

**Interim Report**  
**2010-11**

**AMAX**  
**Holdings Limited**

*(Incorporated in Bermuda with limited liability)*  
*(stock code: 959)*

# Contents



Corporate Information	2
Chairwoman Statement	3
CEO Statement	5
Management Discussion and Analysis	7
Other Information	15
Condensed Consolidated Income Statement	21
Condensed Consolidated Statement of Comprehensive Income	23
Condensed Consolidated Statement of Financial Position	24
Condensed Consolidated Statement of Changes in Equity	26
Condensed Consolidated Statement of Cash Flows	27
Notes to Condensed Consolidated Financial Statements	28

# Corporate Information

## Board of Directors

### Executive

Mr. Li Wing Sze

Mr. Lau, Dicky

(Re-designated from non-executive  
on 20 September 2010)

Mr. Ng Chi Keung, Ronald

(Appointed on 20 September 2010)

Mr. Victor Ng

(Appointed on 7 August 2009  
and resigned on 22 August 2010)

### Non-executive

Mr. Cheung Nam Chung

(retired on 20 September 2010)

### Independent Non-executive

Mr. Cheng Kai Tai, Allen

Mr. Fang Ang Zeng

Ms. Deng Xiaomei

(Appointed on 26 August 2010, retired  
on 21 September 2010, and  
re-appointed on 8 October 2010)

Mr. Yoshida Tsuyoshi

(Appointed on 20 September 2010)

Dr. Dingjie Wu

(Appointed on 20 September 2010)

## Company Secretary

Mr. Ng Chi Keung, Ronald

(Appointed on 28 September 2010)

Mr. Chan Him

(Ceased on 8 October 2010)

02 Amax Holdings Limited

## Auditors

CCIF CPA Limited

## Legal Advisers

Michael Li & Co.

## Corporate Governance & Advisory Consultant

Horwath Corporate Advisory Services  
Limited

## Stock Code

959

## Registered Office

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

## Head Office and Principal Place of Business

2701 Vicwood Plaza  
199 Des Voeux Road Central  
Hong Kong

## Branch Share Registrar

Tricor Secretaries Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Hong Kong

# Chairwoman Statement

Dear Shareholders,

For the past months, the board has taken major steps towards resolving the issues around the doubtful debts of our Macau business partner, AMA International Limited. The Group has been actively seeking professional advice on the matter, and the board will soon be able to announce the board's recommended solution to the outstanding issues accordingly. To that end, the board is open-minded regarding the methods of recovering the loan on the basis of maximizing shareholder value in its outcome.

As the Company restructures its existing investments and seek new ones, we are in full support of the senior management of their recent acquisition activities. We truly believe the new venture re-vitalizes the company and propels the Group in a new and exciting direction.

As the new Chair of the board, I am leading an effort to take a closer look at our past and existing investments in Macau and how best to reposition our investment portfolio to fit the new direction of the Group. The Group has seen ups and down with its investments; learning from past experience and keen to avoid repeating mistakes, in future investments, the company strives to achieve a high level of awareness of the following: (1) how policy affects the operating environment in a business venture; (2) related parties with vested interest, especially governmental organizations, business partners, end-customers; and (3) risk management for the two items above.

To effectively address the above concerns, the Board of Directors have collectively organized and assigned the task to the newly formed "Strategic Research Committee". The committee's research work is two-fold — (i) to advise the board on the political trends of the company related industries, and to consider the point-of-views of each relevant interest holders in the system; (ii) related industry risk and policy risk.



## Chairwoman Statement

Furthermore, to strengthen the Group's Independent Executive Director's monitoring function, they are encouraged to consult legal and other professional independent opinion to ensure the independence and professionalism of the decision making process.

For the Group's stability and integrity of future developments, management has recommended a series of review on the internal control policy by independent parties. This would allow the Board of Directors to take action on the improvement and strengthening of corporate governance.

# CEO Statement

Dear Shareholders,

As mentioned in earlier corporate messages, the Group is in the process of redefining its corporate identity and embarking on a new direction. The recently announced acquisition of a PRC Lottery Services company in Guangxi province of China was a first step towards the new direction of the Group.

The Group entered into this space after careful consideration as we see its great growth potential; however, lottery in mainland China is a highly regulated industry; government bodies tightly control the rights for the lottery drawing due to the sensitive nature of the business. It is also an industry very much affected by governmental policy. Understanding these business conditions, the Group's choice of partner is a company which is highly policy aware and works very hard to be in-line with the intentions of the policy makers. It is also a leading innovator in the industry with its proprietary lottery system. With this acquisition, the Group has taken its first major step in positioning itself as a Leisure & Entertainment Consumption services company. Furthermore, the Group understands the importance of the company's sustainable development. The Group's development blue-print for the foreseeable future will be to leverage the group's gaming and lottery consumption businesses to drive supporting infrastructures and gradually establish a one-stop platform which satisfies the leisure and entertainment consumption needs of our target customer base: mid to high-end customers in mainland China.

Our strategic focuses are as follow:

Investment Strategy:

- Lottery and gaming related business acquisitions through equity investments
- Other Leisure and Entertainment Consumption business partnerships through: (1) partial ownership, (2) business cooperation, and (3) joint venture



## CEO Statement

Geographic Strategy:

- Based in the greater China region, including Hong Kong and Macau
- Peripheral nations within a two-hour flight radius from major cities in mainland China

These strategic development directions will shape the Group for the next few years. Through the efforts of our management team, it is our mission to bring maximum shareholder value to you.

Stay tuned.

# Management Discussion and Analysis

The board (the “Board”) of directors (the “Directors”) of Amax Holdings Limited (the “Company”) is pleased to report the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2009. The unaudited interim results have been reviewed by the Audit Committee of the Company.

## Financial Review

During the six months ended 30 September 2010, the Group’s investment was solely in gaming and entertainment industry of Macau. Its core investment made was the 49.9% equity investment in Greek Mythology Casino and VIP gaming related businesses and slot machines business.

The Group had total revenue of HK\$ 46.2 million for the six months ended 30 September 2010, consisting of revenue from the first fully reported six-month period of the Group’s VIP gaming and slot machines business of HK\$2.4 million and other revenue of HK\$43.8 million.

Net profit for the six months ended 30 September 2010 amounted to HK\$256 million as compared to a loss of HK\$1.21 billion for the same period last year. The profit was mainly attributed to (i) the reversal of impairment loss on the fair value of an Available-for-Sales Financial Asset due to the reduction of discount rate used in its valuation according to the current market rate; and (ii) the reversal of impairment loss on an intangible asset representing the 49.9% interest in the operating right of Greek Mythology Casino in Macau as a result of the net win being improved from a new gaming area targeting at high-end customers newly opened in the Casino in August 2010; and (iii) the gain on fair value upon loan receivables offset against the promissory notes.

The loan and receivables from AMA International, our Macau business partner remains in active progress. There was no profit and loss impact from the work in progress for the six months ended 30 September 2010,



# Management Discussion and Analysis

## Financial Review *(Continued)*

An analysis of the Group's consolidated results for the six-month period ended 30 September 2010 and 2009 are as follow:

	Six months ended 30 September	
	2010 HK\$'000 Unaudited	2009 HK\$'000 Unaudited
<b>Total Revenue</b>	<b>46,197</b>	128,845
Reversal/(addition) of impairment loss for available-for-sale financial asset	<b>12,496</b>	(1,294,978)
Selling and distribution and other administrative expenses	<b>(12,298)</b>	(20,026)
<b>Profit/(loss) from operations</b>	<b>46,395</b>	(1,186,159)
Finance costs	<b>(6,747)</b>	(24,222)
Share of profit of an associate	<b>216,201</b>	1,973
<b>Profit/(loss) for the period</b>	<b>255,849</b>	(1,208,408)

## Business Review and Prospects

### Gaming and Entertainment Business

#### VIP and Other Gaming Entertainment Business

The Group, through certain subsidiaries, is responsible for (i) promotion, sales and advertising, client development, coordination and operation of the high-roller gaming area; and (ii) operation of electronic slot machines of the Greek Mythology Casino.

During the six months under review, net contribution from the business was HK\$2.40 million, against HK\$2.09 million in the same period last year.

# Management Discussion and Analysis

## Business Review and Prospects *(Continued)*

### Gaming and Entertainment Business *(Continued)*

#### Greek Mythology Casino

The Group manages the Greek Mythology Casino in Macau via its 49.9% ownership of Greek Mythology. Greek Mythology is accounted for as an associated company of the Group.

Net profit for the six months ended 30 September 2010 of the Group amounted to HK\$37.7 million as compared to HK\$45.2 million made in the same period last year.

Greek Mythology Casino is under renovation. Third floor of the casino has been completed its renovation and work is on-going for ground floor to second floor. Furthermore, slot machines at the casinos are gradually being replaced with new ones in anticipation of new flow of customers. The Group projects that improvements to Greek Mythology Casino will provide long-term benefits to future business operations.

## Outlook

The overall sentiment of the market and the economy was rather positive during the six months in review. During this time, the Group is mainly focused on two markets, China and Macau. If there is key driver of growth in both markets, it would undoubtedly be the growing wealth of mainland Chinese, and their fast-growing disposable income. With this in mind, the Group has been positioning itself to benefit from a target market of mid-to-high end and VIP consumers in Mainland China. As mentioned in our corporate announcement, the recent acquisition of a controlling stake in “LeCai Guangxi”, a PRC Lottery Services company in Guangxi province of China was the first step under new development strategies.

For the first nine months of 2010, lottery sales in mainland China grew at a clipping pace of 23.2% when compared to the same period last year. The company expects this trend to continue as the overall wealth across the whole of China translates to a budding wealthy class and a greater portion of income spent on Leisure and Entertainment related expenses. The mission of the Company is to provide the quality and reliable high-end leisure and entertainment services for both mid-to-high and VIP consumers of Mainland Chinese.

# Management Discussion and Analysis

## Outlook *(Continued)*

As the Group prepares for emergence from restructuring and set a clear path ahead, it is the management's utmost desire to have a well-positioned portfolio of investments and the right business development strategies to prepare for the bright future of the Group.

## Interim Dividends

The Directors do not recommend any interim dividend for the six months ended 30 September 2010 (2009: nil).

## Liquidity and Financial Resources

The Group finances its business operations and investments with internal resources, cash revenues generated from operating activities and equity fund raising activities.

As at 30 September 2010, total assets of the Group were HK\$788 million (31 March 2010: HK\$632 million), comprising non-current assets of HK\$694 million (31 March 2010: HK\$466 million) and current assets of HK\$94 million (31 March 2010: 166 million) which were financed by shareholders' funds of HK\$549 million (31 March 2010: HK\$293 million), non-controlling interests of HK\$Nil (31 March 2010: HK\$Nil), current liabilities of HK\$108 million (31 March 2010: HK\$113 million) and non-current liabilities of HK\$131 million (31 March 2010: HK\$227 million).

The Group's current ratio, expressed as current assets over current liabilities was maintained at a level of 0.87 times (31 March 2010: 1.47 times).

The gearing ratio calculated as a ratio of total borrowings to shareholders' funds, was maintained at a low level of 24% (31 March 2010: 79%).

# Management Discussion and Analysis

## Share Capital Structure

In May 2009, the Company allotted and issued 1,000,000,000 new shares of an aggregate nominal value of HK\$10 million at a subscribed price of HK\$0.4 per Share to Mr. Ng Man Sun (“Mr. Ng”) pursuant to the subscription agreement was entered the Company and Mr. Ng on 20 March 2009 and approved by the shareholders of the Company on the Special General Meeting (the “SGM”) held on 11 May 2009.

In July 2009, the Company allotted and issued 140,000,000 new shares each in cash at a subscription price of HK\$0.82 per subscription shares to the Subscriber, who is an independent third party to the Company pursuant to the subscription agreement and the supplemental agreement entered between the Company and the subscriber on 15 June 2009 and 17 June 2009 respectively.

As at 30 September 2009, the Company issued 7,100,000 shares with par value of HK\$0.1 each, including 2,600,000 shares at an exercise price of HK\$0.1332 per share and 4,500,000 shares at an exercise price of HK\$0.158 per shares upon the exercise of the granted options during the period under review.

In September 2010, the Company increased the authorised share capital from 4,000,000,000 shares with par value of HK\$0.01 each to 8,000,000,000 shares with par value of HK\$0.01 each.

## Employees and Remuneration Policy

As at 30 September 2010, the Group employed a total of approximately 14 (2009: 18) employees in Hong Kong and Macau. The Group is aware of the importance of human resources and always endeavors to retain competent and talented staff with competitive remuneration packages within the general framework of the Group’s salary and bonus system, which is determined according to their duties, work experience, performance and the prevailing market practices. The Group has also participated in an approved Mandatory Provident Fund (“MPF”) scheme or similar scheme for eligible employees and provides them with a medical scheme. Employees are also rewarded by the Share Option Scheme based on the performance of the Group and individual employees.



## Management Discussion and Analysis

### Foreign Exchange and Currency Risks

It is the Group's policy for its operating entities to operate in their corresponding local currencies to minimize currency risks. The Group's principal business are conducted and recorded in Hong Kong dollars and Macau Patacas. As the impact from foreign exchange exposure is minimal, no hedging against foreign currency exposure is necessary.

### Contingent Liabilities

The Group and the Company had no significant contingent liabilities as at 30 September 2010.

## Available-For-Sale Financial Assets

The carrying value of the available-for-sale financial assets is measured at fair value at Level 2 of fair value hierarchy at the end of the reporting period. There are three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

The fair value of available-for-sale financial asset as at 30 September 2010, 31 March 2010 and 2009 respectively was measured using the value-in-use calculation by an independent professional valuer, Grant Sherman Appraisal Limited.

Key assumptions used by the management of the Company for value-in-use calculations:

- There are a series of litigation and recovery plan in progress against the collaborators at AMA and therefore recovery of the amount is uncertain. As such, the absence of available information and supporting documents from AMA and its collaborators, the Company is unable to assess the total amount that would be received by AMA from the collaborators, and hence, the Repayment Schedules provided by the Company only includes the amounts owed by the collaborators who had signed the Repayment Agreements;



## Management Discussion and Analysis

### Available-For-Sale Financial Assets *(Continued)*

- Nil amount will be received from those collaborators with which no Repayment Schedules have been agreed and no Repayment Agreements have been entered into;
- Upon receiving the repayments from the collaborators by AMA, AMA will repay the amount to the Group before settling other liabilities notwithstanding a creditor has taken legal action against AMA for the recovery of debts due by AMA;
- Repayment Schedules and Repayment Agreements entered into between AMA and the collaborators have been prepared on a reasonable basis, reflecting estimates which have been arrived at after due and careful consideration by the Company;
- The collaborators will repay the outstanding amount to AMA according to the Repayment Schedules without default;
- Discount rate of 17.21%.

### Disclosure of Interests of Directors and Chief Executive

As at 30 September 2010, the interests or short positions of the Directors and Chief Executive of the Company in the shares, underlying shares, and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) as recorded in the register required to be kept under Section 352 of the SFO, or otherwise as required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

<b>Name of Director/ Chief Executive</b>	<b>Number of shares held</b>	<b>Underlying shares held (Note)</b>	<b>Total</b>	<b>Approximate percentage of shareholding</b>
Mr. Wong Lee Ping	—	38,000,000	38,000,000	1.00%
Ms. Li Wing Sze	—	11,000,000	11,000,000	0.29%
Mr. Cheng Kai Tai, Allen	—	2,600,000	2,600,000	0.07%
Mr. Fang Ang Zhen	—	2,600,000	2,600,000	0.07%

Save as disclosed above, as at 30 September 2010, none of the Directors and Chief Executive of the Company held any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), to be notified to the Company and the Stock Exchange.

*Note:* Details in the section headed “Share Options Scheme” below.



## Other Information

### Arrangement to Acquire Shares or Debentures

Save as disclosed under sections headed “Directors’ and Chief Executive’s Interests and Short Positions in Shares and Underlying Shares and Debentures” above, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate and neither the Directors nor any of their spouses or children under 18 years of age, had any right to subscribe for shares or debt securities of the Company, or had exercised any such rights during the year under review.

### Substantial Shareholder

As at 30 September 2010, the register of interests and short position in the shares and underlying shares of the Company kept under section 336 of the SFO showed that, the following shareholders had an interest of 5% or more in the issued share capital of the Company.

<b>Name of Shareholders</b>	<b>Number of Shares</b>	<b>Approximate percentage of shareholding</b>
Mr. Ng Man Sun ( <i>Note 1</i> )	1,006,147,335	26.44%

*Note:*

1. These Shares in which Mr. Ng Man Sun is interested in comprise (i) 1,000,000,000 Shares being personal interest; and (ii) 6,147,335 Shares being interest held by East Legend Holdings Limited, Mr. Ng Man Sun is interested in the entire issued share capital of East Legend Holdings Limited, and he is deemed to be interested in the 6,147,335 Shares held by East Legend Holdings Limited.

Save as disclosed above, as at 30 September 2010, no other person/company had any personal, family, corporate or other beneficial interests or short positions in the shares or underlying shares in the Company which would fall to be, disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO and as recorded in the register of the Company.

### Share Options

The Company's share option scheme (the "Share Option Scheme") was adopted on 12 August 2002 with a purpose to recognize the contribution of certain employees, directors, executives or officers, suppliers, consultants and agents of the Group to the growth of the Group.

The Share Option Scheme is valid for a period of 10 years commencing from 12 August 2002. There are 38,000,000 share options under the Share Option Scheme were granted during the six months period ended 30 September 2010 and there were 54,200,000 share options outstanding as at 30 September 2010.

### Purchase, Sale or Redemption of the Company's Listed Securities

There was no purchase, redemption or sale by the Company nor any of its subsidiaries of the Company's listed securities during the period ended 30 September 2010.

### Audit Committee

The Company has an Audit Committee which was established for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises with four Independent Non-executive Directors.

The interim results of the Group for the period under review have been reviewed by the Audit Committee.

### Remuneration Committee

The Remuneration Committee comprises two Independent Non-executive Directors and one Executive Director. The Remuneration Committee was established with specific written terms of reference and is principally responsible for reviewing and approving remuneration package for Directors and officers. No Director or officer will determine his own remuneration.



## Other Information

### Nomination Committee

The Nomination Committee comprises two Independent Non-executive Directors and one Executive Director. The Nomination Committee was established with specific written terms of reference and is principally responsible for reviewing and approving nominations of Directors to the board and the Chair.

The Nomination Committee must take into consideration the various rules on independence of the Board in relation to the Company, its senior management and major shareholders, in accordance with the requirements of the Code of Corporate Governance

### Legal Committee

The Legal Committee comprises two Independent Non-executive Directors and one Executive Director. The Legal Committee was established for the purpose of managing any legal matters and actions to be taken as may be decided by the Board, including the impaired loans and receivables and recoverability of such loans and receivables.

### Strategic Research Committee

The Strategic Research Committee comprises one Independent Non-executive Director and one officer. The Strategic Research Committee was established for the purpose of studying the lottery industry in the PRC and the gaming industry in global market in order to provide analysis to the Board for its reference on planning and design of future strategic development of the Company.

### Executive Committee

The Executive Committee was established with written terms of reference setting out authorities delegated to them by the Board of Directors. The Executive Committee comprises all the Executive Directors. The primary duties of the Executive Committee include supervision of day-to-day management of the Group.

### Model Code for Securities Transactions by Directors

Throughout the underlying period, the Model Code for Securities Transactions by Directors of Listed Issuers (“Securities Code”) had been taken as the Company’s code of conduct regarding Directors’ securities trading. All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the Securities Code throughout the underlying period.

### Corporate Governance

The Group continues to commit itself to maintaining a high standard of corporate governance with an emphasis on enhancing transparency and accountability and ensuring the application of these principles within the Group and thereby, enhancing shareholder value and benefiting our stakeholders at large. For the strengthening of corporate governance of the Company, Horwath CAS had been appointed for an overall corporate governance review.

During the period under review, the Company has complied with the provisions of the Code on Corporate Governance Practices (the “Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout the period ended 30 September 2010 with the exception of certain deviation as further explained below:

Code Provision A.4.1 provides the Non-executive Directors should be appointed for a specific term, and subject to re-election.

None of the existing Non-executive Directors of the Company are appointed for a specific term. This constitutes a deviation from Code Provision A.4.1. However, all Non-executive Directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws of the Company. The Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the Code Provision.



## Other Information

### Review of Result

The Group's unaudited condensed consolidated results for the six months ended 30 September 2010 have been reviewed by the Audit Committee of the Company.

On behalf of the Board

**Deng Xiaomei**

*Chairwoman*

Hong Kong, 29 November 2010

# Condensed Consolidated Income Statement

For the six months ended 30 September 2010

	Note	Six months ended 30 September	
		2010 HK\$'000 Unaudited	2009 HK\$'000 Unaudited
<b>Turnover</b>	4	<b>2,398</b>	92,057
Cost of sales		—	—
<b>Gross profit</b>		<b>2,398</b>	92,057
Other revenue	5	<b>43,799</b>	36,788
Reversal/(addition) of impairment loss for available-for-sale financial asset		<b>12,496</b>	(1,294,978)
Selling and distribution expenses		<b>(883)</b>	(2,208)
General and administrative expenses		<b>(11,415)</b>	(17,818)
<b>Profit/(loss) from operations</b>	6	<b>46,395</b>	(1,186,159)
Finance costs	8	<b>(6,747)</b>	(24,222)
Share of operating profit of an associate	13	<b>37,655</b>	45,209
Reversal/(addition) of impairment loss and amortisation of intangible asset relating to an associate	13	<b>178,546</b>	(43,236)
		<b>216,201</b>	1,973
<b>Profit/(loss) before taxation</b>		<b>255,849</b>	(1,208,408)
Income tax	9	—	—
<b>Profit/(loss) for the period</b>		<b>255,849</b>	(1,208,408)

# Condensed Consolidated Income Statement

For the six months ended 30 September 2010

	<i>Note</i>	Six months ended 30 September	
		2010 HK\$'000 Unaudited	2009 HK\$'000 Unaudited
<b>Attributable to:</b>			
Equity owners of the Company		255,849	(1,208,408)
Non-controlling interests		—	—
<b>Profit/(loss) for the period</b>		<b>255,849</b>	<b>(1,208,408)</b>
<b>Earnings/(loss) per share</b>	11		
— basic		HK6.72 cents	HK(35.18) cents
— diluted		HK6.72 cents	HK(35.10) cents

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2010

	<b>Six months ended</b>	
	<b>30 September</b>	
<i>Note</i>	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
	<b>Unaudited</b>	Unaudited
<b>Profit/(loss) for the period</b>	<b>255,849</b>	(1,208,408)
<b>Other comprehensive income/(loss) for the period:</b>		
Available-for-sale financial assets:		
Decrease in fair value reserve	—	(195,268)
Income tax relating to components of other comprehensive income/(loss)	—	—
<b>Total comprehensive income/(loss) for the period</b>	<b>255,849</b>	(1,403,676)
Total comprehensive income/(loss) attributed to:		
Equity owners of the Company	<b>255,849</b>	(1,403,676)
Non-controlling interests	—	—
	<b>255,849</b>	(1,403,676)



# Condensed Consolidated Statement of Financial Position

As at 30 September 2010

		30 September 2010 HK\$'000 Unaudited	31 March 2010 HK\$'000 Audited
	<i>Note</i>		
<b>Non-current assets</b>			
Fixed assets			
Investment properties	12	3,530	3,530
Other property, plant and equipment	12	1,840	2,298
		<b>5,370</b>	5,828
Intangible assets		7,293	7,678
Interest in an associate	13	547,077	330,876
Other financial assets	14	134,356	121,860
		<b>694,096</b>	466,242
<b>Current assets</b>			
Trade and other receivables	15	60,754	149,617
Cash and cash equivalents		33,410	16,547
		<b>94,164</b>	166,164
<b>Current liabilities</b>			
Trade and other payables	16	(106,002)	(108,048)
Borrowings	17	(2,000)	(5,000)
		<b>(108,002)</b>	(113,048)

# Condensed Consolidated Statement of Financial Position

As at 30 September 2010

		30 September 2010 HK\$'000 Unaudited	31 March 2010 HK\$'000 Audited
	<i>Note</i>		
<b>Net current (liabilities)/assets</b>		(13,838)	53,116
<b>Total assets less current liabilities</b>		680,258	519,358
<b>Non-current liabilities</b>			
Promissory notes	18	(131,059)	(226,726)
<b>NET ASSETS</b>		549,199	292,632
<b>CAPITAL AND RESERVES</b>			
Share capital	19	38,060	38,060
Reserves		511,139	254,572
<b>Total equity attributable to equity owners of the Company</b>		549,199	292,632
<b>Non-controlling interests</b>		—	—
<b>TOTAL EQUITY</b>		549,199	292,632

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2010

	Attributable to equity owners of the Company							Total HK\$'000		
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Contribution surplus HK\$'000	Capital reserve HK\$'000	Fair value reserve HK\$'000	Retained profits/		Non-controlling interests HK\$'000	
							(accumulated losses)			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 April 2009 (Audited)	26,589	—	(22,470)	2,180,026	7,302	195,268	284,677	2,671,392	—	2,671,392
Total comprehensive loss for the period	—	—	—	—	—	(195,268)	(1,208,408)	(1,403,676)	—	(1,403,676)
Equity settled share-based transactions	—	—	—	—	2,670	—	—	2,670	—	2,670
Share options forfeited during the period	—	—	—	—	(501)	—	501	—	—	—
Shares issued against the promissory notes (note 19(b))	11,400	278,180	—	—	—	—	—	289,580	—	289,580
Shares issued under employee share options schemes	71	1,452	—	—	(466)	—	—	1,057	—	1,057
At 30 September 2009 (Unaudited)	38,060	279,632	(22,470)	2,180,026	9,005	—	(923,230)	1,561,023	—	1,561,023
At 1 April 2010 (Audited)	38,060	279,632	(22,470)	2,180,026	9,705	—	(2,192,321)	292,632	—	292,632
Total comprehensive income for the period	—	—	—	—	—	—	255,849	255,849	—	255,849
Equity settled share-based transactions	—	—	—	—	718	—	—	718	—	718
Share options forfeited during the period	—	—	—	—	(3,214)	—	3,214	—	—	—
At 30 September 2010 (Unaudited)	38,060	279,632	(22,470)	2,180,026	7,209	—	(1,933,258)	549,199	—	549,199

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2010

	2010 HK\$'000 Unaudited	2009 HK\$'000 Unaudited
Net cash generated from/(used in) operating activities	17,325	(15,280)
Net cash used in investing activities	(355)	(70)
Net cash used in financing activities	(107)	(543)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>16,863</b>	<b>(15,893)</b>
<b>Cash and cash equivalents as at 1 April</b>	<b>16,547</b>	<b>78,209</b>
<b>Cash and cash equivalents as at 30 September</b>	<b>33,410</b>	<b>62,316</b>

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 1. Basis of Preparation

This condensed consolidated interim financial information for the six months ended 30 September 2010 comprises Amax Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”). This condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standards (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The condensed consolidated interim financial information has been prepared in accordance with the same accounting policies adopted in the annual financial statements of the Group for the year ended 31 March 2010, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 March 2011. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This condensed consolidated interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements of the Group for the year ended 31 March 2010. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”).

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 1. Basis of Preparation *(Continued)*

The condensed consolidated interim financial information is unaudited but has been reviewed by the Company's Audit Committee.

The financial information relating to the financial year ended 31 March 2010 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2010 are available from the Company's registered office. The auditor has expressed a disclaimer opinion on those financial statements in their report dated 30 July 2010 and they are available from the Company's registered office.

## 2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except as otherwise set out in the accounting policies.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2010, except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 2. Principal Accounting Policies *(Continued)*

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs (2009)
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HK(IFRIC)-INT 17	Distributions of non-cash assets to owners
HKAS 32 (Amendment)	Classification of rights issues

The Group applies HKFRS 3 (Revised) “Business Combinations” prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised) “Consolidated and Separate Financial Statements” in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 2. Principal Accounting Policies *(Continued)*

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 <sup>1</sup>
HKAS 24 (Revised)	Related party disclosures <sup>3</sup>
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters <sup>2</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HK(IFRIC)-INT 14 (Amendment)	Prepayments of a minimum funding requirement <sup>4</sup>
HK(IFRIC)-INT 19	Extinguishing financial liabilities with equity instruments <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013

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

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





# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 3. Segment Reporting

The Group has discontinued its operation in manufacturing and trading of LCD consumer products and LCD modules for the year ended 31 March 2009. In accordingly, over 90% of the Group's turnover, results and assets are derived from a single business segment which is investment in gaming and entertainment related business. No business segment information is presented.

The Group's turnover and results from operations are mainly derived from activities in Macau. The principal assets of the Group are located in the Macau. Accordingly, no analysis by geographical segment is provided.

### Major customers

No analysis of the Group's turnover and contribution from operations by major customers has been presented as there are no transactions with a single external customer equal to or greater than 10% of the Group's total revenues.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 4. Turnover

An analysis of the Group's turnover is as follows:

		<b>Six months ended 30 September</b>	
		<b>2010</b>	2009
		<b>HK\$'000</b>	HK\$'000
<i>Note</i>		<b>Unaudited</b>	Unaudited
<hr/>			
	Revenue from investments in gaming and entertainment related business		
	– Investment in Junket related operation	—	89,972
	– Investment in VIP gaming related operation	<b>1,895</b>	1,673
	– Investment in slot machine operation	<b>503</b>	412
<hr/>			
		<b>2,398</b>	92,057
<hr/>			

### (a) Investment in Junket related operation

The Group, through its subsidiary, Ace High Group Limited ("Ace High"), invested, on 14 December 2007, in the junket related operation of AMA International Limited ("AMA"), incorporated in Macau and the holder of a junket license issued by the Gaming Inspection and Coordination Bureau of the Macau Government to develop the activity of promotion of games of chance and other casino games. AMA's business is to aggregate the business of different junket collaborators in the Altira Macau Casino and receives commissions therefrom (the "Junket related operation"). With effect from 15 December 2007, Ace High receives 80% of the profits generated by AMA from the Junket related operation, in accordance with the First Profit Transfer Agreement (see note 14) and the Second Profit Transfer Agreement (see note 14).

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 4. Turnover *(Continued)*

### (a) Investment in Junket related operation *(Continued)*

The revenue and expenses related to the Junket related operation of AMA are summarised as follows:

	<b>Six months ended 30 September</b>	
	<b>2010 HK\$'000 Unaudited</b>	<b>2009 HK\$'000 Unaudited</b>
Commission from the Altira Macau Casino	5,435	1,754,656
Income from other promotion services	—	35,411
Other income	1	—
	<b>5,436</b>	<b>1,790,067</b>
Operating expenses		
Commission to sub-junkets	—	(1,547,201)
Special gaming tax and funds to the Macau government	—	(12,952)
Direct cost of promotion services	—	(45,797)
Staff costs	(7,702)	(12,364)
Administrative expenses and others	(2,149)	(9,288)
	<b>(9,851)</b>	<b>(1,627,602)</b>
Contribution from junket aggregation business	<b>(4,415)</b>	162,465
Impairment for bad and doubtful debt*	—	(50,000)
Net contribution from junket aggregation business	<b>(4,415)</b>	112,465

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 4. Turnover (Continued)

### (a) Investment in Junket related operation (Continued)

	<b>Six months ended 30 September</b>	
	<b>2010 HK\$'000 Unaudited</b>	2009 HK\$'000 Unaudited
Entitlement attributable to a shareholder of AMA	<b>883</b>	(32,493)
Impairment for bad and doubtful debt attributable to a shareholder of AMA*	—	10,000
Net entitlement attributable to a shareholder of AMA	<b>883</b>	(22,493)
Net contribution attributable to the Group <sup>#</sup>	<b>(3,532)</b>	89,972

\* The amount represents the impairment for bad and doubtful debts of AMA that are not covered by the guaranteed amount of a shareholder.

<sup>#</sup> According to the First Profit Transfer Agreement, Ace High only shared the distributed profit from AMA. Since AMA did not have distributable profit for the period, no distributable profit was shared for the period ended 30 September 2010.

### (b) Investment in VIP gaming related operation

Thousand Ocean Investments Limited, a wholly-owned subsidiary of the Company, is engaged in the investment in the high rolling gaming area (the "VIP room") in the Greek Mythology Casino reserved exclusively for high-wagering patrons in consideration for a share of the net gaming wins from the VIP room.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 4. Turnover *(Continued)*

### (b) Investment in VIP gaming related operation *(Continued)*

	Six months ended 30 September	
	2010 HK\$'000 Unaudited	2009 HK\$'000 Unaudited
Share of net gaming wins	12,800	14,578
Operating expenses		
Commission to collaborators	(10,432)	(12,487)
Contribution from VIP gaming operation	2,368	2,091
Shared by the Greek Mythology Casino	(473)	(418)
Net contribution attributable to the Group	1,895	1,673

### (c) Investment in slot machine operation

Jadepower Limited, a wholly-owned subsidiary of the Company, is engaged in the investment in the operation of 90 (2009: 90) electronic slot machines in the Greek Mythology Casino and is entitled to a certain percentage of the net gaming wins from the operation of 90 (2009: 90) electronic slot machines in the Greek Mythology Casino.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 5. Other Revenue

An analysis of the Group's other revenue is as follows:

	<b>Six months ended 30 September</b>	
	<b>2010 HK\$'000 Unaudited</b>	2009 HK\$'000 Unaudited
Interest income from loan to promissory note holders	<b>1,374</b>	1,423
Gain on fair value upon shares issued against the promissory notes*	<b>—</b>	35,251
Rental income	<b>108</b>	108
Sundry income	<b>—</b>	6
Fair value gain on offsetting loan receivables from promissory note holders against promissory notes <sup>#</sup>	<b>42,317</b>	—
	<b>43,799</b>	36,788

\* The amount represents difference arising from offsetting the carrying amount of promissory notes and the fair value of the issued shares. For the details, please refer to note 18, 19(b)(i) and 19(b)(ii).

<sup>#</sup> The loans of HK\$55,000,000 to promissory notes holders and the accrued loan interest of HK\$4,990,000 were fully off-set against the face value of the promissory notes of HK\$150,000,000 with the carrying amount of HK\$102,307,000. The excess amount of HK\$42,317,000 was recognised as other revenue in the condensed consolidated statement of comprehensive income.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 6. Profit/Loss from Operations

Profit/(loss) from operations is arrived at after charging/(crediting):

	<b>Six months ended 30 September</b>	
	<b>2010 HK\$'000 Unaudited</b>	2009 HK\$'000 Unaudited
<b>(a) Staff costs</b>		
Equity-settled share-based payment expenses	718	2,670
Salaries, wages and other benefits	5,340	6,749
Contributions to defined contribution retirement plans	93	145
	<b>6,151</b>	9,564
<b>(b) Other items:</b>		
Depreciation of property, plant and equipment	813	851
Amortisation of intangible assets	385	905
Loss on disposal of property, plant and equipment	—	729
Auditors' remuneration		
— audit services	—	—
— other services	150	190
Operation lease charges in respect of premises:		
— minimum lease payments	1,261	1,658
Gross rental income from investment properties less direct outgoings of HK\$35,000 (2009: HK\$35,000)	(73)	(73)

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 7. Directors' Remuneration

The summary of directors' remuneration is as follows:

### For the six months ended 30 September 2010

	Directors' fee HK\$'000 Unaudited	Salaries, allowances and benefits in kind HK\$'000 Unaudited	Retirement scheme contributions HK\$'000 Unaudited	Share-based payments HK\$'000 Unaudited	Total HK\$'000 Unaudited
Executive directors	—	1,757	13	28	1,798
Non-executive director	136	—	—	—	136
Independent non-executive directors	173	—	—	59	232
	309	1,757	13	87	2,166

### For the six months ended 30 September 2009

	Directors' fee HK\$'000 Unaudited	Salaries, allowances and benefits in kind HK\$'000 Unaudited	Retirement scheme contributions HK\$'000 Unaudited	Share-based payments HK\$'000 Unaudited	Total HK\$'000 Unaudited
Executive directors	—	1,765	73	1,234	3,072
Non-executive director	60	—	—	147	207
Independent non-executive directors	323	—	—	440	763
	383	1,765	73	1,821	4,042



# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 8. Finance Costs

	Six months ended 30 September	
	2010 HK\$'000 Unaudited	2009 HK\$'000 Unaudited
Interest on other borrowings	107	20
Interest on promissory notes	6,640	24,202
	6,747	24,222

## 9. Income Tax

(a) No provision for Hong Kong profits tax and overseas income tax has been made as the companies within the Group have no estimated assessable profits for the six months ended 30 September 2010 and 2009.

### (b) Deferred taxation not recognised

There was no material unprovided deferred taxation. The Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK\$1 million (31 March 2010: HK\$1 million) as it is not probable that future taxable profits against which tax losses can be utilised will be available in the relevant tax jurisdiction and the entity. The tax losses do not expire under current tax legislation.

## 10. Dividends

No dividend has been paid or declared by the Company for the six months ended 30 September 2010 (2009: HK\$nil).

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 11. Earnings/(Loss) Per Share

### (a) Basic earnings/(loss) per share

The calculation of the basic earnings/(loss) per share is based on the unaudited profit/(loss) attributable to equity owners of the Company of approximately HK\$255,849,000 (2009: loss of HK\$1,208,408,000) and the weighted average number of ordinary shares in issue during the period, calculated as follows:

#### Weighted average number of ordinary shares

	2010 '000 Unaudited	2009 '000 Unaudited
Issued ordinary shares at 1 April	3,805,989	2,658,889
Effect of shares issued against promissory notes	—	771,475
Shares issued under employee share options schemes	—	4,132
Weighted average number of ordinary shares at 30 September	3,805,989	3,434,496

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 11. Earnings/(Loss) Per Share *(Continued)*

### (b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share is based on the unaudited profit attributable to equity owners of the Company of HK\$255,849,000 (2009: loss of HK\$1,208,408,000) and the weighted average number of ordinary shares of 3,808,190,000 shares (2009: 3,442,395,000 shares) in issue during the period, calculated as follows:

#### Weighted average number of ordinary shares

	2010 '000 Unaudited	2009 '000 Unaudited
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>3,805,989</b>	3,434,496
Effect of deemed issue of shares under Company's share option scheme for nil consideration	<b>2,201</b>	7,899
Weighted average number of ordinary shares (diluted) for the purpose of diluted earnings per share	<b>3,808,190</b>	3,442,395

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 12. Fixed Assets

	Leasehold improvements	Other non- current assets	Sub-total	Investment properties	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost or valuation:</b>					
At 1 April 2010	3,329	4,017	7,346	3,530	10,876
Additions	—	355	355	—	355
At 30 September 2010 (unaudited)	3,329	4,372	7,701	3,530	11,231
<b>Accumulated depreciation:</b>					
At 1 April 2010	2,661	2,387	5,048	—	5,048
Charge for the period	399	414	813	—	813
At 30 September 2010 (unaudited)	3,060	2,801	5,861	—	5,861
<b>Net carrying value:</b>					
At 30 September 2010 (unaudited)	269	1,571	1,840	3,530	5,370
At 31 March 2010 (audited)	668	1,630	2,298	3,530	5,828

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 13. Interest in an Associate

- (a) The following list contains only the particulars of the associate, an unlisted corporate entity, which principally affected the results or assets of the Group:

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	Held by the Principal Company	activity
Greek Mythology (Macau) Entertainment Group Corporation Limited ("Greek Mythology")	Incorporated	Macau	2,412 ordinary shares of MOP1,000 each	49.9%	49.9%	Gaming and entertainment related business

- (b) Summary financial information of the associate:

	Six months ended 30 September 2010	
	Revenue HK\$'000 Unaudited	Operating profit HK\$'000 Unaudited
100 per cent	176,613	75,462
Group's effective interest	88,130	37,655

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 13. Interest in an Associate *(Continued)*

(b) Summary financial information of the associate: *(Continued)*

	Six months ended 30 September 2009	
	Revenue HK\$'000 Unaudited	Operating profit HK\$'000 Unaudited
100 per cent	152,820	90,600
Group's effective interest	76,257	45,209

	2010 HK\$'000 Unaudited	2009 HK\$'000 Unaudited
Group's effective interest in the associate's operating profit	37,655	45,209
Amortisation of intangible asset	(1,818)	(31,077)
Reversal/(addition) of impairment of intangible asset	180,364	(12,159)
	178,546	(43,236)
Net Profit	216,201	1,973

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 13. Interest in an Associate *(Continued)*

### (c) Reversal/(provision) of impairment of intangible assets of the associate

The intangible asset relating to the associate refers to a right of sharing the profit from gaming related operations in the Greek Mythology Casino for a period of 14 years from 1 April 2006. The management of the Group reviewed internal and external information relating to the gaming operations of the associate to identify the recoverable amount of the intangible as well as indications as to whether impairment should be added or reversed. In considering the recoverable amount and the impairment, the management took into account that a new gaming area targeting at high-end customers was newly opened in the Casino in August 2010, resulting that the net win has been improved.

The recoverable amount of the above intangible asset is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the management covering a four-year period, and cash flows for the following six years (2009: seven years) are extrapolated using the estimated rates stated below.

Key assumptions used for value-in-use calculations:

	2010 %
— Growth in revenue year-on-year	3–10
— Discount rate	12.41

The growth in revenue is based on past performance, management's expectations of market development and industry information. The discount rate reflects the specific risks relating to Macau's casino gaming industry.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 13. Interest in an Associate *(Continued)*

### (c) Reversal/(provision) of impairment of intangible assets of the associate *(Continued)*

The above value-in-use calculations as at 30 September 2010 were stated in a report on a valuation carried out by an independent professional valuer, Grant Sherman Appraisal Limited (“Grant Sherman”) with recent experience in conducting business and intangible assets valuation in gaming and entertainment industry in Macau.

Based on above valuations, the carrying amount of the intangible asset as at 30 September 2010 is lower than its recoverable amount, and the management considered that a reversal of impairment loss of approximately HK\$361,450,000 (2009: impairment loss HK\$24,367,000) is necessary at the associate level. The Group’s share of a reversal of impairment loss of the intangible asset of HK\$180,364,000 (2009: impairment loss of HK\$12,159,000) is included in the “share of profit of an associate” in the condensed consolidated income statement for the period ended 30 September 2010.

## 14. Other Financial Asset

	HK\$'000
<b>Available-for sale financial asset, at fair value</b>	
At 1 April 2010 (audited)	121,860
Add: Reversal of impairment loss	12,496
At 30 September 2010 (unaudited)	134,356



# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 14. Other Financial Asset *(Continued)*

On 10 September 2007, Ace High, a subsidiary of the Group, entered into a loan and transfer profits agreement (the “First Profit Transfer Agreement”) with AMA. Pursuant to the First Profit Transfer Agreement, the Group agreed to grant a loan facility of up to the maximum aggregate amount of HK\$3 billion for the operating capital of AMA to carry out the junket related business. In return, AMA agreed to transfer all profits (the “Profits”) generated by AMA from the junket related operation under the gaming promotion agreement dated 21 August 2007 entered into, between AMA and Melco PBL Gaming (Macau) Limited (the “Gaming Operator”). The profits represent the aggregate commissions and bonuses payable by the Gaming Operator to AMA after deducting (a) the total commissions and bonuses payable by AMA to its collaborators under the gaming intermediary agreements entered into by AMA with its collaborators, and (b) all the relevant operational and administrative expenses incurred and tax payable to the Macau government. On the same day, Ace High and Mr. Francisco Xavier Albino (“Mr. Albino”), a former sole shareholder of AMA, made another profit transfer agreement (the “Second Profit Transfer Agreement”) whereas Ace High agreed to transfer 20% of the profits from AMA, under the First Profit Transfer Agreement, to Mr. Albino.

On 14 December 2007, Ace High provided a HK\$1.9 billion loan (“Loan”) under the First Profit Transfer Agreement to AMA which started its junket aggregation business on 15 December 2007.

On 29 April 2008, a supplemental agreement (the “Supplemental Agreement”) was entered into between Ace High and AMA such that the term of the First Profit Transfer Agreement is fixed to three years from the date of the Supplemental Agreement and may be renewed at the discretion of Ace High thereafter. Save as disclosed herein, there are no change to the other material terms of the First and Second Profit Transfer Agreements subsequent to the Supplemental Agreement.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 14. Other Financial Asset *(Continued)*

In the opinion of the Company's Directors, the Loan is a non-derivative financial asset and they designated it as available-for-sale financial assets upon initial recognition.

On 23 December 2009, the Gaming Operator revoked the then existing Gaming Promotion Agreement between AMA and entered into a new agreement with AMA, whereby the commission rate for AMA was decreased from 1.35% to 1.20%, following the implementation of a 1.25% cap on junket commission by the Macau Government.

The Gaming Operator unilaterally entered into separate agreements with some of AMA's collaborators and some collaborators ceased their business in the premises of the Gaming Operator in December 2009. As a result, these collaborators by passed AMA and dealt directly with the Gaming Operator. AMA is no longer to share the gaming wins of these collaborators and commission and bonus from the Gaming Operator. AMA's only remaining enforceable agreement was with a collaborator who agreed to share 5 basis points (0.05%) commission on the rolling volume generated at the casino with AMA.

The agreement on gaming promotion is still in effective and AMA still has the operating right at the casino. Same as the collaborators, AMA, as an independent gaming promoter, will be entitled to a commission on the rolling volume generated at the casino.

During the year ended 31 March 2010, AMA agreed with certain collaborators the repayment schedules of loans amounting to HK\$173,250,000 by signing the Repayment Agreements (the "Repayment Agreements"). Therefore, AMA considered that these loans can be fully recoverable.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 14. Other Financial Asset *(Continued)*

The rest of the collaborators having a total amount of HK\$372,850,000 due to AMA was fully impaired in the year ended 31 March 2010 under the following situation that:

- The collaborator went into bankruptcy; or
- Though litigation actions have been taken, AMA is not certain about the amount that can be recovered; or
- The results of the legal actions taken are uncertain; or
- AMA losses contact with the collaborators.

There was another collaborator with an amount approximately HK\$2,142,824,000 due to AMA. The collaborator declared that the whole amount was lent to its sub-collaborators for operating gaming promotion business and the collaborator was demanding them to repay the amount due. The collaborator will repay the debt to AMA when the collaborator received the amounts from its sub-collaborators. Hence, AMA is unable to estimate the recoverable amount of the debt owned by the collaborator and therefore a full impairment was made by AMA.

On 7 May 2010, a creditor of AMA filed a petition against AMA for the recovery of approximately HK\$233,060,000 and AMA was in the process of considering taking counter actions. AMA has not recorded any profit since 1 December 2009 and it is uncertain whether any actions to be taken by AMA to reinforce the exclusive gaming promotion agreement and to recover any commissions and bonuses or to demand repayment of advances to various junket collaborators could be successful.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 14. Other Financial Asset *(Continued)*

Impairment assessment:

As at 30 September 2010, in view of (1) the business cooperation mode between AMA and the Gaming Operator in Macau since December 2009; (2) financial difficulties of AMA and its failure to recover the credit granted to the collaborators; (3) the financial position and the junket related business of AMA; and (4) the collaborators repaid the loans to AMA, the directors of the Company review internal and external sources of information in respect of the fair value of the available-for-sale financial assets and a reversal of impairment allowance of HK\$12,496,000.

The fair value of available-for-sale financial asset as at 30 September 2010 was measured using the value-in-use calculation by an independent professional valuer, Grant Sherman Appraisal Limited.

Key assumptions used by the management of the Company for value-in-use calculations:

- There are a series of litigation and recovery plan in progress against the collaborators at AMA and therefore recovery of the amount is uncertain. As such, the absence of available information and supporting documents from AMA and its collaborators, the Company is unable to assess the total amount that would be received by AMA from the collaborators, and hence, the Repayment Schedules provided by the Company only includes the amounts owed by the collaborators who had signed the Repayment Agreements;
- Nil amount will be received from those collaborators with which no Repayment Schedules have been agreed and no Repayment Agreements have been entered into;

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 14. Other Financial Asset *(Continued)*

- Upon receiving the repayments from the collaborators by AMA, AMA will repay the amount to the Group before settling other liabilities notwithstanding a creditor has taken legal action against AMA for the recovery of debts due by AMA;
- Repayment Schedules and Repayment Agreements entered into between AMA and the collaborators have been prepared on a reasonable basis, reflecting estimates which have been arrived at after due and careful consideration by the Company;
- The collaborators will repay the outstanding amount to AMA according to the Repayment Schedules without default;
- Discount rate of 17.2%.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 15. Trade and Other Receivables

The ageing analysis of trade and other receivable at the end date of reporting period is as follows:

	30 September 2010 HK\$'000 Unaudited	31 March 2010 HK\$'000 Audited
Trade receivables from AMA	488,294	498,294
Less: impairment	(468,294)	(468,294)
	20,000	30,000
Other receivables	28,800	29,800
Less: impairment	(28,800)	(28,800)
	—	1,000
Loans to promissory notes holders ( <i>note (a)</i> )	—	55,000
Interest receivables for loans to promissory notes holders ( <i>note (a)</i> )	—	3,616
Advance to collaborators	30,490	54,020
Due from an associate	8,360	4,768
Loans and receivable	58,850	148,404
Rental and other deposits	895	1,203
Prepayment	1,009	10
	60,754	149,617

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 15. Trade and Other Receivables *(Continued)*

- (a) Loans to promissory note holders (the "Holders") bears interest at 8% per annum and repayable on 31 August 2009. The loans are secured by promissory notes with face value of HK\$150,000,000.

The Holders did not repay the principal and interests of the loans upon the maturity date. On 23 July 2010, the Company and the Holders entered into agreements and the Holders agreed to offset their promissory notes with a face value of HK\$150,000,000 with the loans. The excess amount over loans receivable and accrued loan interest was recognised as other revenue in the consolidated statement of comprehensive income.

## 16. Trade and Other Payables

The ageing analysis of trade payables at the end date of reporting period is as follows:

	30 September 2010 HK\$'000 Unaudited	31 March 2010 HK\$'000 Audited
Trade payables		
After 3 months	853	853
Accruals and other payables	105,149	107,195
	106,002	108,048

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 17. Borrowings

	30 September 2010 HK\$'000 Unaudited	31 March 2010 HK\$'000 Audited
Other loans from independent third parties, unsecured, bear interest at 5% (2009: 6.5% per annum) and repayable on demand	2,000	5,000

## 18. Promissory Notes

- (a) In 2006, the Company issued promissory notes with a face value of approximately HK\$1,454,722,000 to shareholders of the associate as part of the consideration for the acquisition of the associate.

The promissory notes are unsecured, non-interest bearing and repayable on 27 March 2016, being the tenth anniversary of the date of issue of the promissory notes.



# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 18. Promissory Notes *(Continued)*

(a) *(Continued)*

Interest expense on promissory notes is calculated using the effective interest method by applying the effective interest rate of 7% per annum to the fair value of the promissory notes and is deducted from the carrying value of the promissory notes and charged to statement of comprehensive income.

	HK\$'000
At 1 April 2009 (audited)	906,612
Add: Interest on promissory notes	24,202
Less: offset by issuing shares <i>(note 19(b))</i>	(324,832)
At 30 September 2009 (unaudited)	605,982
At 1 April 2010 (audited)	226,726
Add: Interest on promissory notes	6,640
Less: Offset by loan receivables waived <i>(note 18(b))</i>	(102,307)
At 30 September 2010 (unaudited)	131,059

(b) The loans to promissory notes holders were fully off-set against the face value of the promissory notes. The excess amount over loans receivable and accrued loan interest was recognised as other revenue in the consolidated statement of comprehensive income.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 19. Share Capital

	<i>Note</i>	<b>Number of shares '000</b>	<b>Amount HK\$'000</b>
<b>Ordinary shares of HK\$0.01 each</b>			
<i>Authorised:</i>			
At 1 April 2009, 31 March 2010 and 1 April 2010		4,000,000	40,000
<i>Increase in authorised:</i>			
Share capital	(a)	4,000,000	40,000
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At 30 September 2010		8,000,000	80,000
<hr/>			
<i>Issued and fully paid:</i>			
At 1 April 2009 (audited)		2,658,889	26,589
Shares issued by ways of against the promissory notes	(b)	1,140,000	11,400
Shares issued under employee share options schemes		7,100	71
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At 31 March 2010 (audited), 1 April 2010 and 30 September 2010 (unaudited)		3,805,989	38,060
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# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 19. Share Capital *(Continued)*

*Notes:*

- (a) On 20 September 2010, additional 4,000,000,000 ordinary shares with par value HK\$0.01 were issued. The authorised share capital was increased to HK\$80,000,000.
  
- (b) Shares issued by ways of against the promissory notes
  - (i) On 20 March 2009, the Company entered into a subscription agreement (the “Subscription Agreement”) with Mr. Ng Man Sun (“Mr. Ng”), a shareholder of the Company and a controlling shareholder of Greek Mythology, pursuant to which the Company agreed to allot and issue 1,000,000,000 new shares of an aggregate nominal value of HK\$10 million at a subscription price of HK\$0.40 per share to Mr. Ng. The subscription price is settled by Mr. Ng under the subscription agreement by setting off against the face value of the promissory note in the sum of HK\$400,000,000.

Pursuant to the Subscription Agreement, Mr. Ng has irrevocably undertaken and guarantee to the Company that the bad debt of AMA shall not be more than HK\$50,000,000 for the year ended 31 March 2010. Otherwise, Mr. Ng would compensate the Company by offsetting his promissory notes with a cap of face value of HK\$300,000,000 of the Company arising from bad debt of AMA. For the year ended 31 March 2010, the promissory notes of face value of HK\$300,000,000 was offset in accordance with the Subscription Agreement.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 19. Share Capital *(Continued)*

*Notes: (Continued)*

(b) *(Continued)*

- (ii) On 2 June 2009, Mr. Ng, assigned and transferred approximately an amount of HK\$114,722,000 of the promissory note held by him to an independent third party (the "Subscriber"). On 7 June 2009, the transaction was completed.

On 15 June 2009 and 17 June 2009, the Company entered into a subscription agreement and a supplemental agreement (collectively the "Agreements") with the Subscriber. Pursuant to the agreements the Company has conditionally agreed to allot and issue 140,000,000 new shares at a subscription price of HK\$0.82 per subscription share to the Subscriber. The subscription price was settled by the Subscriber under the Agreements by setting off against the face value of the promissory note in the sum of approximately HK\$114,722,000. The transaction was completed on 6 July 2009.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 20. Share Options

The Company has a share option scheme which was adopted on 12 August 2002 whereby the Directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at a nominal consideration of HK\$1 to subscribe for shares of the Company. Each option gives the holder the right to subscribe for one ordinary share in the Company.

- (a) The terms and conditions of the grants that existed during the six months ended 30 September 2010 are as follows, whereby all options are settled by physical delivery of shares:

	Exercise price HK\$	Number of Shares issuable under options granted	Vesting conditions	Contractual life of options
Options granted to directors:				
— on 28 January 2008	0.7360	4,000,000	Immediately vested	10 years
— on 28 January 2008	0.7360	3,000,000	One year from the date of grant	10 years
— on 28 January 2008	0.7360	3,000,000	Two years from the date of grant	10 years
— on 23 April 2009	0.1930	7,000,000	One year from the date of grant	10 years
— on 12 May 2009	0.2290	10,200,000	One year from the date of grant	10 years
		27,200,000		
Options granted to employees:				
— on 28 January 2008	0.7360	3,760,000	Immediately vested	10 years
— on 28 January 2008	0.7360	2,820,000	One year from the date of grant	10 years
— on 28 January 2008	0.7360	2,820,000	Two years from the date of grant	10 years
— on 23 April 2009	0.1930	1,000,000	One year from the date of grant	10 years
— on 13 August 2010	0.0830	19,000,000	Immediately vested	10 years
— on 13 August 2010	0.0830	19,000,000	6 months from the date of grant	10 years
		48,400,000		
Total shares issuable upon options granted		75,600,000		

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 20. Share Options (Continued)

- (b) The particulars of the movement of the Company's share options during the six months ended 30 September 2010 is as follows:

Directors and eligible employees	No of share options ('000)				At 30 September 2010	Date of grant	Exercise periods
	At 1 April 2010	Granted during the period	Exercised during the period	Lapsed during the period			
<b>Directors</b>							
Immediately vested	4,000	—	—	—	4,000	28/1/2008	28/1/2008–27/1/2013
One year from the date of grant	3,000	—	—	—	3,000	28/1/2008	28/1/2009–27/1/2013
Two years from the date of grant	3,000	—	—	—	3,000	28/1/2008	28/1/2010–27/1/2013
Immediately vested	5,200	—	—	(5,200)	—	20/10/2008	20/10/2008–19/10/2013
One year from the date of grant	7,000	—	—	—	7,000	23/4/2009	23/4/2010–22/4/2019
One year from the date of grant	15,400	—	—	(5,200)	10,200	12/5/2009	12/5/2010–11/5/2019
	37,600	—	—	(10,400)	27,200		
<b>Eligible Employees</b>							
Immediately vested	3,760	—	—	—	3,760	28/1/2008	28/1/2008–27/1/2013
One year from the date of grant	2,820	—	—	—	2,820	28/1/2008	28/1/2009–27/1/2013
Two years from the date of grant	2,820	—	—	—	2,820	28/1/2008	28/1/2010–27/1/2013
One year from the date of grant	1,000	—	—	—	1,000	23/4/2009	23/4/2010–22/4/2019
Immediately vested	—	19,000	—	—	19,000	13/8/2010	13/8/2010–12/8/2020
Six months from the date of grant	—	19,000	—	—	19,000	13/8/2010	11/2/2011–12/8/2020
	10,400	38,000	—	—	48,400		
Total number of shares issuable under options	48,000	38,000	—	(10,400)	75,600		

Note:

- The vesting periods of the above options are from the date of the options granted until the commencement of the exercise period.
- During the period ended 30 September 2010, 38,000,000 share options were granted.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 21. Commitments

As at 30 September 2010, the Group had the following commitments:

### (a) Operating lease commitments

At 30 September 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 September 2010 HK\$'000 Unaudited	31 March 2010 HK\$'000 Audited
Within one year	1,261	2,774

The Group is the lessee of a number of properties held under operating leases. The leases typically run for an initial period of 3 years. The lease did not include extension options. None of the leases include contingent rentals.

- (b) Save as disclosed above, the Group and the Company did not have any other significant capital or financial commitments as at 30 September 2010 and 31 March 2010.

## 22. Contingent Liabilities

The Group did not have material contingent liabilities as at 30 September 2010 and 31 March 2010.

# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 23. Material Related Party Transactions

The Group had the following transactions with related parties during the six months ended 30 September 2010.

- (a) Remuneration for key management personnel is the amounts paid to the Company's Directors as disclosed in Note 7.
- (b) Particulars of significant transactions between the Group and the following related parties are as follows:

	<b>Six months ended 30 September</b>	
	<b>2010 HK\$'000 Unaudited</b>	<b>2009 HK\$'000 Unaudited</b>
Rental expense charged by Superfaith Corporation Limited, a related company in which a director of the company's subsidiary has controlling interest	—	216

The Directors of the Company are of the opinion that the above transactions with related parties were conducted on normal commercial terms and in the ordinary course of business.



# Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 23. Material Related Party Transactions *(Continued)*

- (c) The outstanding balances arising from above transactions at 30 September 2010 and 31 March 2010 are as follows:

	<i>Note</i>	<b>30 September 2010 HK\$'000 Unaudited</b>	31 March 2010 HK\$'000 Audited
Amount due to Hong Kong North West Express Limited	(i)	<b>853</b>	853

*Note:*

- (i) The amount due to Hong Kong North West Express Limited ("HK North West Express") is unsecured, interest free and has no fixed repayment terms. The amount due to HK North West Express is included in "Trade payables" under "Trade and other payables" (Note 16).

## 24. Events After the Reporting Period

On 30 September 2010, the Group entered into an agreement (the "Agreement") with an independent third party (the "Vendor") in relation to a possible acquisition of a target company (the "Target Company"). The Target Company is engaged in service provision project involving the provision of software, hardware, transmission network and distribution marketing service to Guangxi Welfare Lottery Authority. The total consideration for the possible acquisition is HK\$42,000,000.