

# AMAX

## Holdings Limited

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 959)

2012/13  
Interim Report



# Contents

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# Corporate Information

## BOARD OF DIRECTORS

### Executive

Mr. Ng Man Sun  
(Appointed on 12 September 2012)

Ms. Ng Wai Yee  
(Appointed on 12 September 2012)

Ms. Li Wing Sze  
(Removed on 12 September 2012)

Mr. Lau, Dicky  
(Removed on 12 September 2012)

Mr. Ng Chi Keung  
(Removed on 12 September 2012)

Mr. Cheung Nam Chung  
(Removed on 12 September 2012)

### Independent Non-executive

Dr. Chow Ho Wan, Owen  
(Appointed on 12 September 2012)

Mr. Li Li Tang  
(Appointed on 12 September 2012)

Ms. Yeung Pui Han, Regina  
(Appointed on 12 September 2012)

Mr. Cheng Kai Tai, Allen  
(Removed on 12 September 2012)

Ms. Deng Xiaomei  
(Removed on 12 September 2012)

Mr. Yoshida Tsuyoshi  
(Removed on 12 September 2012)

Dr. Dingjie Wu

## COMPANY SECRETARY

Ms. Wan Kit Man  
(Appointed on 12 September 2012)

Mr. Ng Chi Keung  
(Removed on 12 September 2012)

## LEGAL ADVISERS

Robert C.C. Ip & Co

## STOCK CODE

959

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

1503-1505A, 15/F.,  
Tower 6, China Hong Kong City,  
33 Canton Road, Tsim Sha Tsui,  
Kowloon,  
Hong Kong

## BRANCH SHARE REGISTRAR

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

# Chairman's Statement

Dear Shareholders:

On behalf of the board (the "Board") of directors of Amax Holdings Limited (the "Company"), I present the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2012 (the "Period under review").

In 2012, the consumption power in China and Macau is impaired due to the slowdown in the global economic growth, the businesses of the Company are also inevitably affected in such a circumstance. The Group's investment was primarily in the gaming and entertainment industry of Macau, including the equity investment in Greek Mythology (Macau) Entertainment Group Corporation Limited ("Greek Mythology"); the VIP gaming related businesses and the slot machines operation related business. The Group also held some retail shops as investment properties. During the Period under review, the loss of the Group was approximately HK\$15 million, which was mainly attributable to the relevant financial information of Greek Mythology, the Group's associate, was not made available during the Period under review, therefore its financial information was not incorporated in the interim financial statements.

Facing the challenging market condition, the Group will adopt prudential measures to focus on its existing gaming business in Macau, while actively seeking development opportunities in the gaming business in the Asian region, the lottery related business in China and the travelling related business. According to the statistics from Macau's Statistics and Census Service, Macau's gaming revenue amounted to approximately HK\$251 billion for the first ten months in 2012, representing an increase of 13.5% compared with the same period last year. Thus, the gaming market in Macau continues to achieve favorable development under the adverse environment, and the total gaming revenue maintains a healthy growth. We strongly believe that the prospect of the gaming business in Macau is still promising, and we will continue to benefit from the stable growth of the gaming industry in Macau.

# Chairman's Statement

Greek Mythology is one of the significant investments of the Group. The Group is taking proactive actions to maintain close communications with the management of Greek Mythology, and will appoint officers of the Group to the board of directors of Greek Mythology to work collaboratively to enhance the business operations. Through ongoing negotiation with Greek Mythology, we expect that the financial performance of Greek Mythology will be reflected in the second half of the current financial year. On the other hand, the Group is looking for opportunities to establish business partnership with enterprises of great potential and competitive edges with a view to developing the Group's gaming and entertainment businesses in Asia and other regions through diversified business strategies. The Company is confident in the development of the gaming and entertainment business in Asia where is the base for the Group to achieve its ongoing long-term business expansion goal.

I was honored to be appointed as the Chairman and Chief Executive Officer of Amax by the Board on 12 September 2012. In addition to strengthening the supervision of the Group's gaming and related investments, I will optimize our operating structure and improve the corporate governance of the Group, formulate clearer corporate strategies and enhance communications with our investors, thereby seek more business development opportunities for the Group.

On behalf of the Board, I would like to take this opportunity to extend my cordial gratitude to the management team and staff of the Group for their hard work during the Period under review. My thanks also go to all Directors, our business partners, customers and shareholders for their continuous support to the Company. I am very looking forward to attaining outstanding achievements together with various parties and will strive to bring maximum value for our shareholders.

**Ng Man Sun**

*Chairman*

28 November 2012

# Management Discussion and Analysis

The board (the “Board”) of directors (the “Directors”) of Amax Holdings Limited (the “Company”) reports the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2012 (the “Period under review”). The unaudited interim results have been reviewed by the Audit Committee of the Company.

## FINANCIAL REVIEW

During the six months ended 30 September 2012, the Group’s investment was primarily engaged in gaming and entertainment industry of Macau, including the equity investment in Greek Mythology (Macau) Entertainment Group Corporation Limited (“Greek Mythology”), the VIP gaming related businesses and the slot machines operation related business. During the Period under review, the Group also held some retail shops as investment properties.

- The loss of the Group was approximately HK\$15 million during the Period under review as compared to a net profit of approximately HK\$211 million for the same period last year. It was mainly due to the relevant financial information of Greek Mythology (an associate of the Group, the “Associate”) was not made available during the Period under review, therefore its financial information was not incorporated in the interim financial statements.
- The revenue of the Group was approximately HK\$2.4 million during the Period under review, approximating to that of the same period last year.

# Management Discussion and Analysis

## FINANCIAL REVIEW (CONTINUED)

- An agent agreement was signed on 19 January 2012 between the Company and Ace High Co., Ltd. ("Ace High Korea"), a company incorporated in Korea, to promote the travelling and gaming business in Korea (the "Agent Agreement"). The Agent Agreement has a fixed term of 12 months and is thereafter renewable automatically for another term of 12 months unless terminated by two weeks' prior notice and pursuant to which, the Company is entitled to receive commission based on the predetermined percentage on the rolling volume of any one month period. The Company is also entitled to receive compensation at the predetermined rate on the net loss of its group customers in any one-month period. During the six months ended 30 September 2012, the Agent Agreement was already implemented and also generated commission income for the Group. Besides, a letter of intent was signed on 20 July 2012 with Ace High Korea for the acquisition of 100% shareholding of Ace High Korea to develop the gaming business in Korea. The letter of intent is non-legally binding, and further information is required by the Board to consider this matter.

## CHANGES OF MANAGEMENT

As mentioned in the announcement of the Company dated 12 September 2012, the Company announced that following the conclusion of the Special General Meeting held on 12 September 2012, Mr. Cheung Nam Chung, Mr. Ng Chi Keung, Ms. Li Wing Sze, Mr. Lau Dicky, Mr. Lei Kam Chao, Ms. Deng Xiaomei, Mr. Yoshida Tsuyoshi and Mr. Cheng Kai Tai, Allen were removed as directors of the Company; and Mr. Ng Man Sun, Ms. Ng Wai Yee, Ms. Yeung Pui Han, Regina, Mr. Li Li Tang, Dr. Chow Ho Wan, Owen had been appointed as directors of the Company. As mentioned in the announcement of the Company dated 14 September 2012, the Company had suspended the offices of Mr. Cheung Nam Chung and Mr. Ng Chi Keung respectively as Chief Executive Officer and Chief Financial Officer of the Company with effect from 12 September 2012 until 12 December 2012. As mentioned in the announcement of the Company dated 14 September 2012, Mr. Ng Man Sun was appointed as Chairman and Chief Executive Officer of the Company with effect from 12 September 2012.

# Management Discussion and Analysis

## CHANGES OF MANAGEMENT (CONTINUED)

With the extensive experience and network of the new management of the Group, we believe they will be able to introduce superior investment projects and strengthen the existing investment portfolio in order to get satisfactory returns.

## BUSINESS OVERVIEW

### Greek Mythology Casino

The Group owns 24.8% equity interest in Greek Mythology (Macau) Entertainment Group Corporation Limited, which operates and manages Greek Mythology Casino, and currently has approximately 20 VIP gaming rooms and a gaming floor targeting the mid-range to high-end market and VIP as its main customers, with an aim of attracting VIP consumers from Mainland China and other Asian regions.

In order to settle the controversy arising from the different views held by the Company and by Greek Mythology regarding the dilution in the Company's shareholding in Greek Mythology as a result of the Capitalisation, the Company, Greek Mythology and other existing shareholders of Greek Mythology entered into an agreement in relation to the Capitalisation on 16 March 2012 in accordance with the terms set out in the announcement dated 7 February 2012. Furthermore, Greek Mythology has terminated the operating rights of 40 gaming tables in Greek Mythology Casino and returned them to SJM Holdings Limited ("SJM") with effect from 13 August 2012, details of which were published in the announcement of the Company dated 16 October 2012. To the best knowledge of the Board, the 40 gaming tables returned to SJM accounted for approximately 33% of the total number of gaming tables in Greek Mythology Casino, thus would impact the Group's share of profit/loss of the Associate.



# Management Discussion and Analysis

## BUSINESS OVERVIEW (CONTINUED)

### Greek Mythology Casino (CONTINUED)

Greek Mythology is one of the significant investments of the Group. In order to strengthen the communication between the Group and Greek Mythology, the new management of the Group is taking proactive actions to work with the management of Greek Mythology and will appoint officers of the Group to the board of directors of Greek Mythology. Meanwhile, the new management of the Group will maintain close communications with the management of Greek Mythology in order to work collaboratively to enhance the business operations and realise the financial benefits of the Group's investments in Greek Mythology. Through ongoing negotiation with Greek Mythology, the Group expects that the financial performance of Greek Mythology will be reflected in the financial statements in the second half of the current financial year.

### LE-Guangxi

Through LE Rainbow China Ltd ("LE-China"), a wholly owned subsidiary of the Group, the Group currently holds 70% beneficial equity interest in Nanning Inter-Joy LOTTO Information Service Co. Ltd. ("LE-Guangxi"). As a lottery related service company in cooperation with the Welfare Lottery authority of Guangxi, LE-Guangxi's Guangxi operation is primarily engaged in distributing a proprietary electronic lottery sales system for its sales location providers, and self-operated lottery parlors aimed at high-end players.

### Investment in VIP Gaming Related Operation and Other Gaming Related Business

The Group, through certain subsidiaries, has invested in the VIP gaming businesses and the operation of electronic slot machines in Macau. The Group's key investment is the gaming related business in Macau, other investments included slot machines and 5 VIP gaming tables in Macau. Moreover, the Group owned some retail shops as investment properties. During the Period under review, net contribution from these operations was approximately HK\$2.4 million, approximating to that of the same period last year.

# Management Discussion and Analysis

## BUSINESS OVERVIEW (CONTINUED)

### Agency Agreement with a Gaming Promoter

The Company entered into an agency agreement with a gaming promoter of which the Company arranges clients to the gaming promoter. In return, the Company is entitled to collect 1.23% of the aggregated rolling chip turnover as commission from the gaming promoter.

## PROSPECTS & OUTLOOK

In 2012, the consumption power in China and Macau is inevitably affected under the challenging economic environment as the global economic growth slows down. Leveraging on its solid base of investment in gaming and entertainment business over the past years, the Group continues to focus on its existing gaming business in Macau, while actively seeking development opportunities of gaming-related business in the Asian region in order to capture opportunities in the adverse market.

Currently, although there are signs that the growth of the gaming industry in Macau is slowing down, the Macau gaming market continues to achieve satisfactory growth and the total of gaming revenue also continued its upward momentum during the Period under review. According to the Macau's Gaming Inspection and Coordination Bureau, gambling revenue in Macau was approximately HK\$251 billion for the ten months ended 31 October 2012, an increase of 13.5% compared with the same period last year. The Group believes that the gaming industry in Macau remains growth potential and promising outlook, as Macau Government has been implementing favorable industry policies and regulatory measures and infrastructure projects in plan were gradually completed during the period.

# Management Discussion and Analysis

## PROSPECTS & OUTLOOK (CONTINUED)

At the same time, due to the slowdown in the consumption power in China and Macau, the Group is seeking to reposition to gaming markets which primarily targeting mid to high-end and VIP consumers in Mainland China. According to the information from Macau's Statistics and Census Service, Macau's tourist arrivals reached 20.86 million for the first nine months this year, representing a year-on-year increase of 1.0%; of which visitors from Mainland China accounted for approximately 60% of the total number of visitors. Visitors from Mainland China, Korea and Japan increased 6.0%, 9.6% and 12.7% year-on-year, respectively. As visitor arrivals increase, and a number of resorts complexes or hotels combining shopping and leisure, entertainment and gaming have been gradually completed and put into service, entertainment operators will obtain better business opportunities, which in turn provide favorable environment for the Group to develop gaming and entertainment business.

In addition to the aforesaid gaming business in Macau and the lottery related business in China, the Group is actively seeking other opportunities with potential and stable income sources to broaden the income sources of the Group. With an established base in Macau, the Group also cooperates with various enterprises to take advantages of the Group's experience in the gaming industry to diversify its businesses. The Group expects, through acquisition of various hotels, casinos and VIP tables, speeding up the progress in acquiring assets with solid revenue with a view to expanding and consolidating the Group's gaming and entertainment businesses in Macau and providing stable income sources for the Group. Moreover, the Group also wishes to increase investment in gaming business through cooperation with other enterprises, or to expand gaming and entertainment related business through the establishment of joint venture or wholly-owned enterprises. Leveraging on its extensive experience in the gaming industry over the years, the Group expects to explore more opportunities in relation to management services on gaming and entertainment businesses in the future to broaden income sources of the Group.

# Management Discussion and Analysis

## PROSPECTS & OUTLOOK (CONTINUED)

Looking forward, the Group will implement diversified business strategies, and continue to provide exceptional and reliable high-end gaming and entertainment services for mid to high-end and VIP consumers in its target market. With the Group's business foundation established in the past, Amax will actively seek to diversify its revenue streams based on its gaming and related businesses in order to achieve continuous business expansion.

## INTERIM DIVIDEND

The board of Directors of the Company does not recommend the payment of any interim dividend for the six months ended 30 September 2012 (2011: nil).

## LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent treasury policy. It finances its operation and investments with internal resources, cash revenues generated from operating activities and proceeds from equity fund raising activities.

As at 30 September 2012, the Group had total assets and net assets of approximately HK\$1,301 million (31 March 2012: approximately HK\$1,310 million) and approximately HK\$1,044 million (31 March 2012: approximately HK\$1,059 million) respectively, comprising non-current assets of approximately HK\$1,213 million (31 March 2012: approximately HK\$1,214 million) and current assets of approximately HK\$88 million (31 March 2012: approximately HK\$96 million) which were financed by shareholders' funds of approximately HK\$1,044 million (31 March 2012: approximately HK\$1,059 million), non-controlling interests of approximately HK\$0.04 million (31 March 2012: approximately HK\$0.55 million), current liabilities of approximately HK\$107 million (31 March 2012: approximately HK\$106 million) and non-current liabilities of approximately HK\$150 million (31 March 2012: approximately HK\$145 million).

# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES (CONTINUED)

The Group's current ratio, expressed as current assets over current liabilities, was 0.82 times (31 March 2012: 0.91 times). The Group's gearing ratio, calculated as a ratio of debt (including promissory note) to shareholders' equity, was approximately 23% (31 March 2012: approximately 21%).

## FOREIGN EXCHANGE AND CURRENCY RISKS

It is the Group's policy for its operating entities to operate in their corresponding local currencies to minimise currency risks. The principal businesses of the Group are conducted and recorded in Hong Kong dollars, Renminbi and Macau Patacas. As its exposure to foreign exchange fluctuation is minimal, the Group does not see the need for using any hedging tools.

## EMPLOYEES AND REMUNERATION POLICY

The Group is aware of the importance of human resources and is dedicated to retaining competent and talented employees by offering them competitive remuneration packages. Their salaries and bonuses were determined with reference to their duties, work experience, performance and prevailing market practices. The Group also participates in an approved Mandatory Provident Fund ("MPF") scheme in Hong Kong and provides employees with medical insurance coverage. A share option scheme is in place to reward based on the performance of the Group and individual employees and their contribution to the success of the Group.

## CONTINGENT LIABILITIES

The Group and the Company had no significant contingent liabilities as at 30 September 2012.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2012, the interests and 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 as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange were as follows:

### Long Position in shares and underlying shares of the Company

<b>Name of Directors</b>	<b>Capacity</b>	<b>Number of shares held</b>	<b>Number of underlying shares held</b>	<b>Total</b>	<b>Approximate percentage of issued share capital</b>
Mr. Ng Man Sun (Note 1)	Beneficial owner	1,000,000,000	—	1,000,000,000	24.08%
	Interest in a controlled corporation	6,147,335	—	6,147,335	0.15%
		1,006,147,335	—	1,006,147,335	24.23%
Ms. Li Wing Sze (Note 2)	Beneficial owner	—	11,000,000	11,000,000	0.26%
Mr. Cheng Kai Tai, Allen (Note 2)	Beneficial owner	—	2,600,000	2,600,000	0.06%

# Other Information

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

### Long Position in shares and underlying shares of the Company (CONTINUED)

Notes:

1. 6,147,335 shares being held by East Legend Holdings Limited ("East Legend"), Mr. Ng Man Sun is interested in the entire issued share capital of East Legend and he is deemed to be interested in the 6,147,335 shares held by East Legend.
2. Each of Ms. Li Wing Sze and Mr. Cheng Kai Tai, Allen was removed as a director of the Company at the special general meeting of the Company held on 12 September 2012 and ceased to be an Eligible Participant (as defined in the 2002 Share Option Scheme). Each of them may exercise his/her options up to his/her entitlement at the date of cessation of being an Eligible Participant (to the extent not already exercised) within the period of two months following the date of such cessation.

Save as disclosed above, as at 30 September 2012, 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 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 or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein.

## 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 and "Share Option Schemes" below, at no time during the six months ended 30 September 2012 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 Period under review.

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2012, 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 held</b>	<b>Approximate percentage of the issued shares capital</b>
Mr. Ng Man Sun <i>(Note 1)</i>	1,006,147,335	24.23%
G Capital Limited <i>(Note 2)</i>	800,000,000	19.26%

Notes:

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, Mr. Ng Man Sun is interested in the entire issued share capital of East Legend, and he is deemed to be interested in the 6,147,335 shares held by East Legend. These shares have been included in the interest disclosure of Mr. Ng Man Sun as set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above.
2. These shares were pledged by Mr. Ng Man Sun to G Capital Limited to secure a loan granted to him by G Capital Limited.

Save as disclosed above, as at 30 September 2012, no other person/company had any interests or short positions in the shares or underlying shares in the Company as recorded in the register of the Company required to be kept under section 336 of the SFO.



# Other Information

## SHARE OPTION SCHEMES

### (1) 2002 Share Option Scheme

The Company's share option scheme (the "2002 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.

There were no share options granted, exercised or lapsed under the 2002 Share Option Scheme during the six months ended 30 September 2012. As at 30 September 2012, there were 22,600,000 share options granted by the Company pursuant to the 2002 Share Option Scheme outstanding.

The 2002 Share Option Scheme expired on 12 August 2012. No further options could thereafter be offered under the 2002 Share Option Scheme but provision of the 2002 Share Option Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the 2002 Share Option Scheme and options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the 2002 Share Option Scheme.

### (2) 2012 Share Option Scheme

A new share option scheme (the "2012 Share Option Scheme") of the Company was adopted and approved by the Company at the special general meeting of the Company held on 12 September 2012 which is valid and effective for a period of 10 years commencing on 12 September 2012.

The purpose of the Share Option Scheme is to enable the Group to grant options to selected person(s) who satisfy(ies) the eligibility requirements of the 2012 Share Option Scheme as incentives or rewards for their contribution to the Group.

No share options under the 2012 Share Option Scheme were granted during the six months ended 30 September 2012.

## 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 six months ended 30 September 2012.

## AUDIT COMMITTEE

The Company has an Audit Committee which is responsible for reviewing and monitoring the financial reporting and internal controls principles of the Company, and assisting the Board to fulfill its responsibility over the audit. As at 30 September 2012, the Audit Committee comprises four Independent Non-executive Directors. No member of the Audit Committee is a member of the former or external auditors of the Company. One of the members possesses recognized professional qualifications in accounting and has wide experience in audit, accounting and financial management.

## REMUNERATION COMMITTEE

As at 30 September 2012, 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 making recommendations to the Board on the Company's policy and structure for remuneration of all directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The Remuneration Committee also have the delegated responsibility, to determine the remuneration packages for individual Executive Directors and senior management and to make recommendation to the Board on the remuneration of Non-executive Directors. No Director or any of his associates will involve in deciding his own remuneration.

# Other Information

## NOMINATION COMMITTEE

As at 30 September 2012, 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 the structure, size and composition of the Board and making recommendation on any proposed changes to the Board to complement the Company's corporate strategy.

## 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 Period under review, the Model 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 Model Code throughout the Period under review.

## 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.

## CORPORATE GOVERNANCE (CONTINUED)

The Company has complied with the code provisions of the Corporate Governance Code (the "Code") set out in Appendix 14 to the Listing Rules throughout the period ended 30 September 2012 with the exception of certain deviation as further explained below:

Under code provision A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Mr. Ng Man Sun currently assumes the role of both Chairman and Chief Executive Officer of the Company. The Board believes that the roles of Chairman and Chief Executive Officer performed by Mr. Ng Man Sun provide the Group with strong and consistent leadership and are beneficial to the Group especially in planning and implementing of the Company's business strategies. The Board will regularly review the effectiveness of this arrangement.

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 Independent Non-executive Director of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1.

However, all Independent 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 has also received the confirmation of independence from each Independent Non-executive Director and has grounds to believe that they are independent of the Company. As such, 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 provisions of the Code.

# Other Information

## CORPORATE GOVERNANCE (CONTINUED)

Under code provision A.6.7 of the Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Due to other business engagements or commitments, all Executive Directors and two Independent Non-executive Directors of the Company did not attend the annual general meeting and special general meeting of the Company both held on 12 September 2012.

## CHANGES IN INFORMATION OF DIRECTORS

There is no change in the information of Directors since the 2011–2012 annual report of the Company or subsequent to the circular of the Company dated 27 August 2012 regarding the appointment of Mr. Ng Man Sun, Ms. Ng Wai Yee, Dr. Chow Ho Wan, Owen, Mr. Li Li Tang and Ms. Yeung Pui Han, Regina as Directors of the Company.

## REVIEW OF RESULTS

The Group's unaudited condensed consolidated results for the six months ended 30 September 2012 have been reviewed by the Audit Committee of the Company.

On behalf of the Board

**Ng Man Sun**

*Chairman and Chief Executive Officer*

Hong Kong, 28 November 2012

# Condensed Consolidated Income Statement

For the six months ended 30 September 2012  
(Expressed in Hong Kong dollars)

**Six months ended  
30 September**

	<i>Note</i>	<b>2012 HK\$'000 Unaudited</b>	2011 HK\$'000 Unaudited (restated)
<b>Turnover</b>	4	<b>2,440</b>	2,410
Cost of sales		<b>(81)</b>	(20)
<b>Gross profit</b>		<b>2,359</b>	2,390
Other revenue	5	<b>113</b>	1,113
Gain on remeasurement of previously held interest in Nanning Inter-Joy on acquiring control		—	3,077
Addition of impairment loss of available-for-sale financial asset		—	(126)
Selling and distribution expenses		<b>(558)</b>	(385)
General and administrative expenses		<b>(11,885)</b>	(10,388)
<b>Loss from operations</b>	6	<b>(9,971)</b>	(4,319)
Finance costs	8	<b>(4,991)</b>	(4,664)
Share of profit of an associate	14	—	220,064
<b>(Loss)/profit before taxation</b>		<b>(14,962)</b>	211,081
Income tax	9	—	—
<b>(Loss)/profit for the period</b>		<b>(14,962)</b>	211,081



# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2012  
(Expressed in Hong Kong dollars)

**Six months ended  
30 September**

	<b>2012 HK\$'000 Unaudited</b>	2011 HK\$'000 Unaudited (restated)
<b>(Loss)/profit for the period</b>	<b>(14,962)</b>	211,081
<b>Other comprehensive income for the period</b>		
Exchange differences on translation of foreign operations	<b>(11)</b>	—
<b>Total comprehensive income for the period</b>	<b>(14,973)</b>	211,081
Total comprehensive income attributed to:		
Owners of the Company	<b>(14,463)</b>	211,384
Non-controlling interests	<b>(510)</b>	(303)
	<b>(14,973)</b>	211,081

The accompanying notes form part of these condensed consolidated interim financial information.



# Condensed Consolidated Statement of Financial Position

At 30 September 2012

(Expressed in Hong Kong dollars)

	Note	30 September 2012 HK\$'000 Unaudited	31 March 2012 HK\$'000 Audited
<b>Non-current assets</b>			
Property, plant and equipment	12	1,417	1,913
Investment properties		4,420	4,420
Intangible assets		16,109	16,365
Goodwill	13	—	—
Interest in an associate	14	1,191,209	1,191,209
Other financial asset	15	—	—
		<b>1,213,155</b>	1,213,907
<b>Current assets</b>			
Trade and other receivables	16	69,576	67,856
Cash and cash equivalents		18,616	28,434
		<b>88,192</b>	96,290
<b>Current liabilities</b>			
Trade and other payables	17	(107,280)	(106,148)
<b>Net current liabilities</b>		<b>(19,088)</b>	(9,858)
<b>Total assets less current liabilities</b>		<b>1,194,067</b>	1,204,049
<b>Non-current liabilities</b>			
Promissory notes	18	(150,048)	(145,057)
<b>NET ASSETS</b>		<b>1,044,019</b>	1,058,992

# Condensed Consolidated Statement of Financial Position

At 30 September 2012  
(Expressed in Hong Kong dollars)

	Note	<b>30 September 2012 HK\$'000 Unaudited</b>	31 March 2012 HK\$'000 Audited
<b>CAPITAL AND RESERVES</b>			
Share capital	19	<b>41,527</b>	41,527
Reserves		<b>1,002,452</b>	1,016,915
<b>Total equity attributable to owners of the Company</b>		<b>1,043,979</b>	1,058,442
<b>Non-controlling interests</b>		<b>40</b>	550
<b>TOTAL EQUITY</b>		<b>1,044,019</b>	1,058,992

The accompanying notes form part of these condensed consolidated interim financial information.

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2012

(Expressed in Hong Kong dollars)

	Attributable to owners of the Company						Non-	Total		
	Share capital	Share premium	Special reserve	Contribution surplus	Capital reserve	Exchange reserve	Accumulated losses		Sub-total	controlling interest
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2012 (Audited)	41,527	324,160	(22,470)	2,180,026	6,225	144	(1,471,170)	1,038,442	550	1,038,992
Loss for the period	—	—	—	—	—	—	(14,455)	(14,455)	(507)	(14,962)
Exchange differences on translation of foreign operations	—	—	—	—	—	(8)	—	(8)	(3)	(11)
Total comprehensive income for the period	—	—	—	—	—	(8)	(14,455)	(14,463)	(510)	(14,973)
At 30 September 2012 (Unaudited)	41,527	324,160	(22,470)	2,180,026	6,225	136	(1,485,625)	1,043,979	40	1,044,019
At 1 April 2011 (Audited)	41,527	324,160	(22,470)	2,180,026	6,577	—	(1,633,773)	896,047	—	896,047
Capital contribution from noncontrolling interest	—	—	—	—	—	—	—	—	11,902	11,902
Total comprehensive income for the period	—	—	—	—	—	—	211,081	211,081	(303)	210,778
At 30 September 2011 (Unaudited)	41,527	324,160	(22,470)	2,180,026	6,577	—	(1,422,692)	1,107,128	11,599	1,118,727

The accompanying notes form part of these condensed consolidated interim financial information.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2012  
(Expressed in Hong Kong dollars)

**Six months ended  
30 September**

	<b>2012 HK\$'000 Unaudited</b>	2011 HK\$'000 Unaudited
Net cash (used in)/generated from operating activities	<b>(9,752)</b>	4,245
Net cash (used in)/generated from investing activities	<b>(66)</b>	1,330
Net (decrease)/increase in cash and cash equivalents	<b>(9,818)</b>	5,575
Cash and cash equivalents as at 1 April	<b>28,434</b>	32,026
Cash and cash equivalents as at 30 September	<b>18,616</b>	37,601

The accompanying notes form part of these condensed consolidated interim financial information.

# Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 September 2012

## 1. BASIS OF PREPARATION

### a) Statement of compliance

This condensed consolidated interim financial information for the six months ended 30 September 2012 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 2012, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 March 2013. 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.

# Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 September 2012

## 1. BASIS OF PREPARATION (CONTINUED)

### a) Statement of compliance (CONTINUED)

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 2012. 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").

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

### b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the six months ended 30 September 2012 comprise the Company and its subsidiaries and the Group's interest in an associate.

# Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 September 2012

## 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 2012, 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").

Amendments to HKFRS 7	Financial Instruments: Disclosure — Transfer of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

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

The HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 March 2013 may be affected by the issuance of additional interpretations or other changes announced by the HKICPA subsequent to the date of issuance of the interim financial report. Therefore the policies that will be applied in the Group's financial statements for the year ending 31 March 2013 cannot be determined with certainty at the date of issuance of the interim financial report.

# Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 September 2012

## 3. SEGMENT REPORTING

As 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.

### a) 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.

### b) Revenue from major products and services

No analysis of the Group's major products and services has been presented as all revenue of the Group are from investments in gaming and entertainment related business.



# Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 September 2012

## 3. SEGMENT REPORTING (CONTINUED)

### c) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; (ii) the Group's property, plant and equipment, investment properties, intangible assets, goodwill and interest in an associate ("specified non-current assets"). The geographical location of customers is based on the location at which services were provided or revenue generated. The geographical location of the specified non-current assets is based on the physical location and operation of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated in the case of intangible assets and goodwill and the location of operations, in the case of interest in an associate.

	<b>Hong Kong</b> (place of domicile) HK\$'000	<b>Macau</b> HK\$'000	<b>PRC</b> HK\$'000	<b>Total</b> HK\$'000
<b>For the six months ended 30 September 2012 (unaudited)</b>				
Segment revenue	—	2,400	40	2,440
Revenue from external customers	—	2,400	40	2,440
<b>At 30 September 2012 (unaudited)</b>				
Specified non-current assets	5,013	1,207,318	824	1,213,155
<b>For the six months ended 30 September 2011 (unaudited)</b>				
Segment revenue	—	2,400	10	2,410
Revenue from external customers	—	2,400	10	2,410
<b>At 31 March 2012 (audited)</b>				
Specified non-current assets	5,304	1,207,574	1,029	1,213,907

# Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 September 2012

## 4. TURNOVER

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

		<b>Six months ended 30 September</b>	
	<i>Note</i>	<b>2012 HK\$'000 Unaudited</b>	2011 HK\$'000 Unaudited
Revenue from investments in gaming and entertainment related business			
— Investment in Junket related operation	a	—	—
— Investment in VIP gaming related operation	b	<b>1,800</b>	1,800
— Investment in slot machine related operation	c	<b>600</b>	600
— Provision of services to Guangxi Welfare Lottery Authority	d	<b>40</b>	10
		<b>2,440</b>	2,410

# Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 September 2012

## 4. TURNOVER (CONTINUED)

### a) Investment in Junket related operation

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

	<b>Six months ended 30 September</b>	
	<b>2012 HK\$'000 Unaudited</b>	2011 HK\$'000 Unaudited
Other income	—	7,521
Operating expenses		
Staff costs	—	(7,033)
Administrative expenses	(5)	(1,125)
	<u>(5)</u>	<u>(8,158)</u>
Deficit from Junket related operation	<b>(5)</b>	(637)
Distribution under Second Profit Transfer Agreement	—	127
	<u>(5)</u>	<u>(510)</u>
Revenue from investment in Junket related operation	—	—

# According to the First Profit Transfer Agreement, Ace High Limited only shared the distributed profit from AMA International Limited ("AMA"). Since AMA did not have distributable profit for the period, no distributable profit was shared for the period ended 30 September 2012 and 2011.

# Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 September 2012

## 4. TURNOVER (CONTINUED)

### b) Investment in VIP gaming related operation

	<b>Six months ended 30 September</b>	
	<b>2012 HK\$'000 Unaudited</b>	2011 HK\$'000 Unaudited
Monthly income	<b>1,800</b>	1,800
Net contribution from Gaming Tables attributable to the Group	<b>1,800</b>	1,800

### c) Investment in slot machine related operation

	<b>Six months ended 30 September</b>	
	<b>2012 HK\$'000 Unaudited</b>	2011 HK\$'000 Unaudited
Monthly income	<b>600</b>	600

### d) Provision of services to Guangxi Welfare Lottery Authority

The income is generated from Nanning InterJoy LOTTO Information Service Co. Ltd., a subsidiary of the Company.

# Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 September 2012

## 5. OTHER REVENUE

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

	<b>Six months ended 30 September</b>	
	<b>2012 HK\$'000 Unaudited</b>	2011 HK\$'000 Unaudited
Interest income from banks	<b>1</b>	—
Rental income	<b>108</b>	108
Reversal of impairment loss on other receivable	<b>—</b>	1,000
Sundry income	<b>4</b>	5
	<b>113</b>	1,113

# Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 September 2012

## 6. LOSS FROM OPERATIONS

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

	<b>Six months ended 30 September</b>	
	<b>2012 HK\$'000 Unaudited</b>	2011 HK\$'000 Unaudited
<b>a) Staff costs</b>		
Salaries, wages and other benefits	<b>4,578</b>	4,685
Contributions to defined contribution retirement plans	<b>221</b>	140
	<b>4,799</b>	4,825
<b>b) Other items</b>		
Depreciation of property, plant and equipment	<b>427</b>	541
Amortisation of intangible assets	<b>255</b>	385
Auditor's remuneration		
– audit services	<b>–</b>	–
– other services	<b>239</b>	258
Operation lease charges in respect of premises:		
– minimum lease payments	<b>810</b>	562
Gross rental income from investment properties less direct outgoings of HK\$12,000 (2011: HK\$26,000)	<b>(96)</b>	(82)

# Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 September 2012

## 7. DIRECTORS' EMOLUMENTS

The summary of directors' remuneration is as follows:

For the six months ended 30 September 2012

	Directors' fee HK\$'000 Unaudited	Salaries, allowances and benefits-in-kind HK\$'000 Unaudited	Discretionary bonuses HK\$'000 Unaudited	Retirement scheme contributions HK\$'000 Unaudited	Equity-settled share-based payments HK\$'000 Unaudited	Total HK\$'000 Unaudited
Executive directors	-	1,859	-	21	-	1,880
Independent non-executive directors	457	-	-	-	-	457
	<b>457</b>	<b>1,859</b>	<b>-</b>	<b>21</b>	<b>-</b>	<b>2,337</b>

For the six months ended 30 September 2011

	Directors' fee HK\$'000 Unaudited	Salaries, allowances and benefits-in-kind HK\$'000 Unaudited	Discretionary bonuses HK\$'000 Unaudited	Retirement scheme contributions HK\$'000 Unaudited	Equity-settled share-based payments HK\$'000 Unaudited	Total HK\$'000 Unaudited
Executive directors	-	1,066	-	90	-	1,156
Independent non-executive directors	443	-	-	-	-	443
	<b>443</b>	<b>1,066</b>	<b>-</b>	<b>90</b>	<b>-</b>	<b>1,599</b>

# Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 September 2012

## 8. FINANCE COSTS

	Six months ended 30 September	
	2012 HK\$'000 Unaudited	2011 HK\$'000 Unaudited
Interest on promissory notes, being total interest expenses on financial liabilities not at fair value through profit or loss	4,991	4,664

## 9. INCOME TAX

- a) No provision for Hong Kong profits tax and overseas income tax has been made as the Group had no estimated assessable profits for the six months ended 30 September 2012 and 2011.
- b) **Deferred taxation not recognised**

The Group did not recognized deferred tax assets in respect of cumulative tax losses of approximately HK\$7,107,000 (31 March 2012: HK\$5,435,000) as at 30 September 2012 as it is not probable that future taxable profits, against which the losses can be utilised, will be available in the relevant tax jurisdiction and entity. Of the total tax losses, losses of approximately HK\$6,540,000 (31 March 2012: HK\$4,868,000) will expire within 5 years and the remaining tax losses of approximately HK\$567,000 (31 March 2012: HK\$567,000) have no expiry date under the current tax legislation.



# Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 September 2012

## 10. DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 30 September 2012 (2011: HK\$nil).

## 11. (LOSS)/EARNINGS PER SHARE

The calculation of the (loss)/earnings per share is based on the unaudited (loss)/profit attributable to owners of the Company of approximately HK\$14,455,000 (2011: HK\$211,384,000) and the weighted average number of 4,152,656,000 ordinary shares (2011: 4,152,656,000 ordinary shares) in issue during the period.

Diluted (loss)/earnings is equal to basic (loss)/earnings as there were no dilutive potential ordinary shares in existence during the six months ended 30 September 2012 and 2011.

## 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2012, the Group acquired property, plant and equipment having a total cost of HK\$67,000 (six months ended 30 September 2011: HK\$870,000).

# Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 September 2012

## 13. GOODWILL

	HK\$'000
<b>Cost</b>	
At 31 March 2012, 1 April 2012 and 30 September 2012	<u>18,309</u>
<b>Accumulated impairment losses</b>	
At 31 March 2012, 1 April 2012 and 30 September 2012	<u>18,309</u>
<b>Carrying amount</b>	
At 30 September 2012	<u>—</u>
At 31 March 2012	<u>—</u>

Goodwill relates to the acquisition of 100% equity interest in Le Rainbow China Limited which, at the time of acquisition, held 60% equity interest in 南寧樂彩互動信息服務有限公司 (Nanning Inter-Joy LOTTO Information Services Co., Ltd., "Nanning Inter-Joy") in the year ended 31 March 2011. Nanning Inter-Joy is licenced to provide computer lottery terminals and related hardware and software and marketing services to Guangxi Public Welfare Lottery Issue Centre for two years to July 2013, at the end of which period, the licence can be renewed subject to negotiation of the terms.

For the impairment testing, goodwill is allocated to the cash-generating unit ("CGU") engaged in provision computer lottery terminals and related hardware and software and marketing services to Guangxi Public Welfare Lottery Issue Centre. The recoverable amount of this CGU is determined based on value-in-use calculation. This calculation used cash flow projections based on financial budget approved by management covering a period up to the expiry of the licence of providing the service to the Guangxi Public Welfare Lottery Issue Centre in July 2013 and extrapolated cash flows for the following three years based on estimated growth rates of 3%–349%. The discount rate applied to cash flow projections was 10.87%. The management is confident that Nanning Inter-Joy can renew its license for another three years.

# Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 September 2012

## 13. GOODWILL (CONTINUED)

The impairment testing resulted in impairment loss recognized in profit or loss for the year ended 31 March 2012 of HK\$18,309,000. The impairment loss arose in view of deterioration in revenue and operating results of the CGU.

## 14. INTEREST IN AN ASSOCIATE

- a) The followings are the particulars of the associate of the Group for the six months ended 30 September 2012, which is an unlisted corporate entity:

Name of associates	Place of incorporation/operation	Particulars of issued and fully paid-up	Proportion of ownership in interest held by the Company		Principal activities
			Directly	Indirectly	
Greek Mythology	Macau/Macau	4,851 ordinary shares of MOP1,000 each	24.8%	—	Provision of casino management services including sales, promotion, advertising, patron referral, patron development and casino activities coordination

The interim consolidated financial statements of the Group include all available financial information to reflect the Group's current financial performance and position to the shareholders except that of Greek Mythology due to the financial information of Greek Mythology for the six months ended 30 September 2012 is not made available to the Company in a timely manner for the preparation of the condensed consolidated interim financial statements.

# Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 September 2012

## 14. INTEREST IN AN ASSOCIATE (CONTINUED)

### a) (CONTINUED)

Due to the change of the Company's board of directors in September 2012, the new board needs time to work with the management of Greek Mythology to access the relevant financial information. The Company is taking proactive actions to access the financial information of the associate, including but not limited to, appointing a director to the board of directors of the associate and making continuous communication with the management of Greek Mythology.

The financial performance for the six months ended 30 September 2012 of the Group reflects the impact of the failure in accessing the associate's financial information in a timely manner, which does not reflect the actual performances of Greek Mythology and the Group. The Company will provide the updated consolidated financial statements once relevant financial information of Greek Mythology is obtained.

In the meantime, there is insufficient available information to present the summary financial information of the associate for the Period under review as disclosed in note 14(b) and estimate the recoverable amount and any impairment of the intangible assets held by Greek Mythology as disclosed in note 14(c).

The carrying amount of the Group's interest in Greek Mythology is approximately HK\$1,191,209,000 (31 March 2012: HK\$1,191,209,000) as at 30 September 2012.

# Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 September 2012

## 14. INTEREST IN AN ASSOCIATE (CONTINUED)

### b) Summary financial information on the associates

Due to the financial information of Greek Mythology is not made available to the Company in a timely manner as disclosed in note 14(a), there is insufficient available information to present the summary financial information of Greek Mythology for the six months ended 30 September 2012 in this interim financial statements. The summary financial information of Greek Mythology of the same period in 2011 is stated below.

	At 31 March 2012 (audited)			Six months ended 30 September 2011 (unaudited) (restated)				
	Total assets	Total liabilities	Total equity	Revenue	Operating profit/(loss)	Amortisation of intangible assets	Reversal/ (impairment) of intangible assets	Net profit/(loss)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Greek Mythology *</b>								
100 per cent	5,037,959	(234,694)	4,803,265	1,892,234	453,141	(110,940)	545,895	888,096
Group's effective interest	1,249,414	(58,204)	1,191,210	469,274	112,348	(27,482)	135,382	220,248
<b>Nanning Inter-Joy</b>								
100 per cent	–	–	–	1	(307)	–	–	(306)
Group's effective interest	–	–	–	–	(184)	–	–	(184)
<b>Total</b>								
100 per cent	5,037,959	(234,694)	4,803,265	1,892,234	452,834	(110,940)	545,895	887,790
Group's effective interest	1,249,414	(58,204)	1,191,210	469,275	112,164	(27,482)	135,382	220,064

\* Based on management accounts after reversing the effect of capitalisation.

# Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 September 2012

## 14. INTEREST IN AN ASSOCIATE (CONTINUED)

### c) Impairment of intangible asset of the associate

Included in the non-current assets of Greek Mythology is an intangible asset of HK\$2,386,373,000 as at 31 March 2012 which relates to Greek Mythology's right of receiving a percentage of net gaming wins of Greek Mythology Casino in Macau for the provision of casino management services including sales, promotion, advertising, patron referral, patron development and casino activities coordination to Sociedade De Jogos De Macau, S.A, the operator of the Greek Mythology Casino, for a period of 14 years from 1 April 2006.

For the purpose of estimating the recoverable amount and impairment of the intangible assets, the market information, the internal information relating to the gaming related operations of Greek Mythology and the valuation of the external valuers must be taking into consideration. Given the failure in accessing financial information of Greek Mythology is unavailable as disclosed in note 14(a), the Group is in the meantime unable to estimate the recoverable amount and any impairment of the intangible assets for the six months ended 30 September 2012.

The carrying amount of the intangible assets as at 30 September 2011 is lower than its recoverable amount and the management considered that a reversal of impairment loss of approximately HK\$545,895,000 is necessary at the associate level. The Group's share of reversal of impairment loss of the intangible asset of HK\$135,382,000 is included in the share of result of an associate in the consolidated income statement for the six months ended 30 September 2011.

# Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 September 2012

## 15. OTHER FINANCIAL ASSET

	HK\$'000
Available-for-sale financial asset, at fair value	
At 1 April 2012 (audited)	2,095,268
Impairment loss	<u>(2,095,268)</u>
At 30 September 2012 (unaudited)	<u>—</u>

The available-for-sale financial asset comprises a loan of HK\$1.9 billion (31 March 2012: HK\$1.9 billion) provided in December 2007 by a wholly-owned subsidiary, Ace High Group Limited ("Ace High"), to AMA as the operating capital of AMA for it to carry on the junket business in Macau. In return, AMA has agreed to transfer all of its junket business profits generated under the gaming promotion agreement dated 21 August 2007 entered into between AMA and Melco PBL Gaming (Macau) Limited (the "Gaming Operator") to Ace High. The profits represent the aggregate commissions of 1.35% 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 relevant operational and administrative expenses incurred and tax payable to the Macau Government by AMA. On the same date, Ace High and Mr. Francisco Xavier Albino ("Mr. Albino") entered into an agreement whereby Ace High has to transfer 20% of the profits from AMA under the aforesaid gaming promotion agreement to Mr. Albino.

# Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 September 2012

## 15. OTHER FINANCIAL ASSET (CONTINUED)

In December 2009, the Gaming Operator revoked the aforesaid gaming promotion agreement and entered into a new gaming promotion agreement with AMA, whereby the commission rate for AMA was reduced from 1.35% to 1.20%, following the implementation of a 1.25% cap on junket commission by the Macau Government. Besides, 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. AMA was no longer to share the gaming wins of those collaborators who dealt directly with the Gaming Operator and the commissions and bonuses from the Gaming Operator. AMA's only remaining enforceable agreement was with a collaborator who agreed to share 0.05% commission on the rolling volume generated at casino with AMA. The new gaming promotion agreement was mutually terminated in June 2010.

Due to these adverse changes and the fact that AMA has not recorded any profits since December 2009, accumulated impairment losses of HK\$2,064,332,000 were recognised as at 31 March 2011. As there were no share of profits and loan repayments from AMA in the year ended 31 March 2012, the management considered that the available-for-sale financial asset had been fully impaired as at 31 March 2012.



# Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 September 2012

## 16. TRADE AND OTHER RECEIVABLES

	<b>30 September 2012 HK\$'000 Unaudited</b>	31 March 2012 HK\$'000 Audited
Trade receivables from AMA Less: impairment	<b>468,294</b> <b>(468,294)</b>	468,294 (468,294)
	—	—
Other receivables Less: impairment	<b>90,011</b> <b>(26,800)</b>	88,640 (25,300)
	<b>63,211</b>	63,340
Due from an associate	<b>5,037</b>	3,037
Loans and receivable	<b>68,248</b>	66,377
Rental and other deposits	<b>384</b>	774
Prepayment	<b>944</b>	705
	<b>69,576</b>	67,856

### Ageing analysis

The following is the ageing analysis of trade receivables as of the end of the reporting period:

	<b>30 September 2012 HK\$'000 Unaudited</b>	31 March 2012 HK\$'000 Audited
Current	—	—
Over 1 year past due	<b>468,294</b>	468,294
	<b>468,294</b>	468,294

# Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 September 2012

## 17. TRADE AND OTHER PAYABLES

		<b>30 September 2012 HK\$'000 Unaudited</b>	31 March 2012 HK\$'000 Audited
	<i>Note</i>		
Trade payables	(a)	<b>853</b>	894
Accruals and other payables	(b)	<b>104,851</b>	103,678
Due to related companies	(c)	<b>1,576</b>	1,576
Financial liabilities measured at amortised cost		<b>107,280</b>	106,148

All of the trade and other payables are expected to be settled within one year or payable on demand.

- (a) The ageing analysis of trade payables as of the end of the reporting period was as follows:

	<b>30 September 2012 HK\$'000 Unaudited</b>	31 March 2012 HK\$'000 Audited
Less than 1 year past due	<b>—</b>	41
Over 1 year past due	<b>853</b>	853
	<b>853</b>	894

# Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 September 2012

## 17. TRADE AND OTHER PAYABLES (CONTINUED)

- (b) Included in Group's accruals and other payables as at 30 September 2012 was the entitlement of the 20% share of profits from AMA payable to Mr. Albino amounting to HK\$102,439,000 (31 March 2012: HK\$102,439,000).
- (c) The amounts due to related companies are unsecured, non-interest bearing and repayable on demand.

## 18. PROMISSORY NOTES

In 2006, the Company issued promissory notes to directors of an associate and certain independent third parties with a total face value of approximately HK\$1,454,722,000 as part of the consideration for the acquisition of that 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.

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 consolidated income statement.

	HK\$'000
At 1 April 2011 (audited)	135,568
Add: interest on promissory note	<u>4,664</u>
At 30 September 2011 (unaudited)	<u>140,232</u>
At 1 April 2012 (audited)	145,057
Add: Interest on promissory note	<u>4,991</u>
At 30 September 2012 (unaudited)	<u>150,048</u>

# Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 September 2012

## 19. SHARE CAPITAL

	<b>Number of shares</b> '000	<b>Amount</b> HK\$'000
<b>Ordinary shares of HK\$0.01 each</b>		
Authorised:		
At 31 March 2012 and 30 September 2012	8,000,000	80,000
Issued and fully paid:		
At 31 March 2012 (audited) and 30 September 2012 (unaudited)	4,152,656	41,527

## 20. SHARE OPTIONS SCHEME

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. The options give the holder the right to subscribe for ordinary shares in the Company.

The total number of shares in respect of which options may be granted under the scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

# Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 September 2012

## 20. SHARE OPTIONS SCHEME (CONTINUED)

- a) The terms and conditions of the grants that existed during the six months ended 30 September 2012 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	2,200,000	Immediately vested	10 years
– on 28 January 2008	0.7360	1,650,000	One year from the date of grant	10 years
– on 28 January 2008	0.7360	1,650,000	Two years from the date of grant	10 years
– on 23 April 2009	0.1930	3,000,000	One year from the date of grant	10 years
– on 12 May 2009	0.2290	5,100,000	One year from the date of grant	10 years
		<u>13,600,000</u>		
Options granted to employees:				
– on 28 January 2008	0.7360	3,600,000	Immediately vested	10 years
– on 28 January 2008	0.7360	2,700,000	One year from the date of grant	10 years
– on 28 January 2008	0.7360	2,700,000	Two years from the date of grant	10 years
		<u>9,000,000</u>		
Total shares issuable upon options granted		<u>22,600,000</u>		

# Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 September 2012

## 20. SHARE OPTIONS SCHEME (CONTINUED)

- b) The particulars of the movement of the Company's share options during the six months ended 30 September 2012 is as follows:

Directors and eligible employees	No of share options ('000)				At 30 September 2012	Date of grant	Exercise periods
	At 1 April 2012	Granted during the period	Exercised during the period	Lapsed during the period			
<b>Directors</b>							
Immediately vested	2,200,000	—	—	—	2,200,000	28/1/2008	28/1/2008-27/1/2013
One year from the date of grant	1,650,000	—	—	—	1,650,000	28/1/2008	28/1/2009-27/1/2013
Two years from the date of grant	1,650,000	—	—	—	1,650,000	28/1/2008	28/1/2011-27/1/2013
One year from the date of grant	3,000,000	—	—	—	3,000,000	23/4/2009	23/4/2011-22/4/2019
One year from the date of grant	5,100,000	—	—	—	5,100,000	12/5/2009	12/5/2011-11/5/2019
	<u>13,600,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>13,600,000</u>		
<b>Eligible Employees</b>							
Immediately vested	3,600,000	—	—	—	3,600,000	28/1/2008	28/1/2008-27/1/2013
One year from the date of grant	2,700,000	—	—	—	2,700,000	28/1/2008	28/1/2009-27/1/2013
Two years from the date of grant	2,700,000	—	—	—	2,700,000	28/1/2008	28/1/2011-27/1/2013
	<u>9,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,000,000</u>		
Total number of shares issuable under options	22,600,000	—	—	—	22,600,000		

Note: The vesting periods of the above options are from the date of the options granted until the commencement of the exercise period.

# Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 September 2012

## 21. OPERATING LEASE COMMITMENTS

At 30 September 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>30 September 2012 HK\$'000 Unaudited</b>	31 March 2012 HK\$'000 Audited
Within one year	<b>1,445</b>	1,481
In the second to fifth year	<b>255</b>	916
	<b>1,700</b>	2,397

The Group is the lessee of a property 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.

## 22. MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the six months ended 30 September 2012.

Remuneration for key management personnel is the amounts paid to the Company's Directors as disclosed in Note 7.

# Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 September 2012

## 23. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDING 31 MARCH 2013

Up to the date of issue of the interim financial report, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ending 31 March 2013 and which have not been adopted in the interim financial report.

Of these developments, the following relate to matters that may be relevant to the Group's operations and financial statements:

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKFRS 7, Financial instruments: Disclosures	
— Transfers of financial assets	1 July 2011
Amendments to HKAS 1, Presentation of financial statements	
— Presentation of items of other comprehensive income	1 July 2012
Amendments to HKAS 12, Income taxes	
— Deferred tax: Recovery of underlying assets	1 January 2012
Annual improvements to HKFRSs 2009–2011 cycle	1 January 2013
HKFRS 9, Financial instruments	1 January 2015
HKFRS 10, Consolidated financial statements	1 January 2013
HKFRS 11, Joint arrangements	1 January 2013
HKFRS 12, Disclosure of interests in other entities	1 January 2013
HKFRS 13, Fair value measurement	1 January 2013
HKAS 27 (2011), Separate financial statements	1 January 2013
HKAS 28 (2011), Investments in associates and joint ventures	1 January 2013
HKAS 19 (2011), Employee benefits	1 January 2013



# Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 September 2012

## **23. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDING 31 MARCH 2013 (CONTINUED)**

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations are expected to be in the period of initial application. So far the Group has concluded that while the adoption of them may result in new or amended disclosures, it is unlikely to have a significant impact on the Group's results of operations and financial position.