv) the growth potential of the tourism and gaming industries in the Philippines; and (v) our analysis on the major terms of the Acquisition Agreement (with details set out in the sub-section headed "B. Major terms of the Acquisition Agreement" in our letter below), we consider that the Acquisition is in the interests of the Company and the Independent Shareholders as a whole.

B. Major terms of the Acquisition Agreement

The following is our analysis and views on the major terms of the Acquisition Agreement:

(i) Consideration and payment terms

The Purchase Price is a fixed sum of HK$1,138 million, which shall be satisfied by Fortune Growth, at Completion, in the following manner:

(i) as to HK$788 million by cash; and

(ii) as to HK$350 million, by way of Fortune Growth issuing to Cross-Growth (or as it may direct) the Promissory Note, which shall bear interest at the rate of 4% per annum on the outstanding principal amount.

As stated in the Letter from the Board, the Purchase Price was arrived at after arm's length negotiations between the Company and Cross-Growth taking into account, among others, (i) the unaudited adjusted net asset value of the Target Group; (ii) the estimated valuation of the properties of the Target Group as at 31 March 2016 (the "**Preliminary Valuation**") which was carried out by the Valuer; (iii) a dividend of HK$245 million declared by Maxprofit on 12 July 2016; and (iv) historical financial results of the Target Group. As disclosed in the Letter from the Board, the Purchase Price (being HK$1,138 million) represents a discount of approximately 8.2% to the 49% of the preliminary adjusted net asset value of the Target Group's as at 31 March 2016 of approximately HK$1,240.2 million. The preliminary adjusted net asset value of the Target Group represent the net asset value of the Target Group as adjusted by the Preliminary Valuation at as 31 March 2016 and the dividend declared by Maxprofit.

As shown in the paragraph headed "Information on the Target Group" above, the Adjusted NAV, which represents the net asset value of the Target Group as at 31 March 2016 as adjusted by the Valuation as at 30 June 2016 and the dividend declared by Maxprofit, amounted to approximately HK$2,483.0 million. The Purchase price (being HK$1,138 million) represents a discount of approximately 6.5% to the 49% of the Adjusted NAV of approximately HK$1,216.7 million.

(ii) Valuation Report

(a) Experience of the Valuer and its engagement

We have interviewed the Valuer and reviewed the Valuer's engagement letter and other information provided by the Valuer. Based on the review and the interview, we are satisfied with the terms of the engagement of the Valuer and its qualification and experience for preparation of the Valuation Report. The Valuer confirmed that it is independent of and not connected with the Group, Cross-Growth, the Target Group and their respective associates. Furthermore, the Valuer has confirmed that the Valuation Report is prepared in line with the standard valuation procedures and practices, the valuation method adopted is commonly used for valuing hotels and the underlying assumptions and basis used in the Valuation Report are fair and reasonable.

We note that the Valuer is a member of the Hong Kong Institute of Surveyors and understand that it has experience in performing valuation in various aspects including initial public offerings, merger and acquisition and annual accounting. As stated in the Valuation Report, representatives of the Valuer, being Mr. Isaac Yip and Ms. Tracy Yuen, had conducted site inspection of the Properties on 3 June 2016. Mr. Isaac Yip has 10 years' experience in the valuation of property in Hong Kong and Ms. Tracy Yuen is a probationer of the Hong Kong Institute of Surveyors. Furthermore, Eddie T.W. Yiu, being the person in charge of the Valuation, is a Chartered Surveyor who has 22 years' experience in the valuation of properties in Hong Kong and the People's Republic of China as well as relevant experience in the Asia-Pacific region.

(b) Valuation assumption and methodology

As stated in the Valuation Report, in arriving at the Valuation of approximately HK$2,333 million, the Valuer has adopted the income capitalization approach (alternatively known as discounted cash flow 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 the Properties. We have reviewed the Valuation Report and discussed with the Valuer on the rationale for adopting the income capitalization approach as the principal valuation methodology for the Properties, as well as the bases and assumptions adopted in arriving at the appraised value using the income capitalization approach.

As advised by the Valuer, the income capitalization approach and the direct comparison approach are the two most common valuation methodologies in valuing properties similar to that of the Properties. According to the Valuer, the income capitalization approach is a more appropriate valuation approach for assessing properties which are held for long term cash flow generation. The Valuer considers that the direct comparison approach to be less relevant since there are no directly comparable recent transactions in the surrounding area. In assessing the stream of income that is likely to be derived from the Properties, the Valuer made various assumptions in respect of the revenues and expenses of the Properties, with reference to the historical operational data, industry data and expected market and economic conditions in the future.

We understand from the Valuer that the Valuation represented the sum of the appraised value of hotel portion of the Properties (the "**Hotel Properties Valuation**") and the areas leased to PAGCOR within the Properties (the "**Leasing Properties Valuation**"). As stated in the Valuation Report, the Properties comprises a portion of a building complex erected on two contiguous parcels of land. One of the two contiguous parcels of land is leased to the Target Group for a maximum term of 53 years from 13 February 2004. As of the date of the Valuation, the Properties has an unexpired land use term of approximately 40.6 years. In arriving at the Valuation, the Valuer considered the Properties as a fully operational and going concern hotel and leasing operation throughout the unexpired land use term.

(c) Hotel Properties Valuation

We note that the Hotel Properties Valuation is determined by (i) discounting the projected net incomes of the Hotel for first 10 years of the unexpired land use term of the Properties; and (ii) capitalizing the estimated net incomes with a terminal capitalization rate for the remainder of the unexpired land use term of the Properties of approximately 30.6 years. As advised by the Valuer, such approach is commonly used in valuing properties with hotel operations. As part of our due diligence, we have reviewed the article published by the Royal Institution of Chartered Surveyors ("**RICS**") in July 2014 relating to the capital valuation and rental valuation of hotels in Asia and we note that RICS suggests that the assessment of income streams of hotel properties in Asia using the discounted cash flow approach should be over a five to ten year period. As advised by the Valuer, since the Properties is held for long term investment of over 10 years, the Valuer has adopted a 10-year forecast period.

In projection of income streams of the Hotel for the coming 10 years, the Valuer incorporated various assumptions in respect of the future income and expenses of the Hotel. The Valuer assumed, among others, (i) an average occupancy rate of 70.0%; (ii) an average daily room rate of approximately Peso4,958 for FY2017 and an annual growth rate of 5.0% from FY2017 onwards; and (iii) that the expenses and other ancillary revenue such as revenue from food and beverages will be in a specific proportion to the room revenue. As advised by the Valuer, the estimated occupancy rate is determined based on the average occupancy rate of the Hotel for the past three financial years, the occupancy rate of other comparable hotels and the future economic and market conditions of the hotel industry in Manila, the Philippines. For the average daily room rate and the annual growth rate, it is determined after taking into account the average room rates of the Hotel for the past three financial years and the expected inflation rate of 5.0% per annum. For other miscellaneous revenue and expenses, it is estimated that they will be in a fixed proportion to the room revenue mainly based on the historical operation data from the past three years. We have reviewed (i) the historical operation data of the Hotel for the past three years, including the occupancy rate, room rate and financial information, provided by the Company; (ii) the market information provided by the Valuer regarding other comparable hotels and the hotel industry in Manila, the Philippines; and (iii) the average historical growth in consumer price index of the Philippines for the past 20 years of 5.0%, which is used to determine the expected inflation rate. Based on our review, we note that the assumptions adopted by the Valuer are reasonable when references are made to the aforementioned historical operational data, market information and historical growth in consumer price index, and consider that the above assumptions are fair and reasonable. The net income stream over the ten-year time frame is discounted at a rate of 11.0%, which is determined based on the weighted average cost of capital with reference to the comparable hotel properties in the Philippines.

From the 11th year onward to the end of the unexpired land use term, the net incomes of the Hotel is capitalized using a terminal capitalization rate of 6.0%. As advised by the Valuer, terminal capitalization rate is determined with reference to the capitalization rate of other comparable hotel properties in the Philippines. The capital value deduced is then discounted to its present value as of the date of the valuation by applying the same discount rate as the first 10 years. In respect of the aforesaid discount rate and the terminal capitalization rate, as part of our due diligence, we have reviewed the weighted average cost of capital calculation and other supporting information provided by the Valuer, including the prime lending rate of the Philippines, the beta, tax rate, existing capital structure and expected market returns of several hotel and gaming operators which are listed in the Philippine Stock Exchange. Based on the aforesaid review, we consider that the discount rate and the terminal capitalization rate are fair and reasonable.

(d) Leasing Properties Valuation

We note that the Leasing Properties Valuation is determined by (i) discounting the projected net incomes of the casino operation throughout the unexpired term of the Lease Agreement, being the first 14.8 years of the unexpired land use term of the Properties; and (ii) capitalizing the estimated net incomes with a terminal capitalization rate for the remainder of the unexpired land use term of the Properties of approximately 25.8 years. As advised by the Valuer, such approach is a commonly used in valuing properties held for leasing income.

In projection of income streams of the casino for the coming 15 years (being the approximate unexpired term of the Lease Agreement), the Valuer assumed that (i) the gaming income of the casino of approximately Peso 3,952.3 million for FY2017 and an annual growth rate of 3.0% from FY2017 onwards; (ii) variable expenses including marketing expenses will be in a specific proportion to the gaming revenue; and (iii) certain fixed expenses for replacement of plant and properties will remain the same throughout the forecast period. As advised by the Valuer, the gaming revenue and the annual growth rate is determined after taking into account the gaming income of the casino for the past three financial years and the expected inflation rate of 5.0% per annum. We have reviewed the financial information relating to the leasing of properties for the past three years and the average historical growth in consumer price index of the Philippines for the past 20 years of 5.0%, which is used to determine the expected inflation rate. Based on our review, we note that the assumptions adopted by the Valuer are reasonable when references are made to the aforementioned historical operational data and historical growth in consumer price index, and consider that the above assumptions are fair and reasonable. The net income stream over the 15-year time frame is discounted at a rate of 12.5%, which is determined based on the weighted average capital cost of capital with reference to the comparable casinos in the Philippines.

From the 16th year onward to the end of the unexpired land use term, the net incomes of the casino is capitalized using a terminal capitalization rate of 7.5%. As advised by the Valuer, the terminal capitalization rate is determined with reference to the capitalization rate of other comparable commercial properties in the Philippines. The capital value deduced is then discounted to its present value as of the date of the valuation by applying a discount rate of 10.0%, which is lower than that of the first 15 years of the forecast as it is assumed that the usage of properties will be commercial properties after the expiry of the Lease Agreement. As part of our due diligence, we have obtained from the Valuer and reviewed the weighted average cost of capital calculation and other supporting information, including the prime lending rate of the Philippines, the beta, tax rate, existing capital structure and expected market returns of several hotel and gaming operators which are listed in the Philippine Stock Exchange and the capitalization and discount rates of commercial properties held by several companies listed in the Philippine Stock Exchange (the "**Comparables**"). As advised by the Valuer, the Comparables consisted of four companies listed in the Philippine Stock Exchange and the selection criteria was based on (i) companies which have invested in commercial retail projects in the Philippines; and (ii) companies which have disclosed relevant information regarding their discount rates and/or capitalisation rates for their commercial properties in their latest annual reports. As advised by the Valuer, based on the above selection criteria, the Comparables identified are exhaustive for their purpose of conducting the valuation of the Target Group. Based on the aforesaid review, we consider that the relevant assumptions are fair and reasonable.

Our view

Based on the above, together with our review of and discussion with the Valuer about the Valuation Report, we consider that the Valuation Report has been compiled by the Valuer after due and careful enquiry, and we are not aware of any material factors which would affect the reasonableness of the methodology, assumptions and basis adopted in the Valuation Report.

(iii) Promissory Note

Set out below are details of the Promissory Note as extracted from the Letter from the Board:

Issuer:	Fortune Growth
Guarantor:	the Company
Principal amount:	HK$350 million
Term:	5 years
Interest Rate:	The Promissory Note carries interest which accrues on the outstanding principal amount from its issue date until repayment in full of the principal amount at the fixed rate of four per cent. (4%) per annum, payable yearly in arrears on the Business Day immediately preceding each anniversary of its issue date When determining the interest rate of the Promissory Note, the Directors noted that the current Hong Kong Dollar Best Lending Rate or Prime Rate offered by certain commercial banks in Hong Kong is 5% per annum. In view of the Group's debt free position, the Promissory Note is unsecured with no collateral except for the Company's guarantee and is allowed to be repaid by Fortune Growth at any time prior to maturity, the Directors consider that a 4% interest rate per annum is in the interest of the Company and the Shareholders as a whole which also allows the Group to retain certain amounts of cash on hand for future use so as to maintain its financial flexibility

Transferability:	The Promissory Note shall not be transferred by its holder to any person or persons at any time unless (i) the prior written consent will have been obtained from Fortune Growth and (ii) such transfer, if effected, is in compliance with all applicable laws, regulations and rules (including without limitation the Listing Rules)
Maturity date and early redemption:	The Promissory Note shall become due and payable in full on the Business Day immediately preceding the fifth anniversary of its issue date Fortune Growth has the right to redeem the whole or any part of the outstanding principal amount of the Promissory Note at any time prior to the Maturity Date by giving not less than seven days' prior written notice, provided that any partial prepayment shall be not less than HK$10 million or (if the amount prepaid is greater than HK$10 million) integral multiples of HK$1 million
Status:	The Promissory Note constitutes the direct, general, unsubordinated and unsecured obligations of Fortune Growth which will at all times rank *pari passu* with all other present and future unsecured and unsubordinated obligations of Fortune Growth, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application
Guarantee:	The Company unconditionally and irrevocably guarantees, by way of continuing security, the payment to the holder of the Promissory Note, on its written demand, of any principal or interest payable under the Promissory Note which Fortune Growth fails to pay on the due date for payment in accordance with the terms of this Promissory Note
Security:	Unsecured
Listing:	No application has been or will be made for the listing of the Promissory Note on the Stock Exchange or any other stock exchange

We note that the interest rate of the Promissory Note of 4% per annum is lower than the current Hong Kong Dollar Best Lending Rate offered by major commercial banks in Hong Kong of 5% per annum. We consider that the Hong Kong Dollar Best

Lending Rate, which represents the average rate of interest charged on loans by commercial banks to private individuals and companies, is an appropriate benchmark of lending costs in the general Hong Kong market. Furthermore, we also note from the Annual Report 2015/16 that the Group's gearing ratio was zero as at 31 March 2016 and 31 March 2015 respectively. Taking into account (i) the issuance of Promissory Note can reduce the amount of initial cash outflow of the Company for settlement of the Purchase Price and enable the Group to retain more cash on hand for future use; (ii) the interest rate of the Promissory Note is lower than the current Hong Kong Dollar Best Lending Rate which is an appropriate benchmark of the lending costs in Hong Kong; (iii) the Promissory Note is unsecured with no collateral; (iv) Fortune Growth can, at any time prior to maturity, repay any outstanding principal amount of the Promissory Note without incurring any penalties; and (v) the Group's zero gearing ratio, we consider that the issuance of the Promissory Note to settle part of the Purchase Price and the interest rate of the Promissory Note are in the interests of the Company and the Shareholders as a whole.

(iv) Conditions precedent

The Acquisition is conditional upon the fulfillment or, where applicable, waiver of the conditions. Please refer to the sub-section headed "Conditions" in the Letter from the Board for details.

If the conditions precedent of the Acquisition Agreement cannot be satisfied (or waived) at or before 5:00 p.m. on the Longstop Date, the Acquisition Agreement shall be cease and terminate unless the parties to the Acquisition Agreement otherwise agree. As at the Latest Practicable Date, none of the conditions have been fulfilled or waived.

Our view on the Acquisition Agreement

Having considered the above, in particular (i) the Purchase Price is at a discount of approximately 6.5% to the Adjusted NAV attributable to the 49% of the shareholding of the Target Group; and (ii) the Purchase Price will be satisfied by Fortune Growth as to HK$788 million by cash and as to HK$350 million by the Promissory Note and the terms of which are fair and reasonable, we are of the view that the principal terms of the Acquisition Agreement are normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole.

C. Possible financial effects of the Acquisition

(i) Accounting treatment upon completion of the Acquisition

Following the Completion, Maxprofit will become a wholly-owned subsidiary of the Company, profit or loss and each item of other comprehensive income and net assets of the Target Group will no longer be required to attribute to non-controlling interests in the consolidated financial statements of the Group.

As shown in the unaudited pro forma financial information on the Enlarged Group as set out in Appendix III to the Circular, assuming the Acquisition had taken place on 31 March 2016, the consolidated total assets of the Enlarged Group would have decreased to HK$1,252.9 million, taking into account the payments of cash consideration of the Purchase Price amounted to HK$788 million and the estimated transaction costs of approximately HK$4.5 million, and the total liabilities of the Enlarged Group would increase to approximately HK$500.8 million, taking into account the pro forma fair value of the Promissory Note amounted to approximately HK$335.4 million.

(ii) Working capital

We understand from the Company that the Purchase Price will be funded by the internal resources of the Group. In particular, the Group will finance the cash portion of the Acquisition by the Group's internally generated cash flows. Given that the Group had cash and cash equivalents of approximately HK$1.2 billion and zero gearing ratio as at 31 March 2016 as disclosed in the Annual Report 2015/16, we concur with the view of the Company that the Group would have sufficient internal resources to fulfill its payment obligations under the Acquisition.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that the Acquisition (including the issuance of the Promissory Note) is on normal commercial terms, in the ordinary and usual course of business of the Company and in the interests of the Company and the Independent Shareholders as a whole, and the terms thereof are fair and reasonable so far as the Group and the Independent Shareholders are concerned.

Accordingly, we advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder (including the issuance of the Promissory Note).

Yours faithfully,
For and on behalf of
BOSC International Company Limited

Heidi Cheng
Managing Director
Investment Banking

Cathy Leung
Vice President
Investment Banking

Financial information of the Group for each of the three years ended 31 March 2014, 31 March 2015, and 31 March 2016 are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.ientcorp.com) respectively.

- annual report of the Company for the year ended 31 March 2014 published on 18 July 2014;
- annual report of the Company for the year ended 31 March 2015 published on 20 July 2015; and
- annual report of the Company for the year ended 31 March 2016 published on 15 July 2016.

The auditor of the Company has not issued any qualified opinion on the consolidated financial statements of the Group for each of the three years ended 31 March 2014, 2015 and 2016.

STATEMENT OF INDEBTEDNESS OF THE ENLARGED GROUP

Save as the contingent liabilities as set out in Note 28 "Contingent Liabilities" in the published annual report of the Company for the year ended 31 March 2016 of which the status of those contingent liabilities remain unchanged as at 30 June 2016, there is no further contingent liabilities of the Enlarged Group as at 30 June 2016.

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 30 June 2016, 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.

FINANCIAL AND TRADING PROSPECTS

The Group will continue to focus on its existing business operations and investments in the Philippines, and will prudently explore new opportunities. The management of the Group will consider a renovation plan to improve the hotel complex of the Group as well as the facilities therein so as to attract more guests and enhance their experience during their stays.

The Group will also strive to make good use of available cash on hand for investment for better return to the Shareholders. The Directors will continue to review the Group's financial structure and the composition of its assets and liabilities periodically. The Directors consider that the existing business operations in the Philippines will continue to contribute significantly towards the Group's revenue and results.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial and trading position 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.

WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, after taking into account the Acquisition and financial resources available to the Enlarged Group, including internally generated funds from operations and cash and bank balances, the Enlarged Group will have sufficient working capital for its present requirements for at least the next 12 months from the date of this circular, in the absence of unforeseeable circumstances.

The following is the text of an accountants' report on the Target Group, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

德勤•關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

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

25 August 2016

The Board of Directors
International Entertainment Corporation

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Maxprofit International Limited ("Maxprofit") and its subsidiaries (together with Maxprofit collectively referred to as the "Maxprofit Group") for each of the three years ended 31 March 2016 (the "Relevant Periods") for inclusion in a circular issued by International Entertainment Corporation (the "Company") dated 25 August 2016 (the "Circular") in connection with the major and connected transaction in relation to the proposed acquisition of the remaining 49% equity interest in Maxprofit (the "Acquisition").

Maxprofit, which acts as an investment holding company, was incorporated in the British Virgin Islands (the "BVI") as a private limited liability company on 8 November 2004. The address of its registered office is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, the BVI.

The particulars of Maxprofit's subsidiaries are as follows:

Name of the company	Place of incorporation	Date of incorporation	Issued and fully paid share capital as at 31 March 2014, 2015 and 2016	Principal activities
CTF Hotel and Entertainment, Inc. ("CTFHEI")	The Republic of the Philippines (the "Philippines")	7 October 2002	Philippine Peso ("Peso") 10,468,600	Investment holding
CTF Properties (Philippines), Inc. ("CTFPPI")	The Philippines	3 October 2002	Peso10,468,600	Investment holding
Marina Square Properties, Inc. ("MSPI")	The Philippines	11 October 2002	Peso2,722,930,653	Property investment
New Coast Hotel, Inc. ("NCHI")	The Philippines	11 October 2002	Peso621,444,867	Hotel owner, operation of hotel business
Starcharm Limited ("Starcharm")	The BVI	18 October 2004	United States Dollar ("USD") 1	Investment holding
Flexi-Deliver Holding Ltd. ("Flexi-Deliver")	The BVI	8 May 2002	USD1	Investment holding
Pride Ever Resources Ltd. ("Pride Ever")	The BVI	9 July 2002	USD1	Inactive

All the above companies are wholly-owned by Maxprofit at 31 March 2014, 2015 and 2016 and up to the date of this report. Other than Starcharm, Flexi-Deliver and Pride Ever, all other subsidiaries of Maxprofit are indirectly owned.

CTFHEI, CTFPPI, MSPI and NCHI have adopted 31 December as their financial year end date. The statutory financial statements of these companies for the years ended 31 December 2013, 2014 and 2015 were prepared in accordance with Philippine Financial Reporting Standards and were audited by SyCip Gorres Velayo & Co., Certified Public Accountants registered in the Philippines.

Starcharm, Flexi-Deliver and Pride Ever have adopted 31 March as their financial year end date. No audited statutory financial statements have been prepared for Starcharm, Flexi-Deliver and Pride Ever since their respective dates of incorporation as they were incorporated in a jurisdiction where there is no statutory audit requirement.

For the purpose of this report, the directors of Maxprofit have prepared the consolidated financial statements of the Maxprofit Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements") .We have undertaken an independent audit on the Underlying Financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustments were considered necessary to adjust the Underlying Financial Statements in preparing our report for inclusion in the Circular.

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

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Maxprofit Group as at 31 March 2014, 2015 and 2016 and the financial performance and cash flows of the Maxprofit Group for the Relevant Periods.

(A) FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 March		
		2014	**2015**	**2016**
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	5	389,711	366,837	330,939
Cost of sales		(216,530)	(206,837)	(176,562)
Gross profit		173,181	160,000	154,377
Other income	8	8,345	8,239	4,854
Other gain and loss	8	45,649	5,132	2,879
Selling and marketing expenses		(4,792)	(5,405)	(5,966)
General and administrative expenses		(118,945)	(120,678)	(112,244)
Profit before taxation	9	103,438	47,288	43,900
Income tax charge	10	(13,260)	(18,978)	(16,327)
Profit for the year		90,178	28,310	27,573

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 March		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Profit for the year	90,178	28,310	27,573
Other comprehensive (expense) income			
Items that will not be reclassified subsequently to profit or loss:			
— exchange differences arising on translation	(173,263)	401	(30,530)
— remeasurement of defined benefit obligations	694	(275)	(306)
	(172,569)	126	(30,836)
Total comprehensive (expense) income for the year	(82,391)	28,436	(3,263)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 March		
		2014	2015	2016
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	13	431,465	398,626	356,422
Investment properties	14	673,027	555,412	444,384
Other receivables, deposits and prepayments		916	892	5,926
		1,105,408	954,930	806,732
Current assets				
Inventories	15	2,585	3,067	2,546
Trade receivables	16	26,557	25,932	20,211
Other receivables, deposits and prepayments		18,440	18,343	14,359
Bank balances and cash	18	882,533	359,379	470,126
		930,115	406,721	507,242
Current liabilities				
Trade payables	19	2,435	5,916	6,094
Other payables and accrued charges	19	25,963	24,093	23,435
Tax liabilities		—	58,381	—
		28,398	88,390	29,529
Net current assets		901,717	318,331	477,713
Total assets less current liabilities		2,007,125	1,273,261	1,284,445
Capital and reserves				
Share capital	20	1	1	1
Reserves		1,851,567	1,158,103	1,154,840
Equity attributable to owners of Maxprofit		1,851,568	1,158,104	1,154,841
Non-current liabilities				
Deferred tax liabilities	22	152,209	110,978	124,434
Other liabilities	23	3,348	4,179	5,170
		155,557	115,157	129,604
		2,007,125	1,273,261	1,284,445

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital *HK$'000*	Exchange reserve *HK$'000*	Other reserve *HK$'000* *(note)*	Retained profits (accumulated losses) *HK$'000*	Total *HK$'000*
At 1 April 2013	1	207,217	1,267,561	459,180	1,933,959
Profit for the year	—	—	—	90,178	90,178
Exchange differences arising on translation	—	(173,263)	—	—	(173,263)
Remeasurement of defined benefit obligations	—	—	—	694	694
Total comprehensive (expense) income for the year	—	(173,263)	—	90,872	(82,391)
At 31 March 2014	1	33,954	1,267,561	550,052	1,851,568
Profit for the year	—	—	—	28,310	28,310
Exchange differences arising on translation	—	401	—	—	401
Remeasurement of defined benefit obligations	—	—	—	(275)	(275)
Total comprehensive income for the year	—	401	—	28,035	28,436
Dividends recognised as distribution *(note 11)*	—	—	—	(721,900)	(721,900)
At 31 March 2015	1	34,355	1,267,561	(143,813)	1,158,104
Profit for the year	—	—	—	27,573	27,573
Exchange differences arising on translation	—	(30,530)	—	—	(30,530)
Remeasurement of defined benefit obligations	—	—	—	(306)	(306)
Total comprehensive (expense) income for the year	—	(30,530)	—	27,267	(3,263)
At 31 March 2016	1	3,825	1,267,561	(116,546)	1,154,841

Note: Other reserve represents the differences between the acquisition consideration and the fair value of net assets acquired at the date of completion of an acquisition of subsidiaries from a subsidiary of intermediate holding company arising during the year ended 31 March 2008.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
Profit before taxation	103,438	47,288	43,900
Adjustments for:			
Allowance for bad and doubtful debt for trade receivables, net	1,393	1,741	1,585
Depreciation of property, plant and equipment	54,583	48,152	43,277
Depreciation of investment properties	121,905	119,949	95,805
Loss on write-off of property, plant and equipment	25	—	—
Interest income	(6,353)	(7,316)	(4,275)
Net foreign exchange gain	(45,649)	(5,132)	(2,879)
Operating cash flows before movements in working capital	229,342	204,682	177,413
Decrease (increase) in inventories	66	(480)	440
(Increase) decrease in trade receivables	(445)	(1,097)	3,440
Decrease (increase) in other receivables, deposits and prepayments	2,472	(2,026)	(22)
(Decrease) increase in trade payables	(2,082)	3,479	338
Decrease in other payables and accrued charges	(2,537)	(1,889)	(1,068)
Increase in other liabilities	777	560	801
Cash generated from operations	227,593	203,229	181,342
Income tax paid	(115,508)	—	(57,568)
NET CASH GENERATED FROM OPERATING ACTIVITIES	112,085	203,229	123,774
INVESTING ACTIVITIES			
Additions to property, plant and equipment	(23,814)	(14,883)	(10,925)
Interest received	6,278	7,422	3,062
Additions to investment properties	—	(647)	—
Proceeds from disposal of property, plant and equipment	1,419	213	143
NET CASH USED IN INVESTING ACTIVITIES	(16,117)	(7,895)	(7,720)

	Year ended 31 March		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
FINANCING ACTIVITIES			
Dividends paid	—	(721,900)	—
Repayment to intermediate holding company	(77)	—	—
CASH USED IN FINANCING ACTIVITIES	(77)	(721,900)	—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	95,891	(526,566)	116,054
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	815,099	882,533	359,379
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(28,457)	3,412	(5,307)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	882,533	359,379	470,126

NOTES TO FINANCIAL INFORMATION

1. GENERAL BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Maxprofit was incorporated in the BVI as a private limited liability company on 8 November 2004. Fortune Growth Overseas Limited, a wholly-owned subsidiary of the Company, and Cross-Growth Co., Ltd. have 51% and 49% equity interest respectively in Maxprofit. The intermediate and ultimate holding company of Maxprofit are the Company and Chow Tai Fook Capital Limited, which is incorporated in the BVI, respectively. Maxprofit Group is principally engaged in hotel operations, leasing of properties for casino and ancillary leisure and entertainment operations.

The functional currency of Maxprofit is Peso, the currency of the primary economic environment in which Maxprofit's major subsidiaries operate. The Financial Information is presented in Hong Kong Dollars ("HK$") as the directors of Maxprofit (the "Maxprofit Directors") consider that it is an appropriate presentation for the convenience of the shareholders of Maxprofit.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Maxprofit Group has consistently applied HKFRSs issued by the HKICPA that are effective for the Maxprofit Group's annual accounting periods beginning on 1 April 2015 throughout the Relevant Periods.

The Maxprofit 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[4]
Amendments to HKAS 1	Disclosure initiative[1]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[2]
Amendments to HKAS 7	Disclosure initiative[3]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[1]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[3]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from contracts with customers[2]
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[5]
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 2017.
4 Effective for annual periods beginning on or after 1 January 2019.
5 Effective for annual periods beginning on or after a date to be determined.

HKFRS 15 "Revenue from contracts with customers"

In July 2015, 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, the Standard 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.

It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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 the Financial Information, the Maxprofit Directors are in the process of assessing the potential financial impact on the Maxprofit Group.

The Maxprofit Directors anticipates that 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 Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

The Financial Information has been prepared on the historical cost basis. 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 Maxprofit 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 this Financial Information 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 "Leases", 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 Financial Information incorporates the financial statements of Maxprofit and entities controlled by Maxprofit and its subsidiaries. Control is achieved when Maxprofit:

- 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 Maxprofit 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.

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

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Maxprofit 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 hotel services 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 Maxprofit 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.

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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are mainly loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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.

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, deposits 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

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables 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 Maxprofit 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 Maxprofit 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 Maxprofit 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 Maxprofit Group derecognises financial liabilities when, and only when, the Maxprofit 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 statements 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.

Impairment losses of tangible assets

At the end of each reporting period, the Maxprofit 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 Maxprofit 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 Maxprofit 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 Maxprofit 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 statements 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 Maxprofit 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 each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax 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 Maxprofit 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 each 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 Maxprofit 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 each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at the date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

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

For the purposes of presenting the Financial Information, the assets and liabilities of the Maxprofit Group's foreign operations are translated into the presentation currency of the Maxprofit 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.

Retirement benefit costs

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 statements 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 Maxprofit 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 statements of financial position represents the present value of the defined benefit obligations.

Provisions

Provisions are recognised when the Maxprofit Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Maxprofit 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 each 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. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Maxprofit Group's accounting policies, which are described in note 3, the Maxprofit 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 each 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 allowance policy for bad and doubtful debts of the Maxprofit 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 Maxprofit Group, resulting in an impairment of their ability to make payments, additional allowance may be required. The carrying amount of the trade receivables was approximately HK$26,557,000, HK$25,932,000 and HK$20,211,000 as at 31 March 2014, 2015 and 2016 respectively.

Deferred tax liabilities

Deferred tax liability on the undistributed profits earned by the subsidiaries of Maxprofit in 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 and 2014: 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 Maxprofit. The Maxprofit Group has provided deferred tax in an amount of approximately HK$19,485,000, HK$19,241,000 and HK$22,614,000 for each of the three years ended 31 March 2014, 2015 and 2016 in relation to the withholding tax of undistributed earnings that intends not to be retained under the relevant subsidiaries of Maxprofit in the Philippines (details disclosed in note 22).

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

Taxation

Certain subsidiaries of Maxprofit 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 Maxprofit Group in respect of those tax disputes were approximately HK$300,318,000, HK$328,929,000 and HK$468,955,000 as at 31 March 2014, 2015 and 2016 in total. The details are set out in note 25.

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

The Maxprofit 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 Maxprofit Group. The Maxprofit 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 Maxprofit Group could be affected by changes in these estimates brought about by the changes in the factors mentioned. The management of the Maxprofit 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, MSPI, an indirect wholly-owned subsidiary of Maxprofit, 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 Maxprofit 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 Maxprofit Group's business activities in the foreseeable future, the management of the Maxprofit 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 decrease.

5. REVENUE

	As at 31 March		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
The Maxprofit Group's revenue comprises:			
Hotel			
Room revenue	86,569	84,195	68,150
Food and beverages	49,214	44,237	37,699
Other hotel service income	4,562	3,794	2,931
	140,345	132,226	108,780
Leasing of investment properties equipped with entertainment equipment	249,366	234,611	222,159
	389,711	366,837	330,939

6. SEGMENT INFORMATION

The Maxprofit Directors are the chief operating decision maker ("CODM"). The Maxprofit 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 Maxprofit Group's operating segments 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 Maxprofit Group's revenue and results by operating and reportable segment.

For the year ended 31 March 2014

	Hotel	Leasing	Reportable segment total	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
External sales	140,345	249,366	389,711	—	389,711
Inter-segment sales	243	684	927	(927)	—
Total	140,588	250,050	390,638	(927)	389,711
RESULTS					
Segment profit	326	42,258	42,584		42,584
Unallocated other income					1,992
Other gain and loss					45,649
Unallocated expenses					(47)
Profit for the year					90,178

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					923
Other gain and loss					5,132
Unallocated expenses					(35)
Profit for the year					28,310

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					579
Other gain and loss					2,879
Unallocated expenses					(14)
Profit for the year					27,573

The accounting policies of the operating segments are the same as the Maxprofit 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 gain and loss, and unallocated other income (i.e. investment income). This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

Segment assets and liabilities

At 31 March 2014

	Hotel	Leasing	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Segment assets	565,884	1,060,038	1,625,922
Unallocated assets			
Bank balances and cash			409,528
Others			73
Consolidated total assets			2,035,523
LIABILITIES			
Segment liabilities	64,629	119,322	183,951
Unallocated liabilities			4
Consolidated total liabilities			183,955

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			17,271
Others			7
Consolidated total assets			1,361,651
LIABILITIES			
Segment liabilities	63,558	139,989	203,547
Consolidated total liabilities			203,547

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			8,575
Others			6
Consolidated total assets			1,313,974
LIABILITIES			
Segment liabilities	61,074	98,058	159,132
Unallocated liabilities			1
Consolidated total liabilities			159,133

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

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

- all liabilities are allocated to operating segments other than unallocated liabilities (including other payables and accrued charges for corporate use).

Other segment information

For the year ended 31 March 2014

	Hotel	Leasing	Consolidated total
	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	2,513	21,301	23,814
Loss on write-off of property, plant and equipment	—	25	25
(Reversal of allowance) allowance for bad and doubtful debts for trade receivables, net	(47)	1,440	1,393
Depreciation	28,721	147,767	176,488
Interest income	1,890	4,463	6,353
Income tax credit (charge)	4,175	(17,435)	(13,260)

For the year ended 31 March 2015

	Hotel	Leasing	Consolidated total
	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
Allowance for bad and doubtful debts for trade receivables, net	29	1,712	1,741
Depreciation	27,755	140,346	168,101
Interest income	1,590	5,726	7,316
Income tax credit (charge)	375	(19,353)	(18,978)

For the year ended 31 March 2016

	Hotel	Leasing	Consolidated total
	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
(Reversal of allowance) allowance for bad and doubtful debts for trade receivables, net	(5)	1,590	1,585
Depreciation	26,592	112,490	139,082
Interest income	1,054	3,221	4,275
Income tax credit (charge)	2,710	(19,037)	(16,327)

Geographical segments

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

All of the Maxprofit Group's revenue is generated from external customers in the Philippines. As at 31 March 2014, 2015 and 2016, all of the non-current assets were located in the Philippines.

Revenue from major services

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

Information about major customer

For each of the three years ended 31 March 2014, 2015 and 2016, included in the revenue generated from hotel segment and leasing segment of approximately HK$2,448,000, HK$2,834,000 and HK$2,782,000, and HK$249,366,000, HK$234,611,000 and HK$222,159,000 respectively, were contributed by the Maxprofit Group's largest customer and the aggregate revenue from this customer represented approximately 65%, 65% and 68% of the total revenue of the Maxprofit Group respectively. There are no other single customers contributing over 10% of the Maxprofit Group's total revenue for the Relevant Periods.

7. MAXPROFIT DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Maxprofit Directors' and chief executive's emoluments

During the Relevant Periods, no fees or other emoluments were paid or payable by the entities comprising the Maxprofit Group to Dr. Cheng Kar Shun and Mr. To Hin Tsun, Gerald, the Maxprofit Directors.

During the Relevant Periods, no remuneration was paid or payable by the Maxprofit Group to the Maxprofit Directors as an inducement to join or upon joining the Maxprofit Group or as compensation for loss of office.

(b) Employees' emoluments

The five highest paid individuals are employees of the Maxprofit Group. Their emoluments were as follows:

	Year ended 31 March		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other benefits	10,247	10,192	10,956
Retirement benefit costs	301	239	239
Discretionary or performance related incentive payments	258	707	329
	10,806	11,138	11,524

During the Relevant Periods, no emoluments were paid or payable by the Maxprofit Group to the five highest paid individuals as an inducement to join or upon joining the Maxprofit Group or as compensation for loss of office.

Their emoluments were within the following bands:

	Year ended 31 March		
	2014	**2015**	**2016**
	No. of individuals	*No. of individuals*	*No. of individuals*
HK$1,000,001 to HK$1,500,000	2	2	2
HK$1,500,001 to HK$2,000,000	1	2	1
HK$2,000,001 to HK$2,500,000	1	—	—
HK$2,500,001 to HK$3,000,000	—	—	1
HK$4,500,001 to HK$5,000,000	1	1	—
HK$5,000,001 to HK$5,500,000	—	—	1
	5	5	5

8. OTHER INCOME, AND OTHER GAIN AND LOSS

	Year ended 31 March		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Other income			
Interest income from bank balances	6,353	7,316	4,275
Sundry income	1,992	923	579
	8,345	8,239	4,854
Other gain and loss			
Net foreign exchange gain	45,649	5,132	2,879

9. PROFIT BEFORE TAXATION

	Year ended 31 March 2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):			
Allowance for bad and doubtful debts for trade receivables, net	1,393	1,741	1,585
Auditor's remuneration in respect of the statutory audit of certain subsidiaries of the Maxprofit Group	213	217	212
Maxprofit Directors' emoluments *(note 7)*	—	—	—
Other staff costs:			
— salaries and other allowances	44,614	47,240	47,341
— retirement benefit costs *(note 23)*	1,145	789	892
Total other staff costs	45,759	48,029	48,233
Cost of inventories recognised as an expense	15,650	15,055	13,818
Depreciation of property, plant and equipment	54,583	48,152	43,277
Depreciation of investment properties	121,905	119,949	95,805
Loss on write-off of property, plant and equipment	25	—	—
Minimum lease payment under operating leases in respect of premises and land	4,743	4,654	4,461
Gross revenue from leasing of investment properties equipped with entertainment equipment	(249,366)	(234,611)	(222,159)
Less: Direct operating expenses that generated revenue from leasing of investment properties equipped with entertainment equipment *(note)*	196,218	185,996	157,908
	(53,148)	(48,615)	(64,251)

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

10. INCOME TAX CHARGE

	Year ended 31 March		
	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*
Current tax charge — The Philippines	—	(60,741)	(15)
Deferred taxation *(note 22)*:			
Current year (charge) credit	(13,260)	41,763	(16,312)
	(13,260)	(18,978)	(16,327)

The corporate income tax rate in the Philippines is 30% during the Relevant Periods. The withholding tax rate in respect of a dividend distributed by a subsidiary of Maxprofit operating in the Philippines to its overseas immediate holding company is 15% during the Relevant Periods.

No provision for taxation in other jurisdiction was made in the Financial Information during the Relevant Periods as those group entities had no assessable profits in the respective jurisdiction.

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

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

	Year ended 31 March		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation	103,438	47,288	43,900
Taxation at the domestic rate applicable to profits in the country concerned	31,031	14,186	13,170
Tax effect of expenses not deductible for tax purpose	777	1,888	3,020
Tax effect of income not taxable for tax purpose	(18,440)	(1,680)	(1,303)
Tax effect of net income derived from leasing of properties to PAGCOR not taxable for tax purpose	(19,710)	(18,096)	(27,333)
Tax effect of utilisation of tax losses and deductible temporary difference not previously recognised	(41)	—	—
Tax effect of tax losses and deductible temporary differences not recognised	231	1,753	5,967
Tax effect of deferred tax assets not previously recognised	—	1,763	—
Withholding tax for distributable earnings by a subsidiary in the Philippines	—	58,978	—
Deferred tax on undistributed earnings of Philippine subsidiaries	19,485	(39,737)	22,614
Others	(73)	(77)	192
Income tax charge for the year	13,260	18,978	16,327

11. DIVIDENDS

During the year ended 31 March 2015, Maxprofit declared and paid dividends of HK$7,219,000 per share amounting to HK$721,900,000 in aggregate to its shareholders.

12. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Machinery	Furniture, fixtures and equipment	Entertainment equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
As at 1 April 2013	584,294	4,272	104,981	71,159	166,161	1,088	931,955
Exchange adjustments	(52,190)	(377)	(9,270)	(6,327)	(14,623)	(95)	(82,882)
Additions	103	—	545	2,239	20,728	199	23,814
Disposals	—	—	(8)	(479)	(3,573)	(208)	(4,268)
Write-off	—	—	(279)	(63)	(18,421)	—	(18,763)
As at 31 March 2014	532,207	3,895	95,969	66,529	150,272	984	849,856
Exchange adjustments	364	2	65	55	101	1	588
Additions	1,007	—	355	620	12,901	—	14,883
Disposals	—	—	—	(1,178)	(161)	—	(1,339)
Write-off	—	—	(67)	(77)	(12,119)	—	(12,263)
As at 31 March 2015	533,578	3,897	96,322	65,949	150,994	985	851,725
Exchange adjustments	(14,142)	(103)	(2,552)	(1,744)	(3,993)	(26)	(22,560)
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)
As at 31 March 2016	519,436	3,794	93,914	64,538	148,649	964	831,295
ACCUMULATED DEPRECIATION							
As at 1 April 2013	148,213	1,148	97,314	64,518	111,750	806	423,749
Exchange adjustments	(13,823)	(107)	(8,632)	(5,757)	(9,966)	(69)	(38,354)
Provided for the year	25,463	202	1,841	2,686	24,306	85	54,583
Eliminated on disposals	—	—	(5)	(396)	(2,294)	(154)	(2,849)
Eliminated on write-off	—	—	(279)	(63)	(18,396)	—	(18,738)
As at 31 March 2014	159,853	1,243	90,239	60,988	105,400	668	418,391
Exchange adjustments	(140)	—	49	36	1	(1)	(55)
Provided for the year	25,026	125	1,584	1,916	19,368	133	48,152
Eliminated on disposals	—	—	—	(1,123)	(3)	—	(1,126)
Eliminated on write-off	—	—	(67)	(77)	(12,119)	—	(12,263)
As at 31 March 2015	184,739	1,368	91,805	61,740	112,647	800	453,099
Exchange adjustments	(4,769)	(36)	(2,434)	(1,628)	(2,941)	(21)	(11,829)
Provided for the year	24,028	177	1,410	1,660	15,932	70	43,277
Eliminated on disposals	—	—	(391)	(317)	(1,389)	—	(2,097)
Eliminated on write-off	—	—	(1,157)	(233)	(6,187)	—	(7,577)
As at 31 March 2016	203,998	1,509	89,233	61,222	118,062	849	474,873
CARRYING VALUES							
As at 31 March 2014	372,354	2,652	5,730	5,541	44,872	316	431,465
As at 31 March 2015	348,839	2,529	4,517	4,209	38,347	185	398,626
As at 31 March 2016	315,438	2,285	4,681	3,316	30,587	115	356,422

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%–33⅓%
Furniture, fixtures and equipment	20%–33⅓%
Entertainment equipment	20%
Motor vehicles	20%

All the buildings are located in the Philippines.

At 31 March 2014, 2015 and 2016, all entertainment equipment was held for use under operating leases to PAGCOR.

14. INVESTMENT PROPERTIES

	HK$'000
COST	
At 1 April 2013	1,552,987
Exchange adjustments	(137,016)
At 31 March 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
ACCUMULATED DEPRECIATION	
At 1 April 2013	685,055
Exchange adjustments	(64,016)
Provided for the year	121,905
At 31 March 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 2014	673,027
At 31 March 2015	555,412
At 31 March 2016	444,384

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.

At 31 March 2014, 2015, and 2016, the fair value of the Maxprofit Group's investment properties was approximately HK$706,000,000, HK$570,000,000 and HK$1,977,000,000, respectively. 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 Maxprofit 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 during the Relevant Periods.

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. INVENTORIES

The amount represents hotel consumables, food and beverages.

16. TRADE RECEIVABLES

	As at 31 March		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	27,982	29,081	24,828
Less: Allowance for bad and doubtful debts	(1,425)	(3,149)	(4,617)
Total trade receivables	26,557	25,932	20,211

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

Notes:

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

	As at 31 March		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Aged:			
0–30 days	23,549	22,994	18,850
31–60 days	1,411	2,064	1,123
61–90 days	181	145	238
Over 90 days	1,416	729	—
	26,557	25,932	20,211

Before accepting any new customer, the Maxprofit Group will assess the potential customer's credit quality and define credit limits by customer.

At 31 March 2014, 2015 and 2016, trade receivables with an aggregate carrying amount of approximately HK$23,549,000, HK$22,994,000 and HK$18,850,000 respectively were neither past due nor impaired. The Maxprofit Directors consider these trade receivables are of good credit quality.

(b) Ageing of trade receivables which are past due but not impaired:

	As at 31 March		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
31–60 days	1,411	2,064	1,123
61–90 days	181	145	238
Over 90 days	1,416	729	—
	3,008	2,938	1,361

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

(c) Movement in the allowance for bad and doubtful debts is as follows:

	As at 31 March		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Balance at beginning of the year	165	1,425	3,149
Exchange adjustments	(53)	(17)	(75)
Impairment losses recognised, net	1,393	1,741	1,585
Amounts written off as uncollectible	(80)	—	(42)
Balance at end of the year	1,425	3,149	4,617

At 31 March 2014, 2015 and 2016, included in the allowance for bad and doubtful debt are individually impaired trade receivables with an aggregate balance of approximately HK$1,425,000, HK$3,149,000 and HK$4,617,000 respectively which have been in serve finance differently.

17. CAPITAL COMMITMENTS

	As at 31 March		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the Financial Information	278	268	555

18. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Maxprofit Group and short-term bank deposits with an original maturity of three months or less. At 31 March 2014, 2015 and 2016, the Maxprofit Group's bank balances carried interest at prevailing market rate ranging from 0.050% to 2.625%, 0.050% to 2.000%, and 0.050% to 2.125% per annum, respectively.

At 31 March 2014, 2015 and 2016, the Maxprofit Group's bank balances that are denominated in USD are approximately HK$99,127,000, HK$66,661,000 and HK$54,603,000 respectively.

At 31 March 2014, 2015 and 2016, the Maxprofit Group's bank balances that are denominated in HK$ are approximately HK$390,739,000, HK$27,387,000 and HK$23,645,000 respectively.

19. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

Trade payables, other payables and accrued charges comprise amounts outstanding for the purchase and ongoing costs. At 31 March 2014, 2015 and 2016, the Maxprofit Group's other payables and accrued charges that are denominated in USD are approximately nil, HK$3,200,000 and HK$1,737,000 respectively.

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

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

	As at 31 March		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Aged:			
0–30 days	666	3,877	3,248
31–60 days	44	16	1,098
61–90 days	11	209	278
Over 90 days	1,714	1,814	1,470
	2,435	5,916	6,094

20. SHARE CAPITAL

The share capital at 1 April 2013, 31 March 2014, 2015 and 2016 represented the issued share capital of Maxprofit. There was no movement in the share capital of Maxprofit during the Relevant Periods.

	Number of shares	**Value**
		HK$'000 Equivalent
Authorised:		
Ordinary shares of USD 1 each		
At 1 April 2013, 31 March 2014, 2015 and 2016	50,000	390
Issued and fully paid:		
Ordinary shares of USD 1 each		
At 1 April 2013, 31 March 2014, 2015 and 2016	100	1

21. RELATED PARTY TRANSACTIONS

(a) The Maxprofit Group entered into the following transactions with related parties during the Relevant Periods:

	Year ended 31 March		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Accommodation and beverages income *(note i)*	331	168	128
Purchase of goods *(note ii)*	917	260	403
Expenses incurred under the hotel management agreement and the sales and marketing agreement *(note iii)*	—	1,335	5,204

Notes:

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

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

(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 Maxprofit. 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

The remuneration of the Maxprofit Directors are disclosed in note 7.

22. DEFERRED TAXATION

The following are the major deferred tax liabilities recognised and the movements thereon during the Relevant Periods:

	Unrealised foreign exchange gain *HK$'000* *(Note i)*	Fair value adjustments on property, plant and equipment and investment properties arising from business combination *HK$'000*	Withholding tax on undistributed earnings arising from Philippine subsidiaries *HK$'000* *(Note ii)*	Total *HK$'000*
At 1 April 2013	24,388	99,416	29,017	152,821
Exchange adjustments	(2,035)	(8,705)	(3,132)	(13,872)
(Credit) charge to profit or loss *(note 10)*	(3,991)	(2,234)	19,485	13,260
At 31 March 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)	(41,763)
At 31 March 2015	18,539	86,371	6,068	110,978
Exchange adjustments	(498)	(2,316)	(42)	(2,856)
(Credit) charge to profit or loss *(note 10)*	(1,317)	(4,985)	22,614	16,312
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 Maxprofit 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 and 2014: 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 Maxprofit 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 years ended 31 March 2014, 2015 and 2016, the Maxprofit Group has provided deferred tax in an amount of approximately HK$19,485,000, HK$19,241,000 and HK$22,614,000 respectively in relation to the withholding tax of undistributed earnings that intends not to be retained under the relevant subsidiaries of Maxprofit in the Philippines. During the year ended 31

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

At 31 March 2014, 2015 and 2016, the Maxprofit Group had estimated unused tax losses of approximately HK$4,051,000, HK$8,157,000 and HK$24,839,000, respectively, and deductible temporary differences of approximately HK$3,795,000, HK$6,943,000 and HK$8,365,000, respectively, arising from certain companies within the Maxprofit Group that are suffering from losses for years available for offset against future profits. At 31 March 2014, 2015 and 2016, no deferred tax assets was recognised for such losses due to the unpredictability of future profit streams from these companies within the Maxprofit Group.

The tax losses will be expired as follows:

	As at 31 March		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Year 2014	875	—	—
Year 2015	2,401	2,403	—
Year 2016	718	719	700
Year 2017	57	423	412
Year 2018	—	4,612	20,123
Year 2019	—	—	3,604

23. RETIREMENT BENEFIT COSTS

The retirement benefit costs of the Maxprofit Group charged to consolidated statements of profit or loss during the years ended 31 March 2014, 2015 and 2016 were approximately HK$1,145,000, HK$789,000 and HK$892,000, respectively.

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 benefit scheme

The Maxprofit 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 Maxprofit 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 Maxprofit. 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 Maxprofit to the retirement fund.

The Maxprofit 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 Maxprofit. However in the event a benefit claim arises, the obligations shall immediately be due and payable by the relevant subsidiary of Maxprofit.

The actuarial valuation of plan assets and the present value of the defined benefit obligations at 31 March 2015 were carried out by E.M. Zalamea Actuarial Services, Inc. and Institutional Synergy, Inc. (members of the Actuarial Society of the Philippines), the independent actuaries. The actuarial valuation of plan assets and the present value of the defined benefit obligations at 31 March 2014 and 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 31 March		
	2014	**2015**	**2016**
Discount rate *(note)*	6.00%	6.03%	5.75%
Expected rate of salary increase	4.00%	4.00%	3.50%

Note: The discount rate assumption is based on the spot yield curve calculated from the market yields by stripping the coupons from government bonds to create theoretical zero-coupon bonds as of the valuation date as at 31 March 2014, 2015 and 2016.

Amounts recognised in other comprehensive income during the Relevant Periods in respect of the defined benefit obligations are as follows:

	Year ended 31 March		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Service cost	935	607	698
Net interest expense	210	182	194
Components of defined benefit costs recognised in profit or loss	1,145	789	892
Remeasurement on the net defined benefit liability:			
Return on plan assets (excluding amounts included in net interest expense)	(3)	2	10
Actuarial losses arising from changes in demographic assumptions	236	—	—
Actuarial (gains) losses arising from changes in financial assumptions	(610)	(231)	48
Actuarial (gains) losses arising from experience adjustments	(317)	504	248
Components of defined benefit costs recognised in other comprehensive income	(694)	275	306
Total	451	1,064	1,198

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

	As at 31 March		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Present value of funded defined benefit obligations	2,155	2,846	3,548
Fair value of plan assets	(61)	(63)	(55)
Funded status	2,094	2,783	3,493
Present value of unfunded defined benefit obligations	1,254	1,396	1,677
Net liability arising from defined benefit obligations	3,348	4,179	5,170

Movements in the present value of the defined benefit obligations during the Relevant Periods were as follows:

	Year ended 31 March		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Opening defined benefit obligations	3,641	3,409	4,242
Current service cost	935	607	698
Interest cost	214	186	197
Remeasurement losses (gains):			
Actuarial losses arising from changes in demographic assumptions	236	—	—
Actuarial (gains) losses arising from changes in financial assumptions	(610)	(231)	48
Actuarial (gains) losses arising from experience adjustments	(317)	504	248
Exchange adjustment	(403)	(4)	(117)
Benefits paid	(287)	(229)	(91)
Closing defined benefit obligations	3,409	4,242	5,225

Movements in the present value of the plan assets in the Relevant Periods were as follows:

	Year ended 31 March		
	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*
Opening fair value of plan assets	60	61	63
Interest income	4	4	3
Remeasurement gains (losses):			
Return on plan assets (excluding amounts included in net interest expense)	3	(2)	(10)
Contributions from the employer	287	229	91
Exchange adjustment	(6)	—	(1)
Benefits paid	(287)	(229)	(91)
Closing fair value of plan assets	61	63	55

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

	Fair value of plan assets as at 31 March		
	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*
Cash and cash equivalents	—	63	1
Unit investment trust funds	52	—	54
Other assets	9	—	—
	61	63	55

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 approximately HK$7,000 and HK$2,000 for the years ended 31 March 2014 and 2015 respectively. The actual return on plan assets was a loss of approximately HK$10,000 for the year ended 31 March 2016.

The ratio of fair value of plan assets to present value of defined benefit obligations was approximately 2%, 1% and 1% for the years ended 31 March 2014, 2015 and 2016 respectively. 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 50 basis points in 2014 and 100 basis points in 2015 and 2016, the defined benefit obligations would decrease by approximately HK$200,000, HK$361,000 and HK$417,000 respectively (increase by approximately HK$222,000, HK$410,000 and HK$472,000 respectively).

- If the expected growth rate of salary increases (decreases) by 50 basis points in 2014 and 100 basis points in 2015 and 2016, the defined benefit obligations would increase by approximately HK$199,000, HK$377,000 and HK$427,000 respectively (decrease by approximately HK$183,000, HK$340,000 and HK$387,000 respectively).

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 each reporting period, which is the same as that applied in calculating the defined benefit obligations recognised in the consolidated statements of financial position.

The weighted average duration of the defined benefit obligations is 13.5 years, 12.5 years and 9.7 years as at 31 March 2014, 2015 and 2016 respectively.

Based on the actuarial reports prepared by the independent actuary, the Maxprofit Group's expected contribution is to be made to the defined benefit plan for the next financial year ending is nil (2015 and 2014: nil).

24. OPERATING LEASE COMMITMENTS

The Maxprofit Group as lessor

MSPI signed an agreement with PAGCOR to lease equipped gaming premises and office premises for a period of twelve years commencing from 31 March 2004. The monthly rental would be based on a certain percentage of net gaming revenue of the casino operated by PAGCOR or a fixed amount of Peso100,000 (equivalent to approximately HK$18,000, HK$17,000 and HK$17,000 for the years ended 31 March 2014, 2015 and 2016 respectively), whichever is higher. Rental income arising from such agreement was approximately HK$249,366,000, HK$234,611,000 and HK$222,159,000 for the years ended 31 March 2014, 2015 and 2016 respectively, representing the 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 Maxprofit 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 Maxprofit Group as lessee

At 31 March 2014, 2015 and 2016, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 March		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	4,604	4,607	4,485
In the second to fifth year inclusive	18,415	18,428	17,939
Over five years	45,898	41,324	39,260
	68,917	64,359	61,684

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

25. CONTINGENT LIABILITIES

At 31 March 2014, 2015 and 2016, the Maxprofit Group had (a) contingent liabilities of approximately HK$300,318,000, HK$311,593,000 and HK$460,182,000 respectively relating to the tax disputes between a subsidiary of Maxprofit 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 in the Philippines; and (b) contingent liabilities of approximately nil, HK$17,336,000, HK$8,773,000 respectively relating to the tax disputes between another subsidiary of Maxprofit principally engaging in the hotel operations in the Philippines and BIR for the calendar years of 2010 and 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 31 March 2014, 2015 and 2016, the Maxprofit Group had contingent liabilities of approximately HK$300,318,000, HK$311,593,000, and HK$460,182,000 respectively relating to the tax disputes between MSPI, a subsidiary of Maxprofit 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 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 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 Maxprofit Directors believe that MSPI has valid legal arguments to defend the tax disputes. Accordingly, no provision has been made for the tax disputes in Financial Information of the Maxprofit Group during the Relevant Periods. 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 Maxprofit 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, 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 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 2014 and 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 Peso1,737,371,000 (equivalent to approximately HK$300,318,000) and Peso1,801,321,000 (equivalent to approximately HK$311,593,000) in total respectively.

(b) Tax disputes between 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 Maxprofit principally engaging in the hotel operations in the Philippines, and BIR for the calendar year of 2010 became nil (2014: 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 Peso3,255,000 (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 year of 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 Maxprofit Group had contingent liabilities of approximately HK$8,773,000 (2014 and 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, 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 ("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 Maxprofit Directors believe that NCHI has valid arguments to defend the tax dispute. Accordingly, no provision has been made for the tax dispute in the Financial Information of the Maxprofit 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 Maxprofit 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 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 Peso52,096,000 (equivalent to approximately HK$8,773,000) as a possible outflow of resources.

26. CAPITAL RISK MANAGEMENT

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

The capital structure of the Maxprofit Group is mainly equity balance. Equity balance consists of equity attributable to owners of Maxprofit, comprising issued share capital and reserves.

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

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 March		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	916,211	390,751	496,229
Financial liabilities			
Other financial liabilities at amortised costs	23,567	26,451	25,567

The Maxprofit Group's major financial instruments include trade receivables, deposits, 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.

(b) Financial risk management objectives and policies

Market risk

Currency risk

As at 31 March 2014, 2015 and 2016, currency risk exists with respect to the 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 each reporting period are as follows:

	Assets			Liabilities		
	2014	**2015**	**2016**	**2014**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
USD	99,127	66,661	54,603	—	3,200	1,737
HK$	390,739	27,387	23,645	—	—	—

The Maxprofit Group currently does not have foreign currency hedging policy. However, the management of the Maxprofit 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

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

The following table details the Maxprofit Group's sensitivity to a 10% (2015 and 2014: 10%) increase and decrease in Peso against USD and HK$. 10% (2015 and 2014: 10%) represents the assessment of the reasonably possible change in foreign exchange rates made by the management of the Maxprofit Group. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% (2015 and 2014: 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 and 2014: 10%) against foreign currencies, and vice versa.

	HK$ Impact			USD Impact		
	2014	**2015**	**2016**	**2014**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Increase in post-tax profit for the year *(Note)*	38,839	2,330	1,808	7,744	4,548	3,806

Note: For a 10% (2015 and 2014: 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 Maxprofit Group, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the Relevant Periods.

Interest rate risk

The Maxprofit Group's interest rate risk arises from its variable-rate bank balances (see note 18 for details). Bank balances at variable rates expose the Maxprofit Group to cash flow interest rate risk.

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

The Maxprofit Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the prevailing market interest rate in the Philippines.

Sensitivity analysis

Maxprofit Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances including bank balances deposits in the banks 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 each reporting period. The analysis is prepared assuming these bank balances outstanding at the end of each reporting period are outstanding for the whole year. A 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 Maxprofit Group. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Maxprofit Group's post-tax profit for the year would increase/decrease by approximately HK$2,506,000, HK$951,000 and HK$1,620,000 respectively during the years ended 31 March 2014, 2015 and 2016.

Credit risk

At 31 March 2014, 2015 and 2016, the credit risk of the Maxprofit Group mainly arose from deposits with banks and trade receivables.

The Maxprofit Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statements 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 Maxprofit Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Maxprofit Group reviews the recoverable amount of each individual trade receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

At 31 March 2014, 2015 and 2016, the Maxprofit Group had concentration of credit risk in respect of trade receivable from PAGCOR of approximately HK$21,445,000, HK$20,311,000 and HK$16,242,000 respectively. 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 Maxprofit Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Maxprofit Group to finance the Maxprofit Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Maxprofit 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 Maxprofit 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	**1–3 months**	**Total undiscounted cash flows and carrying amounts at 31 March 2014**
	HK$'000	*HK$'000*	*HK$'000*
2014			
Non-derivative financial liabilities			
Trade payables	1,879	556	2,435
Other payables and accrued charges	8,184	12,948	21,132
	10,063	13,504	23,567

	Less than 1 month/ repayable on demand	1–3 months	Total undiscounted cash flows and carrying amounts at 31 March 2015
	HK$'000	*HK$'000*	*HK$'000*
2015			
Non-derivative financial liabilities			
Trade payables	2,972	2,944	5,916
Other payables and accrued charges	7,717	12,818	20,535
	10,689	15,762	26,451

	Less than 1 month/ repayable on demand	1–3 months	Total undiscounted cash flows and carrying amounts at 31 March 2016
	HK$'000	*HK$'000*	*HK$'000*
2016			
Non-derivative financial liabilities			
Trade payables	6,094	—	6,094
Other payables and accrued charges	19,473	—	19,473
	25,567	—	25,567

(c) Fair value of the Maxprofit Group's financial assets and financial liabilities that are measured at amortised cost

The management of the Maxprofit Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using discounted cash flows analysis. The management of the Maxprofit Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate to their fair values.

(B) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Maxprofit Group or any of its subsidiaries in respect of any period subsequent to 31 March 2016.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

BUSINESS AND FINANCIAL REVIEW

The Company, through Fortune Growth, is interested in 51% of the equity interest in Maxprofit. Maxprofit and its subsidiaries (i.e. the Target Group) owns and/or leases properties which are used for hotel operations, and leasing of properties for casino and ancillary leisure and entertainment operations.

For the years ended 31 March 2015 and 2016

Revenue

The Target Group mainly generated revenue from leasing of properties and hotel operations.

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

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

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

The revenue derived from the hotel operations for the year ended 31 March 2016 was approximately HK$108.8 million, representing a decrease of approximately 17.7%, as compared with approximately HK$132.2 million in the last year. The decrease was mainly due to the decrease in both the room revenue and the food and beverage sales for the year.

Cost of sales and gross profit margin

Cost of sales principally consisted of cost of inventories and depreciation of property, plant and equipment and investment properties that directly related to the leasing of properties and hotel operations. Total cost of sales of the Target Group for the year ended 31 March 2016 was approximately HK$176.6 million, represented a decrease of approximately 14.6% as compared to the cost of sales of approximately HK$206.8 million for the year ended 31 March 2015. The decrease was mainly due to the decrease in depreciation recognised as compared to the last year.

Gross profit of the Target Group for the year ended 31 March 2016 was approximately HK$154.4 million, representing a decrease of approximately 3.5% as compared to the gross profit of approximately HK$160.0 million for the year ended 31 March 2015. Gross profit margin for the year ended 31 March 2016 was approximately 46.6%, representing an increase of approximately 3.0% as compared to gross profit margin of approximately 43.6% for the year ended 31 March 2015.

Selling and marketing expenses and general and administrative expenses

Selling and marketing expenses, and general and administrative expenses of the Target Group decreased by approximately 6.3% to approximately HK$118.2 million for the year ended 31 March 2016 from approximately HK$126.1 million for the year ended 31 March 2015. Included in these expenses for the year ended 31 March 2016, approximately 40.8% and 15.7% were the staff costs and the utilities expenses respectively. The staff costs for the year ended 31 March 2016 was approximately HK$48.2 million which remained comparable to prior year of approximately HK$48.0 million. The utilities expenses for the year ended 31 March 2016 was approximately HK$18.6 million, representing a decrease of approximately 7.5%, as compared with approximately HK$20.1 million for the year ended 31 March 2015.

Other income

Other income of the Target Group for the year ended 31 March 2016 was approximately HK$4.9 million, representing a decrease of approximately 40.2%, as compared with approximately HK$8.2 million in the last year. The decrease was mainly due to the decrease in interest income during the year.

Other gain and loss

Other gain and loss of the Target Group represented the net foreign exchange gain or loss. The Target Group recorded a net foreign exchange gain of approximately HK$2.9 million for the year ended 31 March 2016, representing a decrease of approximately HK$2.2 million, as compared with a net foreign exchange gain of approximately HK$5.1 million in the last year.

Taxation

Income tax charge of the Target Group decreased by approximately 14.2% to approximately HK$16.3 million for the year ended 31 March 2016 from approximately HK$19.0 million in the last year.

Profit for the year

Due to reasons explained above, the profit of the Target Group decreased by approximately 2.5% to approximately HK$27.6 million for the year ended 31 March 2016 from approximately HK$28.3 million for the year ended 31 March 2015.

For the years ended 31 March 2014 and 2015

Revenue

The Target Group mainly generated revenue from leasing of properties and hotel operations.

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

The revenue derived from the leasing of properties for the year ended 31 March 2015 was approximately HK$234.6 million, representing a decrease of approximately 5.9%, as compared with approximately HK$249.4 million for the year ended 31 March 2014. 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 Target Group's premises during the year, resulting from new independent casinos coming into operation in the vicinity.

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

The revenue derived from the hotel operations for the year ended 31 March 2015 was approximately HK$132.2 million, representing a decrease of approximately 5.8%, as compared with approximately HK$140.3 million for the year ended 31 March 2014. The decrease was mainly due to the decrease in both the room revenue and the food and beverage sales for the year.

Cost of sales and gross profit margin

Cost of sales principally consisted of cost of inventories and depreciation of property, plant and equipment and investment properties that directly related to the leasing of properties and hotel operations. Total cost of sales of the Target Group for the year ended 31 March 2015 was approximately HK$206.8 million, represented a decrease of approximately 4.5% as compared to the cost of sales of approximately HK$216.5 million for the year ended 31 March 2014. The decrease was mainly due to the decrease in depreciation recognised as compared to the last year.

Gross profit of the Target Group for the year ended 31 March 2015 was approximately HK$160.0 million, representing a decrease of approximately 7.6% as compared to the gross profit of approximately HK$173.2 million for the year ended 31 March 2014. Gross profit margin for the year ended 31 March 2015 was approximately 43.6% which was comparable to gross profit margin for the year ended 31 March 2014.

Selling and marketing expenses and general and administrative expenses

Selling and marketing expenses, and general and administrative expenses of the Target Group increased by approximately 1.9% to approximately HK$126.1 million for the year ended 31 March 2015 from approximately HK$123.7 million for the year ended 31 March 2014. Included in these expenses for the year ended 31 March 2015, approximately 38.1% and 15.9% were the staff costs and the utilities expenses respectively. The staff costs for the year ended 31 March 2015 was approximately HK$48.0 million, representing an increase of approximately 4.8%, from approximately HK$45.8 million for the year ended 31 March 2014, such increase was mainly contributed by salary increment. The utilities expenses for the year ended 31 March 2015 was approximately HK$20.1 million, representing a decrease of approximately 16.9%, as compared with approximately HK$24.2 million for the year ended 31 March 2014.

Other income

Other income of the Target Group for the year ended 31 March 2015 was approximately HK$8.2 million, which was comparable to prior year of approximately HK$8.3 million.

Other gain and loss

Other gain and loss of the Target Group mainly represented the net foreign exchange gain or loss. The Target Group recorded a net foreign exchange gain of approximately HK$5.1 million for the year ended 31 March 2015, representing a decrease of approximately 40.5 million, as compared with a net foreign exchange gain of approximately HK$45.6 million for the year ended 31 March 2014 due to the fluctuation of exchange rate of Peso against USD and HK$.

Taxation

Income tax charge of the Target Group increased by approximately 42.9% to approximately HK$19.0 million for the year ended 31 March 2015 from approximately HK$13.3 million for the year ended 31 March 2014.

Profit for the year

Due to reasons explained above, the profit of the Target Group decreased by approximately 68.6% to approximately HK$28.3 million for the year ended 31 March 2015 from approximately HK$90.2 million for the year ended 31 March 2014.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2014, 2015 and 2016, the net assets of the Target Group were approximately HK$1,851.6 million, HK$1,158.1 million and HK$1,154.8 million respectively. The Target Group had current assets of approximately HK$930.1 million, HK$406.7 million and HK$507.2 million respectively as at 31 March 2014, 2015 and 2016, which mainly consist of bank balances and cash. The Target Group had non-current asset of approximately HK$1,105.4 million, HK$954.9 million and HK$806.7 million as at 31 March 2014, 2015 and 2016 respectively, which mainly consist of property, plant and equipment as well as investment properties. The Target Group had current liabilities of approximately HK$28.4 million, HK$88.4 million and HK$29.5 million respectively as at 31 March 2014, 2015 and 2016 which mainly consist of tax payable, other payables and accrued charges. As at 31 March 2014, 2015 and 2016, the Target Group had non-current liabilities amounted to approximately HK$155.6 million, HK$115.2 million and HK$129.6 million respectively, which mainly comprised of deferred tax liabilities.

FINANCING

Total bank borrowings of the Target Group were nil as at 31 March 2014, 2015 and 2016 respectively.

CAPITAL STRUCTURE

The capital structure of the Target Group consists of equity only, and the Target Group financed its operations generally with internally generated cash flows.

Net assets of the Target Group as at 31 March 2015 was approximately HK$1,158.1 million, represented a decrease as compared to the amount as at 31 March 2014, and such decrease was contributed by the distribution of dividends to the shareholders of Maxprofit during the year ended 31 March 2015. Net assets of the Target Group as at 31 March 2016 was amounted to approximately HK$1,154.8 million, represented a slight decrease as compared to the amount as at 31 March 2015, and such decrease was contributed by the net effect of the profit and the exchange differences arising on translation for the year.

CAPITAL EXPENDITURE

The Target Group invested in approximately HK$23.8 million, HK$15.5 million and HK$11.9 million in capital expenditures for the three years ended 31 March 2014, 2015 and 2016 respectively mainly represented the additions of entertainment equipment.

GEARING RATIO

The gearing ratio of the Target Group, measured in terms of total borrowings divided by total assets, was zero as at 31 March 2014, 2015 and 2016 respectively.

SIGNIFICANT INVESTMENT, ACQUISITION OR DISPOSAL

Save as the hotel complex of the Target Group, there were no significant investments held by the Target Group during the three years ended 31 March 2014, 2015 and 2016. The Target Group also had no material acquisition or disposal during the three years ended 31 March 2014, 2015 and 2016.

ANALYSIS OF SEGMENT INFORMATION

Segment information

The Target Group is principally operating in two types of operating segments as follows:

(i) Hotel — Operation of hotel business; and

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

The following table sets out the segment revenue of the Target Group:

	For the year ended 31 March		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Hotel			
Room revenue	86,569	84,195	68,150
Food and beverages	49,214	44,237	37,699
Other hotel services income	4,562	3,794	2,931
Sub-total	140,345	132,226	108,780
Leasing	249,366	234,611	222,159
Total	389,711	366,837	330,939

Geographical segments

The Target Group's operations are mainly located in the Philippines. All of the Target Group's revenue is generated from external customers in the Philippines. As at 31 March 2014, 2015 and 2016, all of the non-current assets were located in the Philippines, accordingly no further disclosures by geographical segments were presented.

EMPLOYEE INFORMATION

As at 31 March 2014, 2015 and 2016, the total number of employees of the Target Group were 303, 301 and 292 respectively, and the staff costs for the year ended 31 March 2014, 2015 and 2016 were approximately HK$45.8 million, HK$48.0 million and HK$48.2

million respectively. The remuneration of the employees of the Target Group are based on the performance and experience of the individuals and is determined with reference to the Target Group's performance, the remuneration benchmark in the industry and the prevailing market conditions. In addition to the salaries, the employees of the Target Group are entitled to benefits including medical, insurance and retirement benefits. Besides, the Target Group regularly provides internal and external training courses for the employees of the Target Group to meet their needs.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Target Group will continue to explore the market and identify any business opportunities, which may provide its growth and development potential, enhance the profitability, and strive for better return to its equity shareholders. The Target Group will also consider a renovation plan to improve the hotel complex of the Target Group as well as the facilities therein so as to attract more guests and enhance their experience during their stays.

INTEREST RATE EXPOSURE

The Target Group's interest rate risk arises from its variable-rate bank balances. Bank balances at variable rates expose the Target Group to cash flow interest rate risk.

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

The Target Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the prevailing market interest rate in the Philippines.

FOREIGN CURRENCY RISK

The functional currency of the Target Group is Peso, the currency of the primary economic environment in which the Target Group's major subsidiaries operate. The consolidated financial statements of the Target Group are presented in HK$.

As at 31 March 2014, 2015 and 2016, currency risk mainly exists with respect to the bank balances and cash and other payables and accrued charges denominated in foreign currencies of relevant group entities.

The Target Group currently does not have foreign currency hedging policy. However, the management of the Target 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.

CONTINGENT LIABILITIES

At 31 March 2014, 2015 and 2016, the Target Group had (i) contingent liabilities of approximately HK$300.3 million, HK$311.6 million and HK$460.2 million respectively relating to the tax disputes between a subsidiary of Maxprofit 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) 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 (ii) contingent liabilities of approximately nil, HK$17.3 million and HK$8.8 million respectively relating to the tax disputes between another subsidiary of Maxprofit principally engaging in the hotel operations in the Philippines and BIR for the calendar years of 2010 and 2011 (but not taking into account any possible additional penalties or interest liability).

For further details regarding the Target Group's contingent liabilities, please refer to note 25 to the accountants' report of the Target Group as set of in Appendix II-A to this circular.

The relevant companies have been subsidiaries of the Company since 2007 and all historical contingent liabilities have been properly disclosed in the past interim and annual reports. In the event of the crystallization of any of these contingent liabilities, the financial results of the Group would of course be affected. However, based on independent legal advice in the Philippines, the Directors throughout took the view that the relevant subsidiaries of the Company had and will continue to have valid legal grounds to defend the relevant tax disputes, being now classified as contingent liabilities. The Acquisition will not have any additional adverse implication on the financials of the Group based on such grounds with respect to the Company's interest in the Target Group other than increased percentage of holding. It is to be noted that the financial results of such companies have been (and will, whether the Acquisition takes place or otherwise, continue to be) consolidated in the consolidated financial statements of the Group.

PLEDGE OF ASSETS

As at 31 March 2014, 2015 and 2016 respectively, the Target Group did not have any pledge of assets.

(A) BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

In connection with the Acquisition, the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of the Enlarged Group has been prepared in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants and is solely for the purpose to illustrate the impact of the Acquisition on the Group as if the Acquisition had been completed on 31 March 2016.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group is prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2016 which has been extracted from the published annual report of the Company for the year ended 31 March 2016, after making unaudited pro forma adjustments that are (i) directly attributable to the Acquisition and (ii) factually supportable, as if the Acquisition had been completed on 31 March 2016.

The Unaudited Pro Forma Financial Information has been prepared by the Directors based on a number of assumptions, estimates, uncertainties and currently available information for illustrative purpose only and because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the assets and liabilities of the Enlarged Group upon completion of the Acquisition as of 31 March 2016 or at any future dates.

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

(1) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group as at 31 March 2016	**Pro forma adjustments**		**Pro forma The Enlarged Group as at 31 March 2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(unaudited)	(unaudited)	(unaudited)
	Note 1	*Note 2*	*Note 3*	
Non-current assets				
Property, plant and equipment	356,432			356,432
Investment properties	444,384			444,384
Financial assets at fair value through profit or loss	20,290			20,290
Other receivables, deposits and prepayments	5,926			5,926
	827,032			827,032
Current assets				
Inventories	2,546			2,546
Trade receivables	20,211			20,211
Other receivables, deposits and prepayments	16,071			16,071
Bank balances and cash	1,179,500	(788,000)	(4,500)	387,000
	1,218,328			425,828
Current liabilities				
Trade payables	6,094			6,094
Other payables and accrued charges	28,015			28,015
Tax liabilities	1,730			1,730
	35,839			35,839
Net current assets	1,182,489			389,989
Total assets less current liabilities	2,009,521			1,217,021
Non-current liabilities				
Promissory note	—	335,400		335,400
Deferred tax liabilities	124,434			124,434
Other liabilities	5,170			5,170
	129,604			465,004
Net assets	1,879,917			752,017

(2) NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Notes:

1. The assets and liabilities of the Group are extracted from the audited consolidated statement of financial position of the Group as at 31 March 2016 as set out in the published annual report of the Company for the year ended 31 March 2016.

2. Pursuant to the Acquisition Agreement, the total consideration of the Acquisition is a fixed sum of HK$1,138,000,000, which comprises (i) HK$788,000,000 to be settled by cash, and (ii) HK$350,000,000 to be settled by way of the issuance of the Promissory Note.

   The Promissory Note in the principal amount of HK$350,000,000 due in 5 years and shall bear interest at 4% per annum. The pro forma fair value of the Promissory Note as if the Acquisition had been completed on 31 March 2016, is assumed to be approximately HK$335,400,000, which is arrived based on a valuation carried out by an independent valuer.

   The adjustment reflects the effect of the Acquisition, representing (i) the payment of cash consideration of HK$788,000,000, being the cash settlement portion of the consideration of the Acquisition, and (ii) the issuance of the Promissory Note with an estimated fair value of approximately HK$335,400,000 for the settlement of the remaining consideration of the Acquisition.

   The above-mentioned pro forma fair value of the Promissory Note is subject to change as the actual valuation inputs, including but not limited to, the market interest rate, may change at the date of completion of the Acquisition.

3. The adjustment represents the estimated transaction costs of approximately HK$4,500,000, including but not limited to legal and professional fees, directly attributable to the Acquisition.

4. No adjustment has been made to the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 March 2016.

(C) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of an accountants' report on unaudited pro forma financial information of the Enlarged Group, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of International Entertainment Corporation

We have completed our assurance engagement to report on the compilation of pro forma financial information of International Entertainment Corporation (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma statement of assets and liabilities as at 31 March 2016 and related notes as set out on pages III-1 to III-3 of the circular issued by the Company dated 25 August 2016 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages III-1 to III-3 of the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of the remaining 49% equity interest in Maxprofit International Limited (the "Acquisition") on the Group's assets and liabilities as at 31 March 2016 as if the Acquisition had taken place at 31 March 2016. As part of this process, information about the Group's assets and liabilities has been extracted by the Directors from the Group's financial statements for the year ended 31 March 2016, on which an auditor's report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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 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, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2016 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

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

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 August 2016

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 30 June 2016 of the property interest held by the Target 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

25 August 2016

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 Maxprofit International Limited ("Maxprofit") and its subsidiaries (hereinafter together referred to as the "Target 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 30 June 2016 (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 Target 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 values of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests 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 Target 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 Target Group. We have also sought confirmation from the Target 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 (PHP) 6.05287 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 22 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 Target Group in the Philippines

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2016 *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 PHP6,960,000. 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.	2,333,000,000

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 PHP6,960,000 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 PHP17,998,750 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 51% 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 current

expiry date on 10 July 2008 the lease shall terminate on 10 July 2008 at monthly rental of PHP100,000 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 PHP3,840,000 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 existing lease between MSPI and PAGCOR of the leased premises within the property expire on 31 March 2016 and the renewal lease ("New PAGCOR Lease") will commence from 1 April 2016 and 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 PHP24,500,000,000. In our valuation, we have made an assumption that New PAGCOR Lease will not be expired 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. ("MSS CAI") 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 of the City Manila, the interest of NCHI over the Parking Units is protected.

15. As advised by the Target Group, after secured the renewal of the lease with PAGCOR in December 2015, the management of the Target Group considers that it will be a proper timing to carry out a renovation plan to improve the hotel complex of the Target 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 PHP100,000, whichever is higher. The fixed amount of PHP100,000 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")	PHP4,958 for year 1
(ii)	Average occupancy rate on available room basis	70%
(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 made 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 PHP4,958 for year 1 and occupancy rate of 70%, 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.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were taken or deemed to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company, to be notified to the Company and the Stock Exchange.

Long positions in the Shares

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

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

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

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

Note: 20,000 shares were held by Woodbury Capital Management Limited, a company wholly-owned by Dr. Cheng Chi Kong, an executive Director.

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

Save as disclosed below, as at the Latest Practicable Date, so far as is known to the Directors or chief executives of the Company, the Company had not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Long positions in the Shares

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of the number of issued Shares
Mediastar	Beneficial owner	881,773,550	74.78%
Sky Warrior Investments Limited ("Sky Warrior")	Interest of a controlled corporation	881,773,550 *(Note 1)*	74.78%
CTFHL	Interest of a controlled corporation	881,773,550 *(Notes 1, 2)*	74.78%
Chow Tai Fook Capital Limited ("CTFC")	Interest of a controlled corporation	881,773,550 *(Notes 1, 3)*	74.78%
Cheng Yu Tung Family (Holdings II) Limited ("CYTFH-II")	Interest of a controlled corporation	881,773,550 *(Notes 1, 4)*	74.78%
Cheng Yu Tung Family (Holdings) Limited ("CYTFH")	Interest of a controlled corporation	881,773,550 *(Notes 1, 5)*	74.78%

Notes:

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

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

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

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

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

4. COMPETING INTEREST

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

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

Notes:

(1) As at the Latest Practicable Date, Dr. Cheng Kar Shun was personally interested in 10,675,637 share options of NWD, representing approximately 0.11% of the number of issued shares of NWD.

(2) As at the Latest Practicable Date, Dr. Cheng Chi Kong was personally interested in 8,236,471 share options of NWD, representing approximately 0.09% of the number of issued shares of NWD.

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

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware that any of the other Directors and their respective close associates has any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group that would have a material adverse effect on the Enlarged Group's results of operations or financial conditions.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with any member of the Enlarged Group which was not determinable by the relevant member of the Enlarged Group within one year without payment of compensation other than statutory compensation.

7. DIRECTORS' INTEREST IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors had any interest in any assets which have been since 31 March 2016 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As a the Latest Practicable Date, none of the Directors are materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

8. MATERIAL CONTRACTS

The following contract, not being contracts in the ordinary course of business, was entered into by the members of the Group within two years preceding the Latest Practicable Date and which is or may be material:

a) the Acquisition Agreement dated 25 July 2016 entered into between Fortune Growth and Cross-Growth in relation to the Acquisition.

9. EXPERTS AND CONSENTS

The followings are the qualifications of the experts who have been named in this circular or have given their respective opinion or advice contained in this circular:

Name	Qualification
BOSC International Company Limited	A corporation licensed to carry out type 1 (dealing in securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Jones Lang LaSalle	Independent valuer

As at the Latest Practicable Date, each of the above experts has given and has not withdrawn its written consents to the issue of this circular with the inclusion herein of its respective opinions or letter and the reference to their respective names in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts do not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the above experts do not have any direct or indirect interest in any assets which have since 31 March 2016 (being the date to which the latest published consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

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

d) The company secretary of the Company is Mr. Kwok Chi Kin, a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and a member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.

e) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Rooms 1207–8, New World Tower 1, 16–18 Queen's Road Central, Hong Kong on weekdays (Saturdays and public holidays excepted) during normal business hours for a period from the date of this circular up to and including the date of the EGM:

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

b) the Acquisition Agreement;

c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 17 to 18 of this circular;

d) the letter from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders, the text of which is set out on pages 19 to 39 of this circular;

e) the accountant's report of the Target Group, the text of which is set out in Appendix II-A to this circular;

f) the independent reporting accountants' assurance report on the compilation of the Unaudited Pro Forma Financial Information, the text of which is set out in Appendix III to this circular;

g) the property valuation report from Jones Lang LaSalle, the text of which is set out in Appendix IV to this circular;

h) the material contract(s) disclosed in the paragraph under the heading "Material Contracts" in this Appendix;

i) the written consents referred to under the section headed "Experts and Consents" in this Appendix;

j) the annual reports of the Company for each of the three years ended 31 March 2016; and

k) this circular.

INTERNATIONAL ENTERTAINMENT CORPORATION
國際娛樂有限公司

(incorporated in the Cayman Islands with limited liability)

(STOCK CODE: 01009)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "Meeting") of International Entertainment Corporation (the "Company") will be held at Meeting Room S425, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Wednesday, 28 September 2016 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT:**

(a) the acquisition agreement (the "Acquisition Agreement") dated 25 July 2016 entered into between Cross-Growth Co., Ltd. as vendor and Fortune Growth Overseas Limited, a wholly-owned subsidiary of the Company, as purchaser in relation to the acquisition of the remaining 49% equity interest in Maxprofit International Limited, a copy of which having been produced to the Meeting marked "A" and signed by the chairman of the Meeting for identification purpose, be and is hereby approved, confirmed and ratified and the transactions contemplated thereunder be and are hereby approved;

(b) any one of the directors of the Company (the "Directors") (or, any two Directors or any one Director and the company secretary of the Company, if execution under the common seal of the Company is required) be and he is (or they are) hereby authorised to do and execute (where required, to affix the common seal of the Company) all such acts, matters, deeds, documents and things as he (or they) consider(s) to be necessary, expedient or desirable for the purposes of giving effect to or in connection with the Acquisition Agreement and all transactions contemplated thereunder, and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally different from those as provided in the Acquisition Agreement) as are, in the opinion of such Director(s), in the interest of the Company and its shareholders as a whole."

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

Hong Kong, 25 August 2016

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

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

Notes:

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

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

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

4. Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the Meeting or any adjourned meeting thereof or on the poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

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

6. The register of members of the Company will be closed from Tuesday, 27 September 2016 to Wednesday, 28 September 2016 (both dates inclusive) during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 26 September 2016 for registration.

7. The translation into Chinese language of the notice convening the Meeting is for reference only. In case of any inconsistency or discrepancy, the English version shall prevail.

As at the date of this notice, the board of Directors 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.