



INTERIM REPORT 2016/17

Amax International Holdings Limited

奧瑪仕國際控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 959

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BOARD OF DIRECTORS

Executive

Mr. Ng Man Sun (*Chairman and Chief Executive Officer*)

Ms. Ng Wai Yee

Independent Non-executive

Ms. Yeung Pui Han, Regina

Mr. Li Chi Fai

Ms. Sie Nien Che, Celia

AUDIT COMMITTEE

Mr. Li Chi Fai (*Chairman*)

Ms. Yeung Pui Han, Regina

Ms. Sie Nien Che, Celia

COMPLIANCE COMMITTEE

Ms. Ng Wai Yee (*Chairman*)

Mr. Li Chi Fai

Mr. Wong Sze Lok

(*Chief Financial Officer*)

Mr. Cheung Tai Chi

(*Company Secretary*)

REMUNERATION COMMITTEE

Ms. Yeung Pui Han, Regina (*Chairman*)

Ms. Ng Wai Yee

Ms. Sie Nien Che, Celia

NOMINATION COMMITTEE

Mr. Ng Man Sun (*Chairman*)

Ms. Yeung Pui Han, Regina

Ms. Sie Nien Che, Celia

COMPANY SECRETARY

Mr. Cheung Tai Chi

AUDITOR

Elite Partners CPA Limited

LEGAL ADVISER

Cheng, Yeung & Co.

INVESTOR RELATIONS CONSULTANT

Strategic Financial Relations Limited

STOCK CODE

959

BRANCH SHARE REGISTRAR

Tricor Secretaries Limited

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Hong Kong

REGISTERED OFFICE

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2 Church Street

Hamilton HM11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 5106-07, 51/F.

The Center

99 Queen's Road Central

Central, Hong Kong

The board (the "Board") of directors (the "Directors") of Amax International Holdings Limited (the "Company"; stock code: 959) hereby presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2016 (the "Period under Review"). The unaudited interim results have been reviewed by the audit committee of the Company.

FINANCIAL REVIEW

The Group engages principally in investment holdings and investments in niche gaming and entertainment-related businesses. For the Period under Review, it stayed on course in consolidating business resources and transforming its business model, with an aim to create sustainable value for shareholders.

The Group recorded revenue of approximately HK\$4.11 million for the Period under Review, as compared to approximately HK\$3.99 million in the last corresponding period. The decrease in the commission income from the provision of lottery-related services to Guangxi Welfare Lottery Issue Centre after the disposal of Le Rainbow Worldwide Limited and its subsidiaries during the Period under Review was largely offset by the revenue derived from the commencement of the operation of the gaming business in the Republic of Vanuatu ("Vanuatu"). Net loss for the Period under Review was approximately HK\$18.29 million as compared to a net loss of approximately HK\$17.69 million for the corresponding period last year.

Open Offer

On 16 May 2016, the Group completed an Open Offer, and thanks to the support from shareholders, 75% of the offer shares were subscribed. The management is making the best use of the net proceeds to invest in the Vanuatu operation and for general working capital. The Group remains committed to achieving sustainable profitability and growth, and to provide fair returns to shareholders.

Management Discussion and Analysis

Placing and Top-up Subscription

On 21 November 2016, the Group completed the placement of 13.6 million new subscription shares on a top-up basis, representing 2.58% of its enlarged share capital. The placing and the top-up subscription were conducted at HK\$0.53 per share. The gross proceeds from the subscription was approximately HK\$7.21 million and the net proceeds from the subscription, which is intended to be used as general working capital and for investment by the Group, amounted to approximately HK\$7.13 million.

As at 30 September 2016, the Group had cash and cash equivalents totaling approximately HK\$1.1 million. The gearing ratio was approximately 16%.

BUSINESS REVIEW

The Group has continued to consolidate business resources, which has allowed it to restore internal stability and direct focus on exploring other potential profitable business ventures. Upon disposal of the loss-incurring business, namely Le Rainbow Worldwide Limited, which provided lottery-related services to Guangxi Welfare Lottery Issue Centre, and with the gaming business in Vanuatu commencing operation, the Group's business scope presently includes running the VIP gaming tables related operation and slot machines related operation, plus the gaming business in Vanuatu.

Business Operation of Forenzia Enterprises Limited

With the gaming sector in Macau slowing down, which is in contrast with a booming global gaming market in recent years, the Group has been exploring ways to diversify its core business geographically and establishing gaming operations outside Macau.

To make sure it can derive the greatest benefit from the anticipated significant growth of the global gaming market, the Group has acquired 60% equity interest in Forenzia Enterprises Limited, which principally operates gaming business in Vanuatu under an interactive gaming license valid for a period of 15 years from February 2014.

The gaming business in Vanuatu has been making solid contributions to the Group since it commenced operation in July 2016. Between then and September 2016, the business recorded gross revenue of HK\$1.71 million. With the number of visitors to Vanuatu on the rise and in view of its supportive demographics, the Board is confident in the long-term success of the gaming business, which will contribute significantly and positively to the performance of the Group. At the same time, while working hard to formulate a strategy to develop the Vanuatu gaming business, the Group has also been exploring opportunities to expand its revenue sources by tapping the Asia-Pacific region.

Greek Mythology

The Group holds 24.8% equity interests in Greek Mythology (Macau) Entertainment Group Corporation Limited ("Greek Mythology"), which principally provides casino management services for Beijing Imperial Palace Hotel (formerly known as New Century Hotel) (the "Hotel") in Macau. With Greek Mythology refusing to provide the Company with valid financial information since 2012, the Group has initiated a series of legal actions to obtain the relevant annual accounts. Furthermore, the Group's legal representative has issued demand letters to Greek Mythology requesting for the repayment of the outstanding amount due from Greek Mythology.

On 22 July 2016, Beijing Imperial Palace Hotel was asked to suspend operations by the Macau Government Tourism Office ("MGTO") and other concerned departments. A special working committee was formed by the Company and the Hotel to work closely with MGTO and the concerned departments to address and resolve related issues. Based on the preliminary assessment by the Board, the temporarily closure of the Hotel will not have any material impact on the financial position of the Company.

The Company will continue to heed legal advice and consider taking all steps appropriate to resolve the Greek Mythology dispute. It will also closely monitor developments pertaining to this matter and inform shareholders of any significant progress.

Management Discussion and Analysis

Litigation

On 22 March 2006, the Group issued a batch of 10-year zero-interest promissory notes with a total face value of approximately HK\$1,454,722,000 as part of the consideration for acquiring a further 30% equity interest in Greek Mythologys. Of the aforementioned amount, a promissory note of HK\$150,000,000 (the "PN 1") was issued to Ms. Lee Bing ("Ms. Lee") and promissory notes for the aggregate sum of HK\$150,000,000, all dated 1 April 2006, were issued to Mr. Huang Jian Nan ("Mr. Huang") (the "2006 Promissory Notes"), and that a promissory note of the amount of HK\$40,000,000 dated 18 September 2006 and which was derived from or arose from the purported transfer of the amount of HK\$40,000,000 from either one or more of the 2006 Promissory Notes, was issued to Mr. Wu Weide ("Mr. Wu") (the "PN 2"). It came to the attention of the Company that the PN 1 and PN 2 were issued to Ms. Lee and Mr. Wu under a mistaken belief that the legal title of the respective promissory note would be properly transferred to them. On 18 March 2016 and 15 September 2016, the Company issued a writ of summons in the Court of First Instance of the High Court of Hong Kong for claims against Ms. Lee and Mr. Wu, respectively. The results of the litigations will not affect the Group's liabilities as prescribed under the promissory notes.

The Group is committed to making every effort necessary to resolve the dispute regarding long outstanding items brought forward in the financial statements. Once the aforementioned disputes are resolved, the Group will be able to utilize its resources more efficiently on business operations and focus on strengthening its financial position.

OUTLOOK

Drawing from its extensive experience in the gaming and entertainment industry, the Group will continue to take its gaming and entertainment investments beyond Macau. Going forward, a major focus of the Group will be on the gaming business in Vanuatu, given the nation's easy accessibility from major Asian cities, as well as government support for the development of the gaming sector. The Group anticipates continuous robust revenue contribution from and earnings growth for the business operation in Vanuatu in the coming years.

The Group will also continue to pursue new business opportunities with the aim of diversifying its revenue streams, and thereby create long-term value for its investors and shareholders.

Appreciation

The Board would like to take this opportunity to thank the management and staff for their contributions and support, and looks forward to sharing the Group's successes with them. It also wishes to express its gratitude to the Group's investors and shareholders for their trust and unwavering support, and will be fully committed to delivering long-term value and optimum returns to both parties.

INTERIM DIVIDEND

The Directors did not recommend the payment of an interim dividend for the six months ended 30 September 2016 (2015: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 September 2016, the Group had total assets and net assets of approximately HK\$1,460 million (31 March 2016: approximately HK\$1,471 million) and approximately HK\$1,256 million (31 March 2016: approximately HK\$1,208 million) respectively, comprising non-current assets of approximately HK\$1,368 million (31 March 2016: approximately HK\$1,372 million) and current assets of approximately HK\$91 million (31 March 2016: approximately HK\$99 million) which were financed by shareholders' funds of approximately HK\$1,256 million (31 March 2016: approximately HK\$1,208 million), non-controlling interests of approximately HK\$53 million (31 March 2016: approximately HK\$57 million), current liabilities of approximately HK\$202 million (31 March 2016: approximately HK\$262 million) and non-current liabilities of approximately HK\$1 million (31 March 2016: approximately HK\$1 million).



Management Discussion and Analysis

The Group's current ratio, expressed as current assets over current liabilities, was 0.45 times (31 March 2016: 0.38 times). The Group's gearing ratio, calculated as a ratio of debt (including promissory note) to shareholders' equity, was approximately 16% (31 March 2016: approximately 22%).

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 the Mandatory Provident Fund scheme in Hong Kong, and provides employees with medical insurance coverage. A share option scheme is in place to reward individual employees for their outstanding performance and contribution to the success of the Group.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 September 2016.

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

Save as disclosed below, as at 30 September 2016, none of the Directors and chief executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register(s) and kept by the Company 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 Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

Long Position in shares and underlying shares of the Company

Name of Directors	Capacity	Number of shares held	Number of underlying shares held	Total	Approximate percentage of issued share capital
Mr. Ng Man Sun	Beneficial owner	47,105,000	993,040 (Note 1)	48,098,040	9.37%
	Interest in a controlled corporation (Note 2)	307,366	—	307,366	0.06%
	Total	47,412,366	993,040 (Note 1)	48,405,406	9.43%
Ms. Ng Wai Yee	Beneficial owner	—	993,040 (Note 1)	993,040	0.19%
Ms. Yeung Pui Han, Regina	Beneficial owner	—	993,040 (Note 1)	993,040	0.19%
Mr. Li Chi Fai	Beneficial owner	—	744,780 (Note 1)	744,780	0.15%
Ms. Sie Nien Che, Celia	Beneficial owner	300,000	496,520 (Note 1)	796,520	0.16%

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. These interests represent the number of underlying shares in respect of the 2012 Scheme (as defined below), the details of which are set out under section headed "Share Option Scheme" on page 11 and note 20 to condensed consolidated interim financial statements.
2. For 307,366 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 307,366 shares held by East Legend.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above and "Share Option Scheme" below, at no time during the six months ended 30 September 2016 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 2016, other than interests as disclosed above in respect of Mr. Ng Man Sun as Director, the Chairman and CEO (as defined below), Ms. Ng Wai Yee, Ms. Yeung Pui Han, Regina, Mr. Li Chi Fai and Ms. Sie Nien Che, Celia as Directors, the following persons had interests or short position in the shares and underlying shares of the Company as recorded in the register(s) required to be kept under section 336 of the SFO.

SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Name	Capacity	Number of shares held	Approximate percentage of issued share capital
申楠(澳門)投資有限公司 (Note 1)	Beneficial Owner	51,381,000	10.01%

Note:

- Ms. Xu Ting holds 76% equity interests and Mr. Huang Wei Qiang holds 24% equity respectively in 申楠(澳門)投資有限公司.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "2012 Scheme") on 12 September 2012 which was valid and effective for 10 years from its date of adoption.

The purpose of the 2012 Scheme is to recognize eligible persons as incentives and rewards for their contribution to the Group.

Other Information

SHARE OPTION SCHEME (CONTINUED)

The movements of the Company's share options outstanding under the 2012 Scheme during the Period under Review are as follows:

	Date of Grant (day/month/ year)	As at 1 April 2016	No. of share options ('000)		Adjusted after open offer 16 May 2016 and as at 30 September 2016 (Note 2)	Exercise period (day/month/ year)	Adjusted exercise price HK\$ (Note 2)
			Granted	Balance before adjustment for open offer			
Directors							
Mr. Ng Man Sun	05/02/2013 (Note 1)	200	-	200	248	05/02/2013-04/02/2023	1.241
	03/03/2014	200	-	200	248	03/03/2014-02/03/2024	1.345
	10/03/2015	200	-	200	248	10/03/2015-09/03/2025	0.701
	25/04/2016	-	200	200	248	25/04/2016-24/04/2026	0.370
Ms. Ng Wai Yee	05/02/2013 (Note 1)	200	-	200	248	05/02/2013-04/02/2023	1.241
	03/03/2014	200	-	200	248	03/03/2014-02/03/2024	1.345
	10/03/2015	200	-	200	248	10/03/2015-09/03/2025	0.701
	25/04/2016	-	200	200	248	25/04/2016-24/04/2026	0.370
Ms. Yeung Pui Han, Regina	05/02/2013 (Note 1)	200	-	200	248	05/02/2013-04/02/2023	1.241
	03/03/2014	200	-	200	248	03/03/2014-02/03/2024	1.345
	10/03/2015	200	-	200	248	10/03/2015-09/03/2025	0.701
	25/04/2016	-	200	200	248	25/04/2016-24/04/2026	0.370
Mr. Li Chi Fai	03/03/2014	200	-	200	248	03/03/2014-02/03/2024	1.345
	10/03/2015	200	-	200	248	10/03/2015-09/03/2025	0.701
	25/04/2016	-	200	200	248	25/04/2016-24/04/2026	0.370
Ms. Sie Nien Che, Celia	03/03/2014	200	-	200	248	03/03/2014-02/03/2024	1.345
	25/04/2016	-	200	200	248	25/04/2016-24/04/2026	0.370

SHARE OPTION SCHEME (CONTINUED)

	Date of Grant (day/month/ year)	No. of share options ('000)			Adjusted after open offer 16 May 2016 and as at 30 September 2016 (Note 2)	Exercise period (day/month/ year)	Adjusted exercise price HK\$ (Note 2)
		As at 1 April 2016	Granted	Balance before adjustment for open offer			
Eligible employees	05/02/2013 (Note 1)	1,250	-	1,250	1,553	05/02/2013-04/02/2023	1.241
	03/03/2014	2,100	-	2,100	2,607	03/03/2014-02/03/2024	1.345
	10/03/2015	2,100	-	2,100	2,607	10/03/2015-09/03/2025	0.701
	25/04/2016	-	2,100	2,100	2,607	25/04/2016-24/04/2026	0.370
Service provider	05/02/2013 (Note 1)	2,000	-	2,000	2,483	05/02/2013-04/02/2023	1.241
	03/03/2014	2,000	-	2,000	2,483	03/03/2014-02/03/2024	1.345
	10/03/2015	1,000	-	1,000	1,242	10/03/2015-09/03/2025	0.701
	25/04/2016	-	2,000	2,000	2,483	25/04/2016-24/04/2026	0.370
In aggregate		12,850	5,100	17,950	22,281		-

Note:

- The exercise price of the share options has been changed from HK\$0.077 to HK\$1.540 as a result of the share consolidation passed by the shareholders at a special general meeting of the Company held on 27 March 2013, whereby every 20 shares of the Company of HK\$0.01 each were consolidated into 1 new share of the company of HK\$0.20 each. Pursuant to the open offer of the Company completed on 16 May 2016, the number of share options were adjusted and the exercise price of the share options was also adjusted from HK\$1.540 to HK\$1.241.
- Pursuant to the open offer of the Company completed on 16 May 2016, the number of share options were adjusted and the exercise prices of the share options granted on 5 February 2013, 3 March 2014, 10 March 2015 and 25 April 2016 were also adjusted from HK\$1.540 to HK\$1.241, from HK\$1.670 to HK\$1.345, from HK\$0.870 to HK\$0.701 and from HK\$0.459 to HK\$0.370 respectively.
- At the annual general meeting of the Company held on 9 August 2016, shareholders have approved to refresh the general mandate limit that the total number of shares which may be issued upon exercise of all options to be granted under the 2012 Scheme must not exceed 10% of the shares of the Company in issue on the date of that annual general meeting.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period under Review.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct for securities transactions by the Directors and has adopted written guidelines no less exacting than the Model Code for the relevant employees in respect of their dealings in the Company's securities.

Having made specific enquiries of all Directors, all Directors confirm that they have complied with the required standard set out in the Model Code and its code of conduct regarding securities transactions throughout the Period under Review.

CORPORATE GOVERNANCE

The Group continues to commit itself to maintaining a high standard of corporate governance with emphases on enhancing transparency and accountability and assuring of good application of practices and procedures within the Group and enhancing performance thereby, augmenting shareholders' value and benefiting our stakeholders at large.

The Company has applied the principles of, and complied with all applicable code provisions as set out in the Corporate Governance Code (the "CG Code") in Appendix 14 to the Listing Rules throughout the Period under Review with the exception of certain deviations as further explained below.

Code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

CORPORATE GOVERNANCE (CONTINUED)

Mr. Ng Man Sun currently assumes the roles of both the chairman (the "Chairman") of the Board and the chief executive officer (the "CEO") of the Company. The Board believes that the roles of the Chairman and CEO performed by Mr. Ng provide the Group with strong and consistent leadership and are beneficial to the Group especially in planning and implementation of the Company's business strategies. The Board will regularly review effectiveness of such arrangement.

Code provision A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term, and subject to re-election.

None of the non-executive directors (the "Non-executive Directors") of the Company, being all existing independent non-executive directors (the "Independent Non-executive Directors" or "INEDs") of the Company, is appointed for a specific term. However, all INEDs are subject to retirement by rotation but eligible for re-election at least once every three years at the annual general meeting (the "AGM") in accordance with the Bye-laws of the Company. The Company has also received the confirmation of independence from each INED and has grounds to believe that they are independent of the Company.

Code provision E.1.2 of the CG Code provides that the chairman of the board should attend the annual general meeting.

Due to other business commitments, Mr. Ng Man Sun, being the Chairman of the Board, was unable to attend the AGM of the Company held on 9 August 2016. He had arranged Ms. Ng Wai Yee, another executive director (the "Executive Director") of the Company and who is very familiar with the Group's business and operations, to attend and chair the AGM.

CORPORATE GOVERNANCE (CONTINUED)

Code provision A.6.7 of the CG Code provides that 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 commitments, Ms. Sie Nien Che, Celia, being an INED of the Company, did not attend the AGM of the Company held on 9 August 2016.

REVIEW OF RESULTS

The Group's unaudited condensed consolidated interim financial statements for the six months ended 30 September 2016 and the accounting principles and practices adopted by the Group 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 2016

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 September 2016
(Expressed in Hong Kong dollars)

		Six months ended 30 September	
	Note	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	5	4,109	3,988
Cost of sales		(3,001)	(1,060)
Gross profit		1,108	2,928
Other revenue	6	5,535	1
Selling and distribution expenses		(1,065)	(410)
General and administrative expenses		(23,626)	(14,071)
Loss from operations	7	(18,048)	(11,552)
Finance costs	9	(239)	(6,136)
Share of profit of an associate	15	—	—
Loss before taxation		(18,287)	(17,688)
Income tax	10	—	—
Loss for the period		(18,287)	(17,688)
Attributable to:			
Owners of the Company		(15,193)	(16,694)
Non-controlling interests		(3,094)	(994)
Loss for the period		(18,287)	(17,688)
Loss per share		HK Cents	HK Cents (Restated)
— basic and diluted	12	(3.18)	(4.80)

The notes on pages 23 to 54 form part of these unaudited condensed consolidated interim financial statements.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2016
(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Loss for the period	(18,287)	(17,688)
Other comprehensive income/ (expense) for the period		
<i>Item that may be subsequently reclassified to profit or loss:</i>		
Exchange differences on translation of financial statements of group entities outside Hong Kong, net of nil tax	2	6
Exchange reserve realised on disposal of subsidiaries	(189)	—
Total comprehensive expense for the period	(18,474)	(17,682)
Total comprehensive expense attributable to:		
Owners of the Company	(15,381)	(16,692)
Non-controlling interests	(3,093)	(990)
	(18,474)	(17,682)

The notes on pages 23 to 54 form part of these unaudited condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

At 30 September 2016
(Expressed in Hong Kong dollars)

	Note	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	13	16,507	8,328
Intangible assets		160,647	161,670
Goodwill	14	—	—
Interest in an associate	15	1,191,209	1,191,209
Deposits paid for acquisition of computer hardware/software		—	10,920
		1,368,363	1,372,127
Current assets			
Trade and other receivables	16	90,145	96,306
Cash and cash equivalents		1,076	2,473
		91,221	98,779
Current liabilities			
Trade and other payables	17	202,097	217,507
Obligations under a finance lease		385	380
Other borrowings		—	4,260
Promissory notes	18	—	39,998
		202,482	262,145
Net current liabilities		(111,261)	(163,366)

Condensed Consolidated Statement of Financial Position

At 30 September 2016

(Expressed in Hong Kong dollars)

	Note	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Total assets less current liabilities		1,257,102	1,208,761
Non-current liabilities			
Obligations under a finance lease		634	829
		634	829
NET ASSETS		1,256,468	1,207,932
CAPITAL AND RESERVES			
Share capital	19	102,640	65,587
Reserves		1,101,100	1,085,440
Total equity attributable to owners of the Company		1,203,740	1,151,027
Non-controlling interests		52,728	56,905
TOTAL EQUITY		1,256,468	1,207,932

The notes on pages 23 to 54 form part of these unaudited condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity

At 30 September 2016
(Expressed in Hong Kong dollars)

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interest HK\$'000	Total HK\$'000
At 1 April 2015	55,547	40,643	(22,470)	2,180,026	19,291	192	147	(1,477,155)	1,162,191	61,894	1,224,085
(Audited balance brought forward from 31 March 2015)											
Deemed disposal on equity interest in a subsidiary	—	—	—	—	—	—	—	—	—	244	244
Share issue under placing	5,000	10,743	—	—	—	—	—	—	15,743	—	15,743
Exercise of share options	240	1,389	—	—	(586)	—	—	—	1,043	—	1,043
Loss for the period	—	—	—	—	—	—	—	(16,694)	(16,694)	(994)	(17,688)
Exchange differences on translation of foreign operation	—	—	—	—	—	2	—	—	2	4	6
Total comprehensive income/(expense) for the period	—	—	—	—	—	2	—	(16,694)	(16,692)	(990)	(17,682)
At 30 September 2015 (Unaudited)	60,787	418,745	(22,470)	2,180,026	18,705	194	147	(1,493,849)	1,162,285	61,148	1,223,433
At 1 April 2016 (Audited)	65,587	429,135	(22,470)	2,180,026	18,705	188	147	(1,520,291)	1,151,027	56,905	1,207,932
Disposal on equity interest in subsidiaries	—	—	—	—	—	—	—	—	—	(1,084)	(1,084)
Issue of consideration shares	4,260	32,490	—	—	—	—	—	—	36,750	—	36,750
Share issue under open offer	32,793	(2,573)	—	—	—	—	—	—	30,220	—	30,220
Grant of share options	—	—	—	—	1,124	—	—	—	1,124	—	1,124
Loss for the period	—	—	—	—	—	—	—	(15,193)	(15,193)	(3,094)	(18,287)
Other comprehensive income/(expense) for the period:											
Exchange differences on translation of foreign operation	—	—	—	—	—	1	—	—	1	—	2
Exchange reserve realised on disposal of subsidiaries	—	—	—	—	—	(189)	—	—	(189)	—	(189)
Total comprehensive expense for the period	—	—	—	—	—	(188)	—	(15,193)	(15,381)	(3,093)	(18,474)
At 30 September 2016 (Unaudited)	102,640	459,052	(22,470)	2,180,026	19,629	—	147	(1,535,484)	1,203,740	52,728	1,256,468

The notes on pages 23 to 54 form part of these unaudited condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2016
(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Net cash used in operating activities	(24,791)	(10,364)
Net cash used in investing activities	(1,908)	(1,896)
Net cash generated from financing activities	25,533	16,826
Net (decrease)/increase in cash and cash equivalents	(1,166)	4,566
Cash and cash equivalents as at 1 April	2,473	3,053
Net effect of foreign exchange rate changes	(231)	(13)
Cash and cash equivalents as at 30 September	1,076	7,606

The notes on pages 23 to 54 form part of these unaudited condensed consolidated interim financial statements.

1. GENERAL INFORMATION

Amax International Holdings Limited (the “Company”) was incorporated and domiciled in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the head office and principal place of business of the Company is Units 5106–07, 51/F, The Center, 99 Queen’s Road Central, Central, Hong Kong.

The principal activities of the Company and its subsidiaries (together the “Group”) are investments in gaming business, VIP gaming tables related operation, slot machines related operation, and investment holding. The principal activities of its associate are provision of casino management services including sales, promotion, advertising, patron referral, patron development and coordination of casino activities.

2. BASIS OF PREPARATION

a) Statement of compliance

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” and other relevant HKASs and Interpretations and Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

2. BASIS OF PREPARATION (CONTINUED)

a) Statement of compliance (CONTINUED)

The unaudited condensed consolidated interim financial statements should be read in conjunction with the Annual Report of the Group for the year ended 31 March 2016.

The unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars ("HK\$") which is the same as the functional currency of the Group, rounded up to the nearest thousand, unless otherwise indicated.

b) Going concern

In preparing the unaudited condensed consolidated interim financial statements, the directors have considered the future liquidity of the Group in view of its net current liabilities position as at 30 September 2016. The Group incurred a consolidated net loss from operations attributable to owners of the Company of approximately HK\$15,193,000 for the six months ended 30 September 2016, and had consolidated net current liabilities of approximately HK\$111,261,000 as at 30 September 2016.

The directors adopted the going concern basis in the preparation of the unaudited condensed consolidated interim financial statements by successfully obtaining the unsecured loan facility from an independent third party in order to improve the working capital position, the immediate liquidity and the cash flow position of the Group.

2. BASIS OF PREPARATION (CONTINUED)

b) Going concern (CONTINUED)

In the opinion of the directors, in light of the aforesaid arrangement implemented to date, the Group will have sufficient working capital for its current requirements and it is reasonable to expect that the Group will remain as a commercially viable concern. Accordingly, the directors are satisfied that it is appropriate to prepare the interim financial statements for the six months ended 30 September 2016 on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for future liabilities which might arise and to reclassify non-current assets and non-current liabilities to current respectively. The effect of these adjustments has not been reflected in the unaudited condensed consolidated interim financial statements.

c) Judgments and estimates

Preparing the unaudited condensed consolidated interim financial statements requires the directors to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

In preparing these unaudited condensed consolidated interim financial statements, significant judgments made by the directors in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's consolidated financial statements for the year ended 31 March 2016.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

3. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost convention except for certain financial instruments which are measured at fair value, as appropriate.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The accounting policies used in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2016, except in relation to the following new and revised HKFRSs issued by the HKICPA that affect the Group and are adopted for the first time in the current period's financial statements.

- Amendments to HKFRSs, Annual improvements to HKFRSs 2012–2014 cycle
- Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative.

The adoption of the new and revised HKFRSs has had no significant financial effect on these unaudited condensed consolidated interim financial statements.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

4. SEGMENT INFORMATION

The Group principally has one reportable segment, which is the investments in gaming and entertainment related businesses. Therefore, no additional reportable segment has been presented. Additional information about major customer and geographical information of the Group has been disclosed in notes (a) and (b) below.

(a) Major customer

Revenue of HK\$2,400,000 (2015: HK\$2,400,000) was receivable from Greek Mythology (Macau) Entertainment Group Corporation Limited ("Greek Mythology") for the six months ended 30 September 2016.

(b) Geographical information

The Group's revenue from external customers by geographical market is as follows:

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Macau	2,400	2,400
People's Republic of China ("PRC") (excluding Macau and Hong Kong)	1	1,588
Republic of Vanuatu ("Vanuatu")	1,708	–
	4,109	3,988

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

4. SEGMENT INFORMATION (CONTINUED)

(b) Geographical information (CONTINUED)

The Group's information about its non-current assets by geographical location is as follows:

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Macau	1,198,368	1,199,391
PRC	-	496
Hong Kong	1,886	2,235
Vanuatu	168,109	170,005
	1,368,363	1,372,127

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

5. REVENUE

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

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue from investments in gaming and entertainment related businesses		
– Investment in VIP gaming tables related operation	1,800	1,800
– Investment in slot machines related operation	600	600
– Investment in gaming operation in Vanuatu	1,708	–
Commission income on provision of services to Guangxi Welfare Lottery Issue Centre	1	1,588
	4,109	3,988

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

6. OTHER REVENUE

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

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Other revenue		
Interest income from banks	<u>2</u>	<u>1</u>
Gain on disposal of subsidiaries	<u>5,533</u>	<u>–</u>
	5,535	1

7. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging:

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited) (Restated)
a) Staff costs (including directors' emoluments)		
Salaries, allowances and other benefits	4,625	4,807
Contributions to defined contribution retirement plans	81	125
Equity-settled share based payment expenses	697	—
	5,403	4,932
b) Other items		
Depreciation of property, plant and equipment	2,262	643
Amortisation of intangible assets	1,023	1,023
Equity-settled share based payment expenses	427	—
Loss of wavier accounts	3,672	—
Operation lease charges in respect of premises:		
— minimum lease payments	2,462	2,320

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

8. DIRECTORS' EMOLUMENTS

The summary of Directors' remuneration is as follows:

For the six months ended 30 September 2016

	Directors' fee HK\$'000 (Unaudited)	Salaries, allowances and benefits-in-kind HK\$'000 (Unaudited)	Retirement scheme contributions HK\$'000 (Unaudited)	Equity-settled share based payments HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Executive Directors	–	2,148	9	100	2,257
Independent Non-executive Directors	198	–	–	149	347
	198	2,148	9	249	2,604

For the six months ended 30 September 2015

	Directors' fee HK\$'000 (Unaudited)	Salaries, allowances and benefits-in-kind HK\$'000 (Unaudited)	Retirement scheme contributions HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Executive Directors	–	2,148	9	2,157
Independent Non-executive Directors	198	–	–	198
	198	2,148	9	2,355

9. FINANCE COSTS

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Interest on promissory notes	2	6,114
Finance charges on obligations under a finance lease	17	22
Interest on other borrowings	220	—
Total interest expense on financial liabilities not at fair value through profit or loss	239	6,136

10. INCOME TAX

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in Bermuda and BVI.

No provision for Hong Kong Profits Tax, Macau Complementary Income Tax, the People's Republic of China Enterprise Income Tax and the Republic of Vanuatu Interactive Gaming Tax has been made as the companies in the Group have no assessable profits for the six months ended 30 September 2016 and 2015 in the relevant tax jurisdictions.

11. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2016 (2015: Nil).

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

12. LOSS PER SHARE

(a) Basic loss per share

The calculation of the loss per share is based on the unaudited loss attributable to owners of the Company of approximately HK\$15,193,000 (2015: HK\$16,694,000) and the weighted average number of ordinary shares in issue during the Period under Review, calculated as follows:

	Six months ended 30 September	
	2016 '000 (Unaudited)	2015 '000 (Unaudited) (Restated)
Issued ordinary shares at 1 April	347,830	344,772
Effect of share issue under placing	-	2,035
Effect of share issue under exercise of share options	-	844
Effect of share issue under open offer	122,751	-
Effect of share issue under consideration shares	7,682	-
Weighted average number of ordinary shares at 30 September	478,263	347,651

The weighted average number of ordinary shares of basic loss per share for the six months ended 30 September 2016 and 2015 have been adjusted for the placing and open offer of new shares, issue of consideration shares and/or exercise of share options.

(b) Diluted loss per share

No adjustment has been made to the basic loss per share amounts presented for both the six months ended 30 September 2016 and 2015 in respect of a dilution as the impact of the share options had an anti-dilutive effect on the basic loss per share amounts presented.

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2016, the Group utilised the deposit paid to acquire property, plant and equipment having a total cost of approximately HK\$10,920,000 (six months ended 30 September 2015: approximately HK\$23,000).

14. GOODWILL

	HK\$'000
Cost	
At 31 March 2016, 1 April 2016	18,309
Disposal of subsidiaries	<u>(18,309)</u>
At 30 September 2016	<u>—</u>
Accumulated impairment losses	
At 31 March 2016, 1 April 2016	18,309
Disposal of subsidiaries	<u>(18,309)</u>
	<u>—</u>
Carrying amount	
At 30 September 2016 (Unaudited)	<u>—</u>
At 31 March 2016 (Audited)	<u>—</u>

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

14. GOODWILL (CONTINUED)

Goodwill related 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., "LE-Guangxi") during the year ended 31 March 2011. On 1 November 2010, LE-Guangxi was licensed to provide computer lottery terminals and related hardware and software and marketing services (the "Related Services") to Guangxi Welfare Lottery Issue Centre for two years to July 2013. On 31 October 2012, the licence was renewed and LE-Guangxi has been permitted to provide the above-mentioned services to Guangxi Welfare Lottery Issue Centre till 29 October 2015.

A full impairment loss of HK\$18,309,000 had been recognised in profit or loss for the year ended 31 March 2012. The impairment loss arose in view of deterioration in revenue and operating results of the cash-generating unit engaged in the provision of Related Services in 2012.

During the period, all the goodwill was reversed as a result of disposal of Le Rainbow Worldwide Limited and its subsidiaries. The corresponding impairment losses had also been reversed.

15. INTEREST IN AN ASSOCIATE

The financial information of Greek Mythology is not available since 1 April 2012. The interest in the associate was accounted for in the unaudited condensed consolidated interim financial statements under the equity method using the unaudited financial information of the associate as at 31 March 2012. The carrying amount of the interest in an associate of HK\$1,191,209,000 brought forward from 1 April 2012 was carried forward to 30 September 2016.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

16. TRADE AND OTHER RECEIVABLES

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Other receivables	30,237	31,174
Less: impairments	(25,300)	(25,300)
	4,937	5,874
Due from an associate	82,467	84,765
Loans and receivables	87,404	90,639
Rental and other deposits	2,360	2,828
Prepayments	381	2,839
	90,145	96,306

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

17. TRADE AND OTHER PAYABLES

	Note	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Trade payables	a	-	881
Accruals and other payables	b	202,097	216,470
Due to related companies	c	-	156
		202,097	217,507

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

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Less than 1 year past due	-	28
Over 1 year past due	-	853
	-	881

- (b) Included in Group's accruals and other payables as at 30 September 2016, represents the payables of promissory notes of HK\$190,000,000. For details, please refer to note 18.
- (c) The amounts due to related companies are unsecured, non-interest bearing and repayable on demand.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

18. PROMISSORY NOTES

In 2006, the Company issued promissory notes to directors of Greek Mythology 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 the equity interest in Greek Mythology. The promissory notes are unsecured, non-interest bearing and repayable in 2016.

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 profit or loss.

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
At the beginning of the period/year	39,998	177,698
Add: Effective interest on promissory notes	2	12,300
Less: Transfer promissory notes to other payables	(40,000)	(150,000)
At the end of the period/year	-	39,998
Portion classified as current liabilities	-	(39,998)
	-	-

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

18. PROMISSORY NOTES (CONTINUED)

- (a) On 18 March 2016, the Company issued a writ of summons in the Court of First Instance of the High Court of Hong Kong claiming against Ms. Lee Bing ("Ms Lee") for the followings:
1. a declaration that the promissory note issued by the Company to Ms. Lee was issued by mistake and without consideration;
 2. an order that Ms. Lee to deliver the promissory note to the Company;
 3. an injunction to restrain Ms. Lee whether by herself, her servants or agents or otherwise howsoever from negotiating or indorsing the promissory note;
 4. further and other relief; and
 5. costs.

The promissory note has matured on 22 March 2016. Since it is under litigation, HK\$150,000,000 balance is transferred to other payables and no interest is incurred after maturity.

- (b) On 15 September 2016, the Company issued a writ of summons in the Court of First Instance of the High Court of Hong Kong claiming against Mr. Wu Weide ("Mr. Wu") for the followings:
1. a declaration that promissory notes for the aggregate sum of HK\$150,000,000 issued by the Company to Mr. Huang Jian Nan ("Mr. Huang") were issued by mistake, and therefore the promissory note for the amount of HK\$40,000,000 issued by the Company to Mr. Wu is null and void;
 2. an order that Mr. Wu to deliver the promissory note to the Company;
 3. an injunction to restrain Mr. Wu whether by himself, his servants or agents or otherwise howsoever from negotiating or indorsing the promissory note;
 4. further and other relief; and
 5. costs.

The promissory note has matured on 18 September 2016. Since it is under litigation, HK\$40,000,000 balance is transferred to other payables and no interest is incurred after maturity.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

19. SHARE CAPITAL

	Number of ordinary shares of HK\$0.2 per share '000	HK\$'000
Authorised:		
At 31 March 2016, 1 April 2016 and 30 September 2016	<u>2,000,000</u>	<u>400,000</u>
Issued and fully paid:		
At 31 March 2016 and 1 April 2016	327,933	65,587
Share issue under open offer	163,966	32,793
Issue of consideration shares	<u>21,300</u>	<u>4,260</u>
At 30 September 2016	<u>513,199</u>	<u>102,640</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

On 16 May 2016, the Company issued 163,966,393 ordinary shares, on the basis of one offer share for every two existing shares held by the shareholders of the Company at a subscription price of HK\$0.2 per share through an open offer. The net proceeds of approximately HK\$30 million are intended to be used as investment in gaming business and general working capital purpose.

On 26 July 2016, 21,300,000 new ordinary shares were issued as the second tranche consideration shares and additional consideration shares for the acquisition of 60% equity interests in Forenzia Enterprises Limited. Share capital and share premium of approximately HK\$4 million and HK\$32 million are recorded respectively.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

20. SHARE OPTION SCHEME

2012 Scheme

The Company's share option scheme (the "2012 Scheme"), which was adopted pursuant to an ordinary resolution passed by the shareholders of the Company on 12 September 2012 for the purpose of providing incentives to certain eligible participants and unless otherwise cancelled or amended, will expire on 11 September 2022. Under the 2012 Scheme, the Directors may grant share options to eligible employees, including Executive Directors, or any persons or entities who have contributed or will contribute to the growth and development of the Group, to subscribe for shares in the Company.

Under the 2012 Scheme, the Directors of the Company may grant options to the following eligible participants:

- (i) any employee, executives or officers or proposed employees, executives or officers (whether full time or part time and including any Executive Director) of the Company, and of its subsidiaries or any entity (the "Invested Entity") in which the Group holds any equity interests and any of such subsidiaries or any Invested Entity;
- (ii) any Non-executive Directors (including Independent Non-executive Directors) of the Company and any of its subsidiaries or any Invested Entity;
- (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
- (iv) any customer of the Group or any Invested Entity;
- (v) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and

20. SHARE OPTION SCHEME (CONTINUED)

2012 Scheme (CONTINUED)

- (vi) any person or entity who from time to time determined by the Board of Directors as having contributed or may contribute to the development and growth of the Group based on his or its performance and/or years of service, or is regarded as valuable resources of the Group based on his/its working experience, knowledge in the industry and other relevant factors.

The total number of shares which may be issued upon exercise of all options to be granted under the 2012 Scheme of the Company must not in aggregate exceed 10% of the shares in issue at the date of approval of the 2012 Scheme. The total number of shares available for issue under the 2012 Scheme is 415,265,572 shares (20,763,279 shares after share consolidation), representing approximately 10% of the shares in issue as at the date of approval of the 2012 Scheme on 12 September 2012.

The number and exercise prices of the share options are adjusted as a result of the completion of open offer on 16 May 2016 in the proportion of one offer shares for every two existing shares held. The exercise prices shown as below represent the adjusted exercise prices as at 30 September 2016.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

20. SHARE OPTION SCHEME (CONTINUED)

2012 Scheme (CONTINUED)

	30 September 2016		31 March 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
At beginning of reporting period	12,850,000	1.388	14,050,000	1.344
Granted during the period/ year	5,100,000	0.459	-	-
Exercised during the period/ year	-	-	(1,200,000)	0.870
Adjustment upon open offer effective on 16 May 2016	4,331,000	-	-	-
Outstanding at end of reporting period	22,281,000	0.906	12,850,000	1.388
Exercisable at end of reporting period	22,281,000	0.906	12,850,000	1.388

20. SHARE OPTION SCHEME (CONTINUED)

2012 Scheme (CONTINUED)

At the annual general meeting held on 9 August 2016, shareholders have approved to refresh the general mandate limit that the total number of shares which may be issued upon exercise of all options to be granted under the 2012 Scheme must not exceed 10% of the shares of the Company in issue on the date of that annual general meeting. A total of 51,319,917 options to subscribe for a total of 51,319,917 shares, representing 10% of the total number of shares in issue as at the annual general meeting on 9 August 2016, were approved to be granted.

The maximum number of shares in respect of which options may be granted under the 2012 Scheme must not in aggregate exceed 30% of the shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any participant is not permitted to exceed 1% of the shares of the Company in issue during the 12-month period before the date of grant without prior approval from the Company's shareholders. Any grant of options under the 2012 Scheme to a Director, chief executive or substantial shareholder of the Company or any of their respective associates (as defined under the Listing Rules) must be approved by the Independent Non-executive Directors of the Company. In addition, any grant of options to a substantial shareholder or an Independent Non-executive Director or any of their respective associates in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK\$5 million within any 12-month period must be approved by shareholders of the Company in general meeting.

Unless otherwise determined by the Directors of the Company and stated in the offer of the grant of options to a grantee, there is no minimum period required under the 2012 Scheme for holding of an option before it can be exercised.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

20. SHARE OPTION SCHEME (CONTINUED)

2012 Scheme (CONTINUED)

An offer for the grant of options to a grantee shall be accepted by no later than 28 days from the date of offer. HK\$1 per grant of options is payable on the acceptance of the grant of options. Options may be exercised in accordance with the terms of the 2012 Scheme and expiring in accordance with the terms of the 2012 Scheme or upon the expiry of the tenth anniversary of the 2012 Scheme, whichever is the earlier.

The exercise price is determined by the Directors of the Company, and shall not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotations sheets of the Stock Exchange on the date of the offer of grant; (ii) the average closing price of the Company's shares as stated in the daily quotations sheets of the Stock Exchange for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Company's share.

The 2012 Scheme will remain in force for a period of 10 years commencing on 12 September 2012.

Fair value of share options and assumptions

(i) Grant to eligible employees

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Binomial Option Pricing Model. The contractual life of the share options is used as an input into this model. Expectations of early exercise are incorporated into the Binomial Option Pricing Model.

20. SHARE OPTION SCHEME (CONTINUED)**Fair value of share options and assumptions** (CONTINUED)*(i) Grant to eligible employees* (CONTINUED)

	25 April 2016	10 March 2015	3 March 2014	5 February 2013
Fair value at measurement date	HK\$0.246- HK\$0.269	HK\$0.480-	HK\$1.479	HK\$0.072
Share price	HK\$0.430	HK\$0.840	HK\$1.670	HK\$0.077
Exercise price	HK\$0.459	HK\$0.870	HK\$1.670	HK\$0.077
Expected volatility (expressed as weighted average volatility used in the modeling under the Binomial Option Price Model)	74.14%	73.28%	100.31%	126.44%
Option life (expressed as weighted average life used in the modeling under the Binomial Option Price Model)	10 years	10 years	10 years	10 years
Expected dividends	0%	0%	0%	0%
Risk-free interest rate (based on exchange fund notes)	1.823%	1.685%	2.135%	1.245%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account of fair value measurement of the services received on the grant date. There was no market conditions associated with the share option granted.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2016

20. SHARE OPTION SCHEME (CONTINUED)

Fair value of share options and assumptions (CONTINUED)

(ii) *Grant to service provider*

The fair value for share options granted on 3 March 2014 and 5 February 2013 is measured using the market-based approach, by reference to the discounted cash flows to estimate the fair value of the professional fees that should have been paid. The fair value for share options granted on 25 April 2016 and 10 March 2015 is measured base on the Binomial Option Pricing Model as described as above.

21. DISPOSALS OF SUBSIDIARIES

Disposal of Le Rainbow Worldwide Limited

On 22 June 2016, the Group disposed of entire equity interests in Le Rainbow Worldwide Limited and its subsidiaries to an independent third party with consideration of HK\$1,000. The gain on disposal was approximately HK\$5,159,000. All these subsidiaries were engaged in investment holding and provision of software, hardware, transmission network and marketing service to Guangxi Welfare Lottery Issue Centre.

The cash flow and the carrying amount of net assets of Le Rainbow Worldwide Limited and its subsidiaries sold at the date of disposal were as follows:

	22 June 2016 HK\$'000
Property, plant and equipment	455
Trade and other receivables	5,663
Cash and cash equivalents	1,911
Trade and other payables	(12,288)
Net liabilities disposed of	(4,259)
Consideration received	(1)
Non-controlling interests	(710)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on disposal of subsidiaries	(189)
Gain on disposal of subsidiaries	5,159
Cash consideration received	1
Cash and cash equivalents disposal of	(1,911)
Net cash outflow arising on disposal	(1,910)

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For the six months ended 30 September 2016

21. DISPOSALS OF SUBSIDIARIES (CONTINUED)

Deregistration of Hong Kong Macau Express Limited

During the period, Hong Kong Macau Express Limited with no net assets or liabilities, and with non-controlling interests amounted to HK\$374,000, was deregistered. No consideration was paid or received. A gain on disposal of subsidiary of HK\$374,000 was recognised.

Deregistration of GMC Management Limited, Win Gene Company Limited and Win Macau Express Limited

During the period, the Group also deregistered the above companies with no net assets or liabilities. No consideration was paid or received and no gain or loss on disposal was recorded.

22. COMMITMENT

(a) Operating lease commitment

At 30 September 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Within one year	4,369	4,755
In the second to fifth year	2,304	4,285
	6,673	9,040

The Group is the lessee of a number of properties held under operating leases. The leases typically run for initial period of 1–3 years. The leases do not include extension options and contingent rentals.

22. COMMITMENTS (CONTINUED)

(b) Other commitment

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Contracted, but not provided for: Acquisition of a computer software	–	68

The Group had commitment in relation to the acquisition of a computer software for its operations in Vanuatu.

23. MATERIAL RELATED PARTY TRANSACTIONS

Directors' emoluments for the six months ended 30 September 2016 are disclosed in note 8.

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24. LITIGATION

On 22 March 2006, the Company issued 10-year zero-interest promissory notes with face value of approximately HK\$1,454,722,000 as part of the consideration for the acquisition of further 30% equity interest in Greek Mythology, out of which a promissory note of HK\$150,000,000 (the "PN 1") was issued to Ms. Lee, and other promissory notes for the aggregate sum of HK\$150,000,000 were issued to Mr. Huang (the "2006 Promissory Notes"), and that a promissory note for the amount of HK\$40,000,000 and which was derived from or arose from the purported transfer of HK\$40,000,000 from either one or more of the 2006 Promissory Notes was issued to Mr. Wu (the "PN 2"). Ms. Lee, Mr. Huang and Mr. Wu were independent third parties independent of and not connected with the Company and its connected person(s). It came to attention of the Company that the 2006 Promissory Notes were issued by mistake and that the PN 1 issued to Ms. Lee and the PN 2 issued to Mr. Wu were under a mistaken belief that the legal title of the PN 1 and PN 2 would be properly transferred to Ms. Lee and Mr. Wu respectively.

On 18 March 2016, the Company issued a writ of summons in the Court of First Instance of the High Court of Hong Kong claiming against Ms. Lee for the followings:

1. a declaration that the PN 1 issued by the Company to Ms. Lee was issued by mistake and without consideration;
2. an order that Ms. Lee to deliver the PN 1 to the Company;
3. an injunction to restrain Ms. Lee whether by herself, her servants or agents or otherwise howsoever from negotiating or indorsing the PN 1;
4. further and other relief; and
5. costs.

24. LITIGATION (CONTINUED)

On 15 September 2016, the Company issued a writ of summons in the Court of First Instance of the High Court of Hong Kong claiming against Mr. Wu for the followings:

1. a declaration that the 2006 Promissory Notes issued by the Company to Mr. Huang were issued by mistake, and therefore the PN 2 issued by the Company to Mr. Wu is null and void;
2. an order that Mr. Wu to deliver the PN 2 to the Company;
3. an injunction to restrain Mr. Wu whether by himself, his servants or agents or otherwise howsoever from negotiating or indorsing the PN 2;
4. further and other relief; and
5. costs.

The Directors would like to emphasize that the results of the litigation will not affect the Company's liabilities under the PN 1 and PN 2.

Details of the litigation are set of in the Company's announcements dated 21 March 2016 and 15 September 2016.

25. COMPARATIVES

Certain comparative figures have been reclassified to conform with current period's presentation.

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For the six months ended 30 September 2016

26. EVENTS AFTER THE REPORTING PERIOD

On 21 November 2016, the Company completed a placing and top-up subscription activity. Mr. Ng Man Sun, the Chairman and CEO of the Company and the beneficial owner of 47,412,366 ordinary shares of HK\$0.2 each of the Company (the "Subscriber"), the Company and the placing agent entered into a placing and subscription agreement pursuant to which (i) the placing agent have agreed to act as agent for the Subscriber to place, on a best efforts basis, and the Subscriber has agreed to sell, 13,600,000 ordinary shares of HK\$0.2 each of the Company to not less than six placees who and whose ultimate beneficial owners will be third parties independent of and not acting in concert (as defined under the Takeovers Code) with the Subscriber, the Company and their respective associates and connected persons, at an issue price of HK\$0.53 per share; and (ii) the Subscriber has conditionally agreed to subscribe for the same number of new ordinary shares of HK\$0.2 each of the Company at the same issue price per share. The net proceeds from the subscription amounted to approximately HK\$7.13 million. The new shares represent approximately 2.65% of the issued share capital of the Company as at the date of the initial announcement on 10 November 2016 and approximately 2.58% of the issued share capital as enlarged by the allotment and issue of the subscription shares.