Amax Holdings Limited
奧 瑪 仕 控 股 有 限 公 司
(Incorporated in Bermuda with limited liability)
(Stock Code: 959)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2011

FINANCIAL HIGHLIGHT

- Group's share of operating profit before amortization from an associate was HK$271.2 million, increased by HK$180.8 million approximately triple when compared to the prior year of HK$90.4 million.
- Reversal of impairment of intangible assets from an associate was HK$959 million, compared to an impairment loss of HK$647 million recognised in prior year.
- Group's profit for the financial year amounts to HK$1.17 billion, compared to a loss of HK$2.48 billion in the prior year.
- Group's earnings per share amounts to approximately HK$0.3 compared to loss per share in prior year.
- Group's net assets amounts to approximately HK$1.51 billion, increased by HK$1.21 billion and of 415% increase as compared to that in prior year.
- In regards to the investment in AMA, the following events occurred: (i) the company searched for a potential buyer of the AMA investment; (ii) entered into MOU with Mr. Ng Man Sun on 7 March 2011; (iii) deal was not completed after a prolonged search and negotiation period; (iv) on 15 June 2011, the board agreed to appoint Wardell & Associates Ltd to represent the Group on the matter of collecting the doubtful debt in regards to AMA.

During the financial year under review, the Group was principally engaged in investment holding and investments in gaming and entertainment related business.

The Directors of Amax Holdings Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 March 2011 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2011

	Note	**2011** *HK$'000*	2010 *HK$'000*
Turnover	*3(a)*	**4,860**	5,551
Cost of sales		**—**	—
Gross profit		**4,860**	5,551
Other revenue	*3(b)*	**43,913**	39,091
Fair value gain on investment properties		**610**	140
Reversal of/(additional) impairment of intangible assets		**11,499**	(10,433)
Impairment of available-for-sale financial asset		**(90,924)**	(1,778,140)
Impairment of trade receivable	*9*	**—**	(468,294)
Reversal of/(additional) impairment of other receivable	*9*	**2,000**	(28,800)
Compensation income for bad and doubtful debts		**—**	400,106
Selling and distribution expenses		**(883)**	(3,365)
General and administrative expenses		**(24,062)**	(31,033)
Loss from operations	*4*	**(52,987)**	(1,875,177)
Finance costs	*5*	**(11,262)**	(45,376)
		(64,249)	(1,920,553)
Share of profit/(loss) of associates		**1,230,226**	(556,946)
Profit/(loss) before taxation		**1,165,977**	(2,477,499)
Income tax	*6*	**—**	—
Profit/(loss) for the year		**1,165,977**	(2,477,499)

	Note	2011 HK$'000	2010 HK$'000
Attributable to:			
Owners of the Company		**1,165,977**	(2,477,499)
Non-controlling interests		**—**	—
Profit/(loss) for the year		**1,165,977**	(2,477,499)
Earnings/(loss) per share			
		HK Cents	*HK Cents*
— basic	*8(a)*	**30.16**	(72.14)
— diluted	*8(b)*	**30.10**	(72.14)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Profit/(loss) for the year		**1,165,977**	(2,477,499)
Other comprehensive loss for the year:			
Available-for-sale financial asset			
Decrease in fair value reserve, net of nil tax		**—**	(195,268)
Total comprehensive income/(loss) for the year		**1,165,977**	(2,672,767)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**1,165,977**	(2,672,767)
Non-controlling interests		**—**	—
		1,165,977	(2,672,767)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 March 2011

	Note	**2011** HK$'000	**2011** HK$'000	2010 HK$'000	2010 HK$'000
Non-current assets					
Fixed assets					
— Investment properties			**4,140**		3,530
— Other property, plant and equipment			**1,661**		2,298
			5,801		5,828
Intangible assets			**18,410**		7,678
Goodwill			**18,309**		—
Interests in associates			**1,563,976**		330,876
Other financial assets			**30,936**		121,860
			1,637,432		466,242
Current assets					
Trade and other receivables	*9*	**79,231**		149,617	
Cash and cash equivalents		**32,026**		16,547	
		111,257		166,164	
Current liabilities					
Trade and other payables	*10*	**(106,431)**		(108,048)	
Borrowings		**—**		(5,000)	
		(106,431)		(113,048)	
Net current assets			**4,826**		53,116
Total assets less current liabilities			**1,642,258**		519,358
Non-current liabilities					
Promissory notes			**(135,568)**		(226,726)
NET ASSETS			**1,506,690**		292,632
CAPITAL AND RESERVES					
Share capital			**41,527**		38,060
Share premium and reserves			**1,465,163**		254,572
Total equity attributable to owners of the Company			**1,506,690**		292,632
Non-controlling interests			**—**		—
TOTAL EQUITY			**1,506,690**		292,632

Notes:

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain amendments and interpretations which are or have become effective. It has also issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on the initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2011 comprise the Company and its subsidiaries and the Group's interest in associates.

The Board of directors of the Company has been informed that a capitalisation of a shareholder's loan owed by the associate to one of its shareholders other than the Company, by issuing new shares to such shareholder ("Capitalisation") has been completed near the end of 2010. The Company's initial holding of 49.9% of the share capital of the associate has been diluted to 24.8% as a result of the capitalization.

The Board of directors of the Company, including the independent board committee, is of the view that the Company is still holding 49.9% in this associate and determined to use this percentage to account for the interest in this associate despite of the fact that the Capitalisation has been completed.

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity. These financial statements are presented in Hong Kong dollar ("HKD"), rounded to the nearest thousand except for per share data. HKD is the Company's functional and presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies:

— investment property; and

— available-for-sale financial assets.

In preparing the financial statements, the directors of the Company have considered the future liquidity of the Group and the Company notwithstanding:

— the net current liabilities of HK$68,465,000 of the Company as at 31 March 2011;

— excluding the share of results of the associate, the Group has a consolidated loss of HK$64,249,000 for the year ended 31 March 2011;

— HK$2,492,000 net cash outflow in operating activities during the year ended 31 March 2011; and

— the continuous financial difficulties of AMA.

The directors adopted the going concern basis in the preparation of the financial statements and implemented the following measures in order to improve the working capital position, immediate liquidity and cash flow position of the Group and the Company:

— The Group will receive the settlement of approximately HK$11,500,000 from an associate of which HK$4,000,000 has been received in June 2011 and the rest by three post-dated cheques of approximately HK$2,500,000 each to be cleared beginning in August 2011, September 2011 and October 2011 respectively;

— to negotiate the method of settling current liabilities due to creditors;

— The Group and the Company would take relevant measures in order to tighten cost controls over various operating expenses; and

— The Group is seeking additional funds with an aim to attain positive cash flows.

In the opinion of the directors, in light of the various measures/arrangements implemented to date together with the expected results of the above measures, the Group and the Company will have sufficient working capital for its current requirements and it is reasonable to expect that the Group and the Company will remain as a commercially viable concern. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group and the Company 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 any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the financial statements.

(c) Applications of new and revised Hong Kong financial reporting standards

The Group has adopted the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") that are first effective for the current accounting period.

HKAS 32 (Amendments)	Classification of Right Issues
HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (revised 2008)	Business combinations
HKAS 27 (revised 2008)	Consolidated and separate financial statements
HKAS 39 (Amendments)	Financial instruments: Recognition and measurement — eligible hedged items
HK(IFRIC) Int 17	Distributions of non-cash assets to owners
HK(Int) 5	Presentation of financial statements — classification by the borrower of a term loan that contains a repayment on demand clause
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKFRS 3 (revised 2008), Business combinations

As a result of the adoption of HKFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the requirements under HKFRS 3 (revised 2008). Its application has affected the accounting for business combinations in the current year.

- HKFRS 3 (revised 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree. Consequently, the goodwill recognised in respect of the acquisition reflects the impact of the difference between the fair value of the non-controlling interests and their share of the recognised amount of the identifiable net assets of the acquiree.

- HKFRS 3 (revised 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date. Subsequent adjustments, if any, to the consideration are recognised against the cost of the acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the date of acquisition. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

- HKFRS 3 (revised 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

- HKFRS 3 (revised 2008) requires acquisition-related costs to be accounted for separately from the business combination, with those costs being recognised as an expense in profit or loss as incurred. Previously, they were accounted for as part of the cost of the acquisition.

HKFRS 3 (revised 2008) requires that where the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying amounts of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

HKAS 27 (revised 2008), Consolidated and Separate Financial Statements

The application of HKAS 27(amended 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a loss of control. Previously, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised. For decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (amended 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, HKAS 27 (amended 2008) requires the derecognition of all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

In accordance with the transitional provisions of HKAS27, these changes in accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

Revisions to HKAS 27 (revised 2008) have not had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of such previous transactions.

2. SEGMENT INFORMATION

As over 90% of the Group's turnover, results and assets relate to 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 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 revenue.

(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.

(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 fixed assets, intangible assets, goodwill and interests in associates ("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 interests in associates.

For the year ended 31 March 2011

	Hong Kong (place of domicile)	**Macau**	**PRC**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue	**—**	**4,860**	**—**	**4,860**
Revenue from external customers	**—**	**4,860**	**—**	**4,860**
Specified non-current assets	**5,801**	**1,579,792**	**20,903**	**1,606,496**

For the year ended 31 March 2010

	Hong Kong (place of domicile)	**Macau**	**PRC**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	—	5,551	—	5,551
Revenue from external customers	—	5,551	—	5,551
Specified non-current assets	5,828	338,554	—	344,382

3. TURNOVER AND OTHER REVENUE

(a) An analysis of the Group's turnover and revenue is as follows:

	2011	2010
	HK$'000	*HK$'000*
Revenue from investments in gaming and entertainment related business		
— Investment in Junket related operation	**—**	—
— Investment in VIP gaming related operation	**3,695**	4,759
— Investment in slot machine related operation	**1,165**	792
	4,860	5,551

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

	2011 *HK$'000*	2010 *HK$'000*
Interest income from banks	—	1
Interest income from loans to promissory note holders	1,374	3,616
Total interest income on financial assets not at fair value through profit or loss	1,374	3,617
Gross rental income from investment properties	221	216
Sundry income	1	7
Gain on fair value upon share issued to offset the promissory notes	—	35,251
Gain on offsetting promissory notes payable against loan receivables from promissory note holders	42,317	—
	43,913	39,091

4. LOSS FROM OPERATIONS

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

	2011 *HK$'000*	2010 *HK$'000*
(a) Staff costs (including directors' emoluments):		
Contributions to defined contribution retirement plans	174	279
Equity-settled share-based payment expenses	1,096	3,370
Salaries, wages and other benefits	10,635	12,690
	11,905	16,339
(b) Other items:		
Depreciation of other property, plant and equipment	1,546	1,706
Amortisation of intangible assets	767	1,810
Loss on disposal of property, plant and equipment	1	691
Auditor's remuneration		
— audit services	650	580
— other services	150	210
Operating lease charges in respect of premises:		
— minimum lease payments	2,592	3,233
Gross rental income from investment properties less direct outgoings of HK$71,000 (2010: HK$69,000)	(150)	(147)

5. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interest on borrowings wholly repayable within five years	**113**	325
Interest on promissory notes	**11,149**	45,051
Total interest expense on financial liabilities not at fair value through profit or loss	**11,262**	45,376

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Income tax in the consolidated income statement

No provision for Hong Kong profits tax and overseas income tax has been made as the companies have no estimated assessable profits for the years ended 31 March 2011 and 2010.

No Macau Complementary Income Tax has been provided as there were no assessable profits for both years.

(b) Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates

	2011	2010
	HK$'000	*HK$'000*
Profit/(loss) before taxation	**1,165,977**	(2,477,499)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to profit/(loss) in the tax jurisdictions concerned	**192,386**	(408,787)
Tax effect of non-deductible expenses	**22,612**	478,514
Tax effect of non-taxable income	**(213,146)**	(72,773)
Tax effect of unused tax losses not recognised	**(1,852)**	3,046
Actual tax expense	**—**	—

(c) Deferred taxation

There was no material unprovided deferred taxation. The Group did not recognise deferred tax assets in respect of cumulative tax losses of approximately HK$1 million (2010: HK$1 million) at 31 March 2011 as it is not probable that future taxable profits against which tax losses can be utilised will be available in the relevant tax jurisdiction and entities. The tax losses do not expire under current tax legislation.

7. DIVIDENDS

The directors do not recommend the payment of any dividend for both years.

8. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of HK$1,165,977,000 (2010: a loss of HK$2,477,499,000) and the weighted average number of ordinary shares of 3,866,180,000 (2010: 3,434,496,000) in issue during the year.

(b) Diluted earnings/(loss) per share

For the year ended 31 March 2011, the calculation of diluted earnings per share is based on the profit attributable to owners of the Company of approximately HK$1,165,977,000 and the weighted average number of 3,874,045,000 ordinary shares in issue.

For the year ended 31 March 2010, the diluted loss per share equals to the basic loss per share as the outstanding share options had anti-dilutive effect on the basic loss per share.

9. TRADE AND OTHER RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivable — AMA	**470,794**	498,294
Less: impairment	**(468,294)**	(468,294)
	2,500	30,000
Other receivables	**26,800**	29,800
Less: impairment	**(26,800)**	(28,800)
	—	1,000
Loans to promissory note holders	**—**	55,000
Interest receivables for loans to promissory note holders	**—**	3,616
Advances to collaborators	**—**	54,020
Due from an associate	**75,077**	4,768
Loans and receivables	**77,577**	148,404
Rental and other deposits	**393**	1,203
Prepayments	**1,261**	10
	79,231	149,617

All of the trade and other receivables are expected to be recovered or recognized as expense within one year.

(a) Ageing analysis

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

	2011	2010
	HK$'000	*HK$'000*
Current	—	—
Over 1 year past due	**470,794**	498,294
	470,794	498,294

(b) Trade receivables that are not impaired

For the year ended 31 March 2011, the ageing analysis of trade receivable that are neither individually nor collectively considered to be impaired are as follows:

	2011	2010
	HK$'000	*HK$'000*
Past due but not impaired	**2,500**	30,000

10. TRADE AND OTHER PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Trade payables	**853**	853
Due to a shareholder of AMA	**102,439**	102,439
Accruals and other payables	**1,563**	1,647
Due to related companies	**1,576**	3,109
Financial liabilities measured at amortised cost	**106,431**	108,048

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

(a) Ageing analysis

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

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Over 1 year past due	**853**	853

11. EVENTS AFTER THE REPORTING PERIOD

Pursuant to the Supplemental Agreement, the Company's equity interests in Nanning Inter-Joy was increased from 60% to 70% pursuant to the terms and conditions of the Supplemental Agreement with effect from 30 May 2011. The board of directors of Nanning Inter-Joy had undertaken a restructuring exercise, and the number of directors of Nanning Inter-Joy had been increased from three to five. In addition to the two members from the management team of the Company joining the board of directors of Nanning Inter-Joy, Professor Zeng Zhong Lu was invited to be a director of Nanning Inter-Joy and Le Rainbow China Limited, a wholly-owned subsidiary of the Company and the immediate holding company of Nanning Inter-Joy. Nanning Inter-Joy became a subsidiary thereafter.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

Basis for Disclaimer of Opinion

(1) *Scope limitation — Prior year's audit scope limitation affecting opening balances and comparative figures*

As detailed in the auditor's report dated 30 July 2010 on the financial statements for the year ended 31 March 2010, we disclaimed our opinion on the Group's financial statements for the year ended 31 March 2010 because of the significance of the possible effects of the limitation in evidence made available to us such that we were unable to satisfy ourselves as to whether the impairment loss as determined by the directors of the Company against the Group's available-for-sale financial asset, and in consequence the carrying amount of the available-for-sale financial asset of HK$121,860,000 as at 31 March 2010 was fairly stated. Any adjustments that might have found to be necessary in respect thereof had we obtained sufficient appropriate evidence would have had a consequential effect on (i) the net assets of the Group as at 31 March 2010, and (ii) the Group's results and cash flows for the current year and the prior year and the related disclosures in the financial statements. In respect of the limitation of audit scope in prior year as described above, we were not able to express an opinion as to whether the balances brought forward as at 1 April 2010 and the comparative figures were fairly stated in the financial statements.

(2) *Scope limitation — Available-for-sale financial asset*

Included in the consolidated statement of financial position as at 31 March 2011 was an available-for-sale financial asset carried at an amount of HK$30,936,000 which was arrived at after an impairment loss of HK$2,064,332,000 of which HK$90,924,000 was charged to the consolidated income statement for the year ended 31 March 2011 and HK$1,778,140,000 and HK$195,268,000 to the consolidated income statement and statement of comprehensive income for the year ended 31 March 2010 respectively. As detailed in notes to the financial statements, subsequent to the implementation of a 1.25% cap on junket commissions by the Macau government with effect from 1 December 2009, material changes to the business cooperation practices occurred. As a result, AMA failed to derive further income from the majority of its collaborators and to recover the credit granted to its collaborators. The financial position of AMA was adversely affected and so for the carrying amount of the available-for-sale financial asset. The directors determined that in addition to the impairment loss of HK$1,973,408,000 already made in last year, a further impairment loss of HK$90,924,000 should be made in the current year. The impairment losses were determined by reference to a valuation report prepared by an independent professional valuer based on value-in-use calculations by reference to the cash flow projections prepared by the directors. The cash flow projections were made on key assumptions that (i) cash from AMA's debts will be received in accordance with the Repayment Schedules and Repayment Agreements entered into between AMA and its collaborators, (ii) nil amount will be received from those collaborators with whom no Repayment Schedules have been agreed upon and no Repayment Agreements have been entered into, (iii) AMA will repay all amounts collected from its collaborators to the Group before settling its other liabilities notwithstanding a creditor has taken legal action against AMA for the recovery of debts due by AMA, and (iv) with reference to the estimated recovery rate for the amount due from AMA.

In the opinion of the directors of the Company, due to the absence of available information and supporting evidences from AMA and its collaborators regarding the above-mentioned assumptions, they were unable to assess the fairness and appropriateness of the bases and assumptions and input data used in the calculations and therefore they were uncertain whether the impairment loss made against the available-for-sale financial asset was fair and appropriate. Due to the lack of sufficient appropriate evidence for the above mentioned, we were not able to satisfy ourselves as to whether the impairment loss as determined by the directors of the Company against the available-for-sale financial asset, and in consequence the carrying amount of the available-for-sale financial asset as at 31 March 2011 were fairly stated.

(3) *Scope limitation — Interests in an associate and share of results of an associate in the Company and the consolidated financial statements*

As detailed in notes to the financial statements, the directors of the Company considered that the Company was holding a 49.9% equity interest in an associate and equity accounted for the Group's share of its interest and result based on that equity interest percentage and by reference to the management accounts of the associate for the year ended 31 March 2011. Accordingly, the consolidated income statement for the year ended 31 March 2011 and the consolidated and the Company's statement of financial position as of that date included a share of profit of HK$1,230,505,000 and an interest in that associate of HK$1,561,381,000 respectively. A reversal of the previous impairment loss against the intangible assets included in interests in the associates of HK$962,626,000 and a reversal of the previous impairment loss against the interests in associates of HK$1,230,505,000 in the consolidated and the Company's financial statements was made respectively. When performing our audit, we identified that the issued share capital of the associate has been increased on 30 October 2010 and the equity interest of the Group was diluted to 24.8%. Hence the share of profit, reversal of previous impairment loss and the carrying amount of interest in that associate in the financial statements of the Group and the Company as aforementioned should all be reduced correspondingly, and a gain or loss on the dilution of equity interest by 25.1% should be recognised. However, in the opinion of the directors of the Company, the Company's interest in that associate is 49.9% throughout the whole year ended 31 March 2011.

The Company is seeking legal opinion as regard its ownership interest in that associate. However, up to the date of this report, we were not able to obtain satisfactory audit evidence to confirm the directors' opinion of the Group's ownership interest in this associate. In addition, we were unable to obtain sufficient appropriate audit evidence to verify the management accounts of that associate and the basis and assumptions for the cashflow projections prepared by directors by reference to a valuation report prepared by the valuer for assessing the reversal of impairment. Due to the lack of sufficient appropriate audit evidence, we were not able to satisfy ourselves as to whether the share of profit, reversal of previous impairment loss and the carrying amount of interest in that associate in the financial statements of the Group and the Company as afore-mentioned are properly accounted for, and whether a gain or loss on the dilution of equity interest by 25.1% should be recognised. We were not able to quantify the effect in the financial statements of the Group and the Company if the associate had been equity accounted for at 24.8% as from 30 October 2010.

We were not able to carry out alternative audit procedures to satisfy ourselves as to the matters set out above.

Any adjustments that might have been found to be necessary in respect of the matters set out in the paragraphs above would have a significant consequential effect on the financial position of the Group and of the Company as at 31 March 2011 and the profit and cash flows of the Group for the year then ended and the related disclosures in the financial statements.

Disclaimer of Opinion

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view for the state of affairs of the Company and of the Group as at 31 March 2011 and of the Group's profit for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matters

We draw attention to notes to the consolidated financial statements which indicate that excluding the share of the results of that associate, the Group incurred consolidated loss of HK$64,249,000 for the year ended 31 March 2011, HK$2,497,000 of net cash outflow in operating activities during the year ended 31 March 2011 and the Company's current liabilities exceeded its current assets by approximately HK$68,465,000 as at 31 March 2011. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the success of those measures as stated in notes to the financial statements for the Group to obtain settlement from its trade receivables and the attainment by the Group and the Company of profitable operations and positive cash flows. These conditions, along with other matters as set forth in notes to the financial statement, indicate the existence of an uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

SIGNIFICANT EVENTS AND DEVELOPMENT

2010/11 was a year of change and development for the Group. For the past year, the Group has been working towards a resolution of the doubtful debt in regards to the investment in AMA, our Macau business partner in the past. This included a prolonged search for potential buyers for the investment in AMA. On 7 March 2011, the Group and Mr. Ng Man Sun signed a MOU for the potential transaction of AMA; however, this intended sale did not complete and no other buyers for the AMA investment were found. On 15 June 2011, the Company appointed Wardell & Associates Ltd. to act as the company's representative on the matter of collecting the doubtful debt in regards to AMA. These are the major steps in our efforts to clear the over-hang of uncertainty and resolve non-performing assets in the Group.

The balance of the related financial assets as at 31 March, 2011 is HK$31 million. The balances as at 31st March 2009 and 31st March 2010 are HK$2.1 billion and HK$122 million, respectively.

The other major development during the past year was the Group's entry into the China Lottery market by way of investing in a Guangxi Welfare Lottery value-added service company, ("LE-Guangxi"). LE-Guangxi specializes in its proprietary lottery sales electronic platform. LE-Guangxi shall build the paperless lottery terminal network subject to the independent approval from Guangxi Welfare Lottery Center on a case-by-case basis. In addition, it has also spent considerable effort in R&D for assisting Guangxi Welfare Lottery Authority in regard to new games. Most recently, this investment will be consolidated into the Group's financial statement from June 2011 onwards. For details of the investment, please refer to the Company's announcements dated 4 October 2010, 16 December 2010, 2 February 2011 and 30 May 2011.

As stated in the "Financial Review" below, net assets and profit contribution from Greek Mythology to the Group grew significantly. Greek Mythology Casino is close to completing its renovation. The positive result from Greek Mythology is a clear demonstration of the successful transformation of the casino becoming a popular VIP-gaming destination.

The board of directors of the Company has been informed that a capitalisation of a shareholder's loan owed by the associate to one of its shareholders other than the Company, by issuing new shares to such shareholder ("Capitalisation") has been completed near the end of 2010. The Company's initial holding of 49.9% of the share capital of the associate since the capitalisation has been completed, the Company's shareholding in the associate has been diluted to 24.8% as a result of the capitalization.

The board of directors of the Company is of the view that the Company is still holding 49.9% in this associate and an independent board committee is handling the case.

FINANCIAL REVIEW

- The Group's profit for the financial year amounts to HK$1.17 billion, compared to a loss of HK$2.48 billion in the prior year; an increase of HK$3.65 billion in absolute dollar terms.

- Net asset for the Group as at 31 March 2011 is HK$1.51 billion, compared to $292.6 million one year ago, an increase of HK$1.21 billion, or 415%.

- Group's share of operating profit before amortization from Greek Mythology Casino, the Group's associate was $271.2 million, compared to prior year's $90.4 million, an increase of HK$180.8 million, or 200%.

- Group's earning per share amounts to approximately HK$0.3 compared to loss per share in prior year.

- Turnover for the Group was HK$4.86 million for the year, compared to HK$5.55 million in 2010, an decrease of 12%. The Group's profits are mainly driven by return and profits from an associate, and such return or profits are accounted for as turnover in accordance with the accounting standards.

During the financial year ended 31 March 2011, the Group's investment was gaming related business in Macau. Its core investment was the 49.9% equity investment in Greek Mythology Casino. Other investments include right of slot machines and 5 VIP gaming tables in Macau. Also, the Group holds some retail shops as investment properties.

The Group's profit was HK$1.17 billion; increased by HK$3.64 billion as compared to that in last year. The increase was primarily a result of favorable revaluation of intangible assets of, and the improvement in the Group's share of operating profit in Greek Mythology Casino, the Group's associate.

BUSINESS REVIEW AND PROSPECTS

During the financial year under review, the Group made principal investments in the following areas:

Greek Mythology Casino ("GMC")

The Group owns 49.9% of equity stake in Greek Mythology Casino, which has approximately 60 VIP gaming rooms, and a mid to high-end mass-market gaming floor. Greek Mythology is accounted for as an associate of the Group.

During the financial year ended 31 March 2011, the Group's share of operating profit for the year ended 31 March 2011 was HK$271.2 million (2010: HK$90.4 million). The Group's share of profit in Greek Mythology Casino for the financial year ended 31 March 2011 was HK$1.23 billion, increased by HK$1.79 billion, as compared to a loss of HK$557 million a year ago. The increase was primarily a result of favorable revaluation of intangible asset of Greek Mythology Casino and the improvement in the Group's share of operating profit in Greek Mythology Casino, the Group's associate.

The interest in Greek Mythology Casino, the Group's associate, as at 31 March 2011 is HK$1.56 billion, as compared to HK$330.9 million at the prior year end, increase of 373% and HK$1.23 billion.

Greek Mythology Casino was primarily a low to mid-tier mass-market casino prior to its renovation work carried out in 2010–11. After the transformation, it boast a market leading number of around 60 private VIP-gaming rooms, and has transformed itself as a popular VIP player destination in Macau. The following are the major changes to the casino: (i) Large-scale renovation work done on all three gaming floors of the casino, altering the 2nd and 3rd floor of the casino to exclusive private VIP-gaming rooms to accommodate the high-end clientele needs; (ii) slot machines upgrades to fit with the new décor of the casino; (iii) installation of live-broadcast baccarat machines which allows 60 simultaneous players to participate outside the gaming tables; (iv) due to the changes above, an enhancement of flow of customers and the improvement of player's level from low to mid-tier to predominately high-end and VIP.

Its recent results reflect that the casino is benefiting from the successful transformation of GMC into high-end gaming segment and the highest growth in such Macau gaming segment.

LE-Guangxi[1]

Through LE Rainbow China Ltd ("LE-China"), a wholly owned subsidiary, the Group owns a 60% equity stake in Nanning Inter-Joy LOTTO Information Service Company Limited in Guangxi, China, which is a lottery related service company in cooperation with the Welfare Lottery authority of Guangxi. The Guangxi operation distributes a proprietary electronic lottery sales system for its sales location providers, and also will be expanding into self-operated lottery parlors aimed at high-end lottery players. The paperless lottery terminal network will provide a more comfortable, convenient, safer and more environmental friendly lottery sales platform for the lottery players in Guangxi.

Lottery related business in China is a new direction for the Group and we are highly aware of the industry landscape. Currently, illegal gambling activities in China such as private lottery and offshore betting is significant. Developing the high-end lottery space is the Company's efforts in converting a certain percentage of illegal gaming activities by making high-end lottery more attractive substitutes. Furthermore, the Group is in absolute support of "sensible gaming" and "healthy gaming", and the lottery sales system of LE-Guangxi would effectively allow the Group to achieve the two major principles stated above.

Most recently, the investment will be consolidated into the Group's financial statement from June 2011 onwards.

Investment in VIP Gaming Related Operation and Other Gaming Related Business

The Group, through certain subsidiaries, has invested in the businesses of (i) high rolling gaming tables, and (ii) slot machines in Macau.

During the financial year under review, the Group recorded gross revenue of HK$4.86 million from these operations compared to HK$5.55 million in the prior year, a 12.4% decline.

[1] The event of LE-Guangxi occurred after the Group's 2011 year-end, 31st March, 2011. During this time, it was not consolidated and therefore can only be treated as a post balance sheet event.

The businesses of high rolling gaming tables and slot machines in Macau underwent changes in the second half of the year. The Group adjusted the revenue model by taking a more conservative approach for stable returns so as to avoid the associated operating risks.

The balance of the AMA related financial assets as at 31 March, 2011 is HK$31 million, compared to HK$122 million as at 31st March 2010. The balance stated above represents the book value of the recoverable loan; however, the Company has appointed Wardell as representative for the financial monitoring of the doubtful debt, which, according to a recent financial report carried out by the same firm, is estimated to be as high as HK$220 million.

Dilution of the Company's shareholdings in the Associate

The board of directors of the Company has been informed that a capitalisation of a shareholder's loan owned by the associate to one of its shareholders other than the Company, by issuing new shares to such shareholder ("Capitalisation") has been completed near the end of 2010. The Company's initial holding of 49.9% of the share capital of the associate has been diluted to 24.8% as a result of the capitalization.

The balance of the AMA related financial assets as at 31 March, 2011 is HK$31 million, compared to HK$122 million as at 31st March 2010. The balance stated above represents the book value of the recoverable loan; however, the Company has appointed Wardell as representative for the financial monitoring of the doubtful debt, which, according to a recent financial report carried out by the same firm, is estimated to be as high as HK$220 million.

OUTLOOK

Building on the accomplishments so far, the future developments of the Group will be predominately on two fronts: (i) gaming business in Asia; (ii) lottery related business in China.

Gaming Business in Asia

Greek Mythology Casino has undergone major changes including renovation of the entire three gaming floors and changing its market position from mass-market to VIP. These changes have delivered excellent financial results in the past year, and we expect these positive effects to continue.

The Group is considering expanding or investing in other gaming related business in Asia.

Lottery Related Business in China

With regard to the lottery related business in China, we expect to see major development in the coming months as self-operated lottery parlors are opening. These strategic high-end lottery parlors will be the flagship stores of LE-Guangxi and will be the highlight of our paperless lottery sales network of Guangxi.

These innovative steps will be the momentum for taking the existing model for expansion into other welcoming provinces. The electronic lottery sales system has been deployed at multiple locations in Guangxi province. We intend that, at least around 1,000 paperless lottery sales machines, also known as the point-of-sale (POS), will be deployed in each province in the future. With strong growth in China lottery market and great business opportunities for emerging China high-end leisure and entertainment segment, we are confident to see a greater contribution of profits or investment returns to the Group in the coming years.

For the gaming business in Asia and the lottery related business in China, appropriate partnerships with competent and competitive business partners will be crucial for future development. Through leveraging the complementary strengths of each parties involved, the Group expects to develop and grow swiftly through adopting the "business partnership oriented" growth strategy.

Other Financial Items

Income Statement

- The Group's Selling & Distribution expenses amounts to appropriately HK$883 thousands during 2011, compared to appropriately HK$3.36 million in the prior year, marking a 74% reduction in expenses. The reduction was primarily due to the change of business model in regard to the 5 VIP gaming tables in Macau. In the second half of the year, the Group has adopted a new and more conservative model of fixed revenue. Accordingly, the Group is able to avoid considerable operating expenses and risks in the course of ordinary business.

- General & administrative expenses were HK$24.1 million, compared to HK$31.0 million during 2010, a 22% reduction. This reduction in expenses was a direct result of management's efforts in controlling cost.

- Finance Costs of the Group reduced to HK$11.26 million during 2011 compared to HK$45.4 million during the same period in 2010, a 75% reduction. The reduction of approximately HK$34 million or 75% was primarily contributed by the decrease in promissory notes by approximately HK$91 million.

Balance Sheet

- Value of Investment Properties owned by the Group increased to approximately HK$4.14 million as at 31st March 2011 compared to approximately HK$3.53 million in 2010, a 17% increase due to favorable revaluation.

- Trade and other receivables for the Group as at 31st March, 2011 was approximately HK$79.2 million, compared to approximately HK$149.6 million a year ago. This is mainly due to successful collection during the past year, and also an offsetting of promissory note of HK$102.3 million.

- Cash and cash equivalent as at 31st March, 2011 was approximately HK$32 million, compared to approximately HK$16.5 million the same time in 2010, an increase of approximately HK$15.5 million and 94%.
- Trade and other payables as at 31st March, 2011 was approximately HK$106 million (HK$108 million a year ago).
- The Group had no Borrowings as at 31st March 2011, compared to HK$5 million a year ago. The decrease in Borrowings was primarily due to the full settlement of the Borrowings of HK$5 million during the year.
- As at 31st March 2011, the Group owed HK$135.6 million in the form of a Promissory Notes (with maturity due date in 2016), compared to HK$226.7 the same time in 2010, a 40% decrease. The decrease in Promissory Notes was primarily due to some early offset of promissory notes of HK$102.3 million done during the year
- Among the non-current liabilities of the Group, approximately HK$102 million are due to a third-party due to a profit-sharing agreement related to AMA's profits. In principal, the Group shall not be responsible for paying out this share of profits as AMA has turned into a loss.

DIVIDEND

The Board of Directors does not recommend payment of final dividend for the year ended 31 March 2011. There was no interim dividend payment during the financial year.

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 31 March 2011, the Group had total assets and net assets of approximately HK$1,749 million (2010: HK$632 million) and HK$1,507 million (2010: HK$293 million) respectively which were financed by shareholders' funds of HK$1,507 million (2010: HK$293 million), current liabilities of HK$106 million (2010: HK$113 million) and non-current liabilities of HK$136 million (2010: HK$227 million) which are repayable in March 2016 at a face value of approximately HK$855 million.

As at 31 March 2011, the Group's gearing ratio, calculated as a ratio of total borrowings (including promissory notes) to shareholders' funds and current ratio, calculated as current assets over current liabilities, were approximately 9% (2010: 79%), and 1.05 (2010: 1.47), respectively. During the year ended 31 March 2011, the Group recorded a net cash inflow of HK$15 million (2010: outflow of HK$61 million). As at 31 March 2011, the Group had cash and cash equivalents of HK$32 million (2010: HK$17 million). The Group considers that it has sufficient financial resources to meet operation and development requirements for the foreseeable future.

SHARE CAPITAL STRUCTURE

In December 2010, the Company allotted and issued 51,480,000 shares at HK$0.1554 per share as the first tranche consideration shares pursuant to the sales and purchase agreement entered by LE Rainbow Worldwide Limited, a wholly owned subsidiary of the Company on 30 September 2010 for acquisition of equity interest in a Welfare Lottery value-added service provider in Guangxi.

In February 2011, the Company allotted and issued 257,186,000 shares at HK$0.1322 per share as the second tranche consideration shares pursuant to the sales and purchase agreement dated 30 September 2010.

In February 2011, the Company issued 38,000,000 shares with par value of HK$0.01 each at an exercise price of HK$0.083 per share upon the exercise of the granted options during the period under review.

FOREIGN EXCHANGE AND CURRENCY RISKS

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 March, 2011, the Group had a total of approximately 13 employees in Hong Kong and Macau. 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 and decided with reference to their duties, work experience, performance and prevailing market practices. The Group also participates in the Mandatory Provident Fund ("MPF") scheme in Hong Kong and similar scheme for eligible employees in Macau 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 and the Company had no significant contingent liabilities as at 31 March 2011.

INVESTOR RELATIONS

The Group believes that maintaining active communication and operational transparency is vital to building good investor relations. During the year, its investor relations team maintained continuous communication with various investors and held meetings regularly with analysts and institutional investors from around the world. The Group will continue to actively enhance communication with shareholders and investors so as to foster the best investor relations possible.

CORPORATE GOVERNANCE

The Company has applied the Principles and the Code Provisions as set out in the CG Code and complied with all the Code Provisions throughout the year ended 31 March 2011 with the exception of certain deviation as further explained below. The Company also put in place certain Recommended Best Practices as set out in the CG Code.

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

None of the existing non-executive Directors of the Company are appointed for a specific term. This constitutes a deviation from Code Provision A.4.1. However, all non-executive Directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws of the Company. The Company 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 Provision.

The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code, and acknowledges the important role of its Board in providing effective leadership and direction to the Company's business, and ensuring transparency and accountability of the Company's operations.

Appointment of Independent Professional Consultants

In July 2010, due to a substantial change in the Company's senior management team structure and loan recoverability concern, the Company had engaged Wardell & Associates Ltd. (then Horwath Corporate Advisory Services Limited) ("W&A") to review (i) the overall governance and advisory architecture of the Company, and (ii) Code of Corporate Governance that reflects best practices.

The draft Corporate Governance Report prepared by W&A was passed to the Board for review in December 2010. The report contains (among other things) some major recommendations on the following areas:

(i) Improvement of risk management and internal control;

(ii) Evaluation of the committee structure and composition;

(iii) Identification and development of the functions for the Board of the Company;

(iv) Communication and professional development of Board members;

(v) Implementation of recruitment and selection criteria of new directors;

(vi) Implementation of appraisal systems;

While some changes as suggested in the report had been implemented by the Company, it was the Board's intention to finalise the report in near future and carry out implementation of other proposals.

In view of the anticipated implementation of new CG measures mentioned above, the Board have further engaged W&A to perform reviews on the Company's overall corporate governance system on a regular basis and recommend ways to enhance the Board's existing governance structure in view of the continuing operational developments in the Company.

AUDIT COMMITTEE

The Company has an audit committee which was established for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. During the year the audit committee comprises four independent non-executive Directors.

The annual results of the Group for the year under review had been reviewed by the audit committee.

REMUNERATION COMMITTEE

During the year, the remuneration committee comprises two independent non-executive Directors, and one executive Director. The remuneration committee was established with specific written terms of reference, and is principally responsible for reviewing and approving remuneration package for Directors and senior management. No Director or senior management will determine his own remuneration.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct for securities transactions by Directors and has adopted written guidelines no less exacting than the Model Code for application to senior management and designated persons who might have access to price sensitive information of the Group. Following enquiries by the Company, all Directors confirm that they have complied with the Model Code for the year ended 31 March 2011.

For and on behalf of the Board
Amax Holdings Limited
Deng Xiaomei
Chairwoman

Hong Kong, 30 June 2011

As at the date of this announcement, the board of Directors comprises Ms. Li Wing Sze, Mr. Lau Dicky and Mr. Ng Chi Keung being the executive Directors and Ms. Deng Xiaomei, Mr. Cheng Kai Tai, Allen, Mr. Fang Ang Zhen, Mr. Yoshida Tsuyoshi and Dr. Dingjie Wu being the independent non-executive Directors.