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**REX Global Entertainment Holdings Limited**
**御濠娛樂控股有限公司**
*(Incorporated in Bermuda with limited liability)*
**(Stock Code: 164)**

# INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

## INTERIM RESULTS

The board of directors (the "Board") of REX Global Entertainment Holdings Limited (the "Company") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 September 2015 together with the comparative figures for the corresponding period in 2014. The unaudited consolidated interim results have been reviewed by the Company's audit committee.

## CONDENSED CONSOLIDATED INCOME STATEMENT

| | | Six months ended 30 September | |
|---|---|---|---|
| | | **2015** | 2014 |
| | | **(Unaudited)** | (Unaudited) |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| Turnover | *4* | **59,662** | 14,253 |
| Net unrealised (losses)/gains on financial assets at fair value through profit or loss | | **(13,481)** | 9,557 |
| Net realised gains on financial assets at fair value through profit or loss | | **8,225** | 1,998 |
| Other revenue and gains, net | *4* | **781** | 1,440 |
| | | **55,187** | 27,248 |
| Cost of sales | | **(6,776)** | (3,828) |
| Administrative expenses | | **(59,437)** | (29,071) |
| Impairment loss on assets classified as held for sale | *12* | **–** | (22,699) |
| Loss from operations | *5* | **(11,026)** | (28,350) |
| Finance costs | | **(3,242)** | (9,412) |
| Loss before taxation | | **(14,268)** | (37,762) |
| Taxation | *6* | **–** | 21 |
| Loss for the period | | **(14,268)** | (37,741) |
| Attributable to: | | | |
| Equity shareholders of the Company | | **(13,858)** | (37,805) |
| Non-controlling interests | | **(410)** | 64 |
| | | **(14,268)** | (37,741) |
| Loss per share for loss attributable to the equity shareholders of the Company during the period | *7* | | |
| – Basic and diluted | | **(0.19) cent** | (0.82) cent |

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Six months ended 30 September | |
|---|---|---|
| | **2015** | 2014 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Loss for the period | **(14,268)** | (37,741) |
| Other comprehensive income: | | |
| Item that may be reclassified subsequently to profit or loss: | | |
| Exchange differences arising from translation of financial statements of foreign operations | **(8)** | 1,473 |
| Total comprehensive expenses for the period | **(14,276)** | (36,268) |
| Attributable to: | | |
| Equity shareholders of the Company | **(14,008)** | (36,759) |
| Non-controlling interests | **(268)** | 491 |
| Total comprehensive expenses for the period | **(14,276)** | (36,268) |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | At 30 September 2015 (Unaudited) HK$'000 | At 31 March 2015 (Audited) HK$'000 |
|---|---|---|---|
| **Non-current Assets** | | | |
| Property, plant and equipment | | **18,868** | 19,042 |
| Land use rights | | **10,367** | 10,927 |
| Goodwill | | **23,592** | 23,592 |
| Available-for-sales financial asset | | **9,300** | 9,300 |
| | | **62,127** | 62,861 |
| **Current Assets** | | | |
| Inventories | | **2,057** | 1,949 |
| Trade and other receivables | *8* | **137,489** | 92,254 |
| Financial assets at fair value through profit or loss | *9* | **150,325** | 110,752 |
| Cash and cash equivalents | | **40,161** | 106,505 |
| | | **330,032** | 311,460 |
| **Current Liabilities** | | | |
| Trade and other payables | *10* | **36,592** | 29,259 |
| Bank and other borrowings | *11* | **59,582** | 51,333 |
| | | **96,174** | 80,592 |
| **Net Current Assets** | | **233,858** | 230,868 |
| **Total Assets less Current Liabilities** | | **295,985** | 293,729 |

| | Notes | At 30 September 2015 (Unaudited) HK$'000 | At 31 March 2015 (Audited) HK$'000 |
|---|---|---|---|
| **Non-current Liabilities** | | | |
| Amount due to a non-controlling shareholder of a subsidiary | | **22,246** | 22,248 |
| Bank and other borrowings | *11* | **28,381** | 38,304 |
| Deferred taxation | | **1,313** | 1,336 |
| | | **51,940** | 61,888 |
| **Net Assets** | | **244,045** | 231,841 |
| **Equity** | | | |
| **Capital and reserves attributable to the equity shareholders of the Company:** | | | |
| Share capital | *13* | **75,572** | 73,917 |
| Reserves | | **163,939** | 153,122 |
| | | **239,511** | 227,039 |
| Non-controlling interests | | **4,534** | 4,802 |
| **Total Equity** | | **244,045** | 231,841 |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 September 2015*

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention, except for certain financial assets and financial liabilities which are carried at fair value.

## 2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2015 except for the adoption of new and revised standard and interpretation with effect from 1 April 2015.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group's financial period beginning on 1 April 2015.

| | |
|---|---|
| Amendments to HKAS 19 | Employee Benefits – Defined Benefit Plans: Employee Contributions |
| Amendments to HKFRSs | Annual improvements to HKFRSs 2010-2012 cycle |
| Amendments to HKFRSs | Annual improvements to HKFRSs 2011-2013 cycle |

The adoption of the new or revised Hong Kong Financial Reporting Standards ("HKFRS") had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented.

The Group has not early adopted the following new or revised standards and amendments that have been issued but are not yet effective.

| | |
|---|---|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012-2014 cycle[1] |
| Amendments to HKAS 1 | Disclosure Initiative[1] |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations[1] |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation[1] |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants[1] |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture[1] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment entities: Applying the consolidation exception[1] |
| HKFRS 9 | Financial Instruments[3] |
| HKFRS 14 | Regulatory Deferral Accounts[1] |
| HKFRS 15 | Revenue from Contracts with Customers[2] |

[1] *Effective for annual periods beginning on or after 1 January 2016*
[2] *Effective for annual periods beginning on or after 1 January 2017*
[3] *Effective for annual periods beginning on or after 1 January 2018*

The directors of the Company (the "Directors") are currently assessing the impact of these new HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's result of operations and financial position.

## 3. SEGMENT INFORMATION

For management purpose, the Group has four (2014: four) principal lines of businesses namely (1) entertainment business, (2) property business (including property development, trading of building materials and provision of renovation services); (3) gamma ray irradiation services; and (4) resources business which, together with other operation – securities trading and investment, are the basis on which the Group reports its segment information.

An analysis of the Group's turnover, contribution to operating results and segment assets and liabilities by business segments is presented as follows:

**Segment results**

*For the six months ended 30 September 2015*

| | Entertainment business (Unaudited) *HK$'000* | Property business (Unaudited) *HK$'000* | Gamma ray irradiation services (Unaudited) *HK$'000* | Resources business (Unaudited) *HK$'000* | Other operation – securities trading and investment (Unaudited) *HK$'000* | Total (Unaudited) *HK$'000* |
|---|---|---|---|---|---|---|
| **INCOME STATEMENT** | | | | | | |
| **REVENUE** | | | | | | |
| **Turnover** | **57,121** | **–** | **2,541** | **–** | **–** | **59,662** |
| **Segment results** | **5,743** | **(248)** | **(1,498)** | **(219)** | **(4,579)** | **(801)** |
| **Unallocated corporate expenses** | | | | | | **(10,225)** |
| **Loss from operations** | | | | | | **(11,026)** |
| **Finance costs** | | | | | | **(3,242)** |
| **Loss before taxation** | | | | | | **(14,268)** |
| **Taxation** | | | | | | **–** |
| **Loss before non-controlling interests** | | | | | | **(14,268)** |

**Segment assets and liabilities**

*As at 30 September 2015*

| | Entertainment business (Unaudited) *HK$'000* | Property business (Unaudited) *HK$'000* | Gamma ray irradiation services (Unaudited) *HK$'000* | Resources business (Unaudited) *HK$'000* | Other operation – securities trading and investment (Unaudited) *HK$'000* | Total (Unaudited) *HK$'000* |
|---|---|---|---|---|---|---|
| **STATEMENT OF FINANCIAL POSITION** | | | | | | |
| **ASSETS** | | | | | | |
| **Segment assets** | **69,526** | **2,702** | **52,858** | **–** | **150,332** | **275,418** |
| **Unallocated corporate assets** | | | | | | **116,741** |
| **Consolidated total assets** | | | | | | **392,159** |
| **LIABILITIES** | | | | | | |
| **Segment liabilities** | **9,205** | **21,980** | **9,908** | **150** | **50,377** | **91,620** |
| **Unallocated corporate liabilities** | | | | | | **56,494** |
| **Consolidated total liabilities** | | | | | | **148,114** |

**Segment results**

*For the six months ended 30 September 2014*

| | Entertainment business (Unaudited) *HK$'000* | Property business (Unaudited) *HK$'000* | Gamma ray irradiation services (Unaudited) *HK$'000* | Resources business (Unaudited) *HK$'000* | Other operation – securities trading and investment (Unaudited) *HK$'000* | Total (Unaudited) *HK$'000* |
|---|---|---|---|---|---|---|
| INCOME STATEMENT | | | | | | |
| REVENUE | | | | | | |
| Turnover | 11,075 | 14 | 3,164 | – | – | 14,253 |
| Segment results | (3,623) | (666) | (967) | (22,567) | 12,460 | (15,363) |
| Unallocated other operating income | | | | | | 1 |
| Unallocated corporate expenses | | | | | | (12,988) |
| Loss from operations | | | | | | (28,350) |
| Finance costs | | | | | | (9,412) |
| Loss before taxation | | | | | | (37,762) |
| Taxation | | | | | | 21 |
| Loss before non-controlling interests | | | | | | (37,741) |

**Segment assets and liabilities**

*As at 31 March 2015*

| | Entertainment business (Audited) *HK$'000* | Property business (Audited) *HK$'000* | Gamma ray irradiation services (Audited) *HK$'000* | Resources business (Audited) *HK$'000* | Other operation – securities trading and investment (Audited) *HK$'000* | Total (Audited) *HK$'000* |
|---|---|---|---|---|---|---|
| STATEMENT OF FINANCIAL POSITION | | | | | | |
| ASSETS | | | | | | |
| Segment assets | 56,490 | 2,803 | 55,781 | – | 111,859 | 226,933 |
| Unallocated corporate assets | | | | | | 147,388 |
| Consolidated total assets | | | | | | 374,321 |
| LIABILITIES | | | | | | |
| Segment liabilities | 3,523 | 21,975 | 10,362 | 150 | 51,885 | 87,895 |
| Unallocated corporate liabilities | | | | | | 54,585 |
| Consolidated total liabilities | | | | | | 142,480 |

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the period (2014: HK$Nil).

Segment results represents the profit/(loss) earned or incurred by each segment without allocation of central administration costs including directors' salaries, investment and other income, finance costs, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

## 4. TURNOVER, OTHER REVENUE AND GAINS, NET

Turnover represents the aggregate of the net amounts received and receivable from third parties during the period. An analysis of the Group's turnover, other revenue and gains, net is as follows:

| | **Six months ended 30 September** | |
|---|---|---|
| | **2015** | 2014 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| **Turnover** | | |
| Entertainment business | **57,121** | 11,075 |
| Property business | **–** | 14 |
| Gamma ray irradiation services | **2,541** | 3,164 |
| | **59,662** | 14,253 |
| Net unrealised (losses)/gains on financial assets at fair value through profit or loss | **(13,481)** | 9,557 |
| Net realised gains on financial assets at fair value through profit or loss | **8,225** | 1,998 |
| **Other revenue and gains, net** | | |
| Other income | **781** | 1,440 |
| | **55,187** | 27,248 |

## 5. LOSS FROM OPERATIONS

| | Six months ended 30 September | |
|---|---|---|
| | **2015** | 2014 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Amortisation of land use rights | **246** | 248 |
| Cost of sales# | **6,776** | 3,828 |
| Depreciation of property, plant and equipment# | **2,286** | 2,206 |
| Interest income | **(8)** | (7) |

\# *Cost of sales includes HK$1,976,000 (2014: HK$2,025,000) relating to depreciation expenses, which amount is also included in the respective total amounts disclosed separately above.*

## 6. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries in Hong Kong have no assessable profits for the six months ended 30 September 2015 and 2014 respectively. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rate of taxation prevailing in the countries in which the Group operates.

The amount of income tax credit in the condensed consolidated income statement represents:

| | Six months ended 30 September | |
|---|---|---|
| | **2015** | 2014 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| **Current taxation** | | |
| Overseas Tax | | |
| – Over-provision for the period | **–** | (21) |
| **Income tax credit** | **–** | (21) |

## 7. LOSS PER SHARE

The calculation of basic loss per share for the six months ended 30 September 2015 is based on the loss for the period attributable to the equity shareholders of the Company of approximately HK$13,858,000 (2014: approximately HK$37,805,000) and on the weighted average number of 7,472,908,731 shares (2014: 4,587,306,161 shares) in issue during the period.

The calculation of diluted loss per share for the six months ended 30 September 2015 and 30 September 2014 has not included the potential effect of share options outstanding and the deemed conversion of the convertible note into ordinary shares as they have an anti-dilutive effect on the basic loss per share for the respective period.

## 8. TRADE AND OTHER RECEIVABLES

| | **At 30 September 2015 (Unaudited)** ***HK$'000*** | At 31 March 2015 (Audited) *HK$'000* |
|---|---|---|
| Trade receivables | **44,547** | 16,851 |
| Other receivables and prepayments | **92,942** | 75,403 |
| | **137,489** | 92,254 |

In the opinion of the Directors, all of the above trade and other receivables are expected to be recovered or recognised as expense within one year.

The Directors consider that the carrying amounts of trade and other receivables approximate to their fair values.

The Group allows an average credit period of 90 days to 180 days to its trade customers. The following is an analysis of trade receivables by age, presented based on the invoice date, net of allowance for doubtful debts:

| | **At 30 September 2015 (Unaudited)** | At 31 March 2015 (Audited) |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Up to 30 days | **8,892** | 11,176 |
| 31 to 90 days | **16,715** | 5,675 |
| 91 to 365 days | **18,940** | – |
| | **44,547** | 16,851 |

## 9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **At 30 September 2015 (Unaudited)** | At 31 March 2015 (Audited) |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Listed securities held for trading: | | |
| – Equity securities – Hong Kong, at fair value *(Note)* | **150,325** | 110,752 |

The fair value of the above listed securities are determined based on quoted market prices or the market approach at the end of the reporting period.

At 30 September 2015, the Group's listed securities of aggregate carrying amount of HK$89,777,000 (31 March 2015: HK$109,532,000) were pledged by the Group to secure margin account payable.

*Note:*

As at 30 September 2015, held for trading investments with a carrying amount of approximately HK$30,452,000 was suspended for trading. The fair value of those held for trading investments carried out by an independent valuer which has been determined using market approach base on recent market value of comparable companies with similar business and include marketability discount.

## 10. TRADE AND OTHER PAYABLES

| | At 30 September 2015 (Unaudited) *HK$'000* | At 31 March 2015 (Audited) *HK$'000* |
|---|---|---|
| Trade payables | **5,776** | 2,200 |
| Other payables and accruals | **30,816** | 27,059 |
| | **36,592** | 29,259 |

In the opinion of the Directors, all of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

The Directors consider that the carrying amounts of trade and other payables approximate to their fair values.

The following is an analysis of trade payables by age based on the invoice date:

| | At 30 September 2015 (Unaudited) *HK$'000* | At 31 March 2015 (Audited) *HK$'000* |
|---|---|---|
| Up to 30 days | **5,776** | 2,200 |

## 11. BANK AND OTHER BORROWINGS

| | **At 30 September 2015 (Unaudited)** | At 31 March 2015 (Audited) |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Current** | | |
| Bank borrowing – secured *(Note a)* | **9,756** | – |
| Margin account payable *(Note b)* | **49,826** | 51,333 |
| | **59,582** | 51,333 |
| **Non-current** | | |
| Bank borrowing – secured *(Note a)* | **–** | 10,050 |
| Placing notes *(Note c)* | **28,381** | 28,254 |
| | **28,381** | 38,304 |
| Total bank and other borrowings | **87,963** | 89,637 |
| **Bank borrowing repayable** | | |
| Within one year | **9,756** | – |
| In the second year | **–** | 10,050 |
| | **9,756** | 10,050 |
| **Other borrowings repayable** | | |
| Within one year | **49,826** | 51,333 |
| In the second year to fifth year | **9,212** | – |
| After five years | **19,169** | 28,254 |
| Total bank and other borrowings | **87,963** | 89,637 |

*Notes:*

(a) At 30 September 2015 and 31 March 2015, the bank borrowing is secured by certain leasehold buildings and land use rights of the Group.

(b) Margin account payable as at 30 September 2015 and 31 March 2015 is secured by certain listed securities held by the Group and carries interest at prime rate plus 3% per annum.

(c) On 20 August 2013, the Company entered into a placing agreement (the "Original Placing Agreement") with a placing agent (the "Placing Agent"), pursuant to which the Company agreed to place, through the Placing Agent, on a best effort basis, the notes up to an aggregate amount of HK$300,000,000 to be issued by the Company in the denomination of HK$2,000,000 each (the "Placing Notes") to independent third parties (the "Placing"). Pursuant to the Original Placing Agreement, the Placing Notes carry interest at 5% per annum and are to be redeemed on the seventh anniversary from the respective issue dates of the Placing Notes. The Company may early redeem in whole the Placing Notes at a redemption price equal to the principal amount together with accrued interest after the third anniversary from the respective issue dates of the Placing Notes. Details of the Placing were set out in the Company's announcement dated 20 August 2013.

The Original Placing Agreement expired on 19 August 2014. On 15 August 2014, the Company and the Placing Agent entered into a new placing agreement to renew the placing period for placing of the Placing Notes (the "2014 Placing Agreement").

The principal terms and conditions of the completion notes to be issued under the 2014 Placing Agreement will be substantially the same as those of the completion notes issued under the Original Placing Agreement. Details of the 2014 Placing Agreement were set out in the Company's announcement dated 15 August 2014. The period for the placing of the Placing Notes has expired on 31 August 2015. During the period, no Placing Notes has been issued by the Company pursuant to the aforesaid placing agreement. As at 30 September 2015, the Placing Notes in the aggregate principal amount of HK$30,000,000 (31 March 2015: HK$30,000,000) was outstanding.

## 12. ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE

At 31 March 2014, the Group made a plan to sell a group of subsidiaries that engaged in the rare earth refinery and processing business which is mainly conducted through 冕寧縣茂源稀土科技有限公司 (Mianning Mao Yuan Rare Earth Technology Company Limited*) ("Mianning Mao Yuan"), a 54% owned subsidiary of the Group.

On 19 November 2014, the Company entered into a sale and purchase agreement with an independent third party to dispose of a group of subsidiaries, including Mianning Mao Yuan. The disposal was completed on 3 February 2015. As a result, such companies ceased to be subsidiaries of the Company for the period ended 30 September 2015.

The results of the assets/liabilities classified as held for sale (i.e. rare earth refinery and processing business) that are included in the consolidated income statement and the consolidated statement of cash flows are shown as below:

| | Six months ended 30 September 2014 (Unaudited) *HK$'000* |
|---|---|
| Loss for the period from rare earth refinery and processing business: | |
| Other income | 524 |
| Impairment loss on goodwill *(Note)* | (22,699) |
| Administrative expenses | (392) |
| Loss before taxation | (22,567) |
| Taxation | – |
| Loss for the period | (22,567) |

In accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations, when a non-current asset is classified as held for sale or included within a disposal group that is classified as held for sale, it is not depreciated or amortised.

Cash flows from rare earth refinery and processing business:

| | |
|---|---|
| Net cash inflows from operating activities and net cash inflows | 89 |

*Note:*

The business valuations of Mianning Mao Yuan as at 30 September 2014 were performed by Roma Appraisals Limited, who is an independent valuer with appropriate qualifications and recent experiences in valuing similar businesses. The Group's management has discussed with the valuer on the valuation assumptions and valuation results when the valuations were performed. The market value of Mianning Mao Yuan as at 30 September 2014 has been determined under discounted cash flow method based on a projection of the future cash flows provided by the management covering a 5-year period. The discount rate applied to the valuation is 23.02% and cash flows beyond the 5-year period are extrapolated using a steady growth rate of 3.12% per annum. Other key assumptions for the discounted cash flow method related to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimations are based on past performance and management's expectations for the market development.

Global economic growth remained slow and persistent weak downstream demand continued to adversely impact the rare earth industry and prices of most rare earth products. Due to drop of the prices of the rare earth products and postponement of the rare earth oxides production plan, the Group recognised an impairment loss of HK$22,699,000 after taking into the account of the business valuation as at 30 September 2014.

## 13. SHARE CAPITAL

| | **Number of Shares** | **Amount** |
|---|---|---|
| | | *HK$'000* |
| Ordinary shares of HK$0.01 each of the Company (the "Shares"): | | |
| *Authorised:* | | |
| At 31 March 2015 and 30 September 2015 | 15,000,000,000 | 150,000 |
| *Issued and fully paid:* | | |
| At 31 March 2015 | 7,391,695,617 | 73,917 |
| Exercise of share options *(Note)* | 165,500,000 | 1,655 |
| **At 30 September 2015** | 7,557,195,617 | 75,572 |

*Note:*

During the period ended 30 September 2015, options were exercised to subscribe for 165,500,000 Shares at the aggregate consideration of HK$26,480,000 of which HK$1,655,000 was credited to share capital and the balance of HK$24,825,000 was credited to the share premium account together with a transfer of HK$4,601,000 from the share options reserve to the share premium account.

## 14. CONTINGENT LIABILITIES

At 30 September 2015 and 31 March 2015, the Group had no significant contingent liabilities.

## 15. CAPITAL COMMITMENTS

At 30 September 2015 and 31 March 2015, the Group had no significant capital commitments.

## 16. OPERATING LEASE COMMITMENTS

The Group made minimum lease payments of approximately HK$3,987,000 (2014: approximately HK$1,556,000) under operating leases during the period.

At the end of reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | **At 30 September 2015 (Unaudited) *HK$'000*** | At 31 March 2015 (Audited) *HK$'000* |
|---|---|---|
| Within one year | **3,058** | 4,764 |
| In the second year | **730** | – |
| Total | **3,788** | 4,764 |

Operating lease payments represent rentals payable by the Group for certain of its office premises, staff quarter, warehouses and motor vehicle. Leases are negotiated and fixed for an average term of one to two years.

## 17. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

During the period, the Group had significant transactions with the following related parties, details of which are as follows:

| | Six months ended 30 September | |
|---|---|---|
| | **2015** | 2014 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Key management compensation of the Group: | | |
| Fees, salaries and other short-term employee benefits | **1,394** | 584 |
| Pension scheme contributions | **9** | 9 |
| | **1,403** | 593 |
| Substantial shareholders: | | |
| Interest on convertible note | **–** | 522 |
| Interest on other borrowing | **–** | 4,422 |

Save as disclosed above, there were no other significant transactions with related parties during the period or significant balances with them at the end of the period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

During the period under review, the Group is mainly engaged in entertainment business, property business, gamma ray irradiation services, resources business and securities trading and investment.

### Entertainment Business

By launching its cruise ship business in late August 2014, the Group has successfully positioned itself to capitalise on opportunities in leisure, hospitality, tourism and entertainment related areas. The Group's entertainment business focuses on providing services in respect of certain management functions and core operations of a cruise ship. These services include crew management, technical management, commercial management, insurance arrangements etc. As the manager of the cruise ship, the Group received income from the room sales, boat fares, meals, duty free sales etc. and management and leasing fees from the casino operator who manages and leases the casino operation of the cruise ship as remuneration for its services.

During the period under review, the Group continued to implement various marketing strategies and promotional campaigns to attract new customers. New initiatives were launched with the aim of broadening the existing customer mix by bringing in tourists from the region; however, the number of inbound tourists declined with total visitor arrivals sliding 3.2% to about 29 million and overnight visitors from Mainland China fell by 6.9% to about 9 million over the corresponding period last year. The operating expenses of the cruise ship remained stable as additional selling and marketing expenses were offset by lower fuel expense, which was attributed to lower average fuel price over the corresponding period last year. The entertainment division recorded a revenue of HK$57,121,000 (2014: HK$11,075,000) and a profit of HK$5,743,000 (2014: a loss of HK$3,623,000).

The continuous improvement of facilities and services is fundamental to the Group's strategy to optimise its cruise ship operations. Looking ahead, the Group and its joint venture partner in the cruise ship business, will continue to upgrade the guest rooms and the cruise ship's entertainment facilities on board with the view of enriching its customers' cruise experiences. With these strategies in place, we anticipate that there will be opportunities for the Group to broaden and increase its customer base in the future, and that the growth of the cruise ship business will continue to contribute to the business of the Group as a whole.

**Property Business**

The Group's property business includes property development, trading of building materials and provision of renovation services. During the period under review, revenue of the Group's property business was HK$Nil (2014: HK$14,000). Segment loss was HK$248,000 (2014: HK$666,000).

It is envisaged that urbanisation in China will continue to drive demand for both residential and commercial properties. The Group will continue to maintain its professional and prudent management of financial resources and closely monitor the economic environment in order to seize those opportunities identified in property development.

**Gamma Ray Irradiation Services**

The Group's gamma ray irradiation business is conducted through 淄博利源高科輻照技術有限公司 (Zibo Liyuan Gamma Ray Technologies Co. Limited*), a 80% owned subsidiary of the Group which is licensed by the Ministry of Environmental Protection of the PRC, for the provision of irradiation services by utilising gamma ray technologies. During the period under review, demand for food irradiation and sterilisation of medical devices using gamma ray technologies remained steady. The Group continued to increase its efforts to explore new customers with attempts to improve its services in order to meet customers' preferences. Revenue generated from the gamma ray irradiation services for the period under review was HK$2,541,000 (2014: HK$3,164,000). Segment loss was HK$1,498,000 (2014: HK$967,000).

Alongside the Group's focus on strengthening relations with existing customers is an equally strong focus on exploring new customer base. Going forward, the Group will further strengthen its operations by introducing ongoing innovation.

**Resources Business**

Since completion of the restructuring of its resources business in February 2015, the Group has continued to explore different opportunities in the whole value chain in the industry. During the period under review, the Group has not launched any new investment projects in this business segment. Turnover from this segment was HK$Nil (2014: HK$Nil) and reported a loss of HK$219,000 (2014: HK$22,567,000).

The Group will continue to implement its prudent investment strategy while exploring potential investment opportunities in the industry in order to identify projects which exhibit attractive prospects.

**Other Operation**

During the period under review, performance of the Group's securities trading and investment business division was hampered by the volatile market environment amid China's turbulent stock market. The division increased its trading in Hong Kong listed securities during the second quarter as the Hong Kong stock market saw outstanding performance. However, such performance was later wiped off by the impact of China's stock market correction in the third quarter. The Group's securities trading and investment business reported a loss of HK$4,579,000 (2014: a profit of HK$12,460,000), which represented the net of realised gain of HK$8,225,000 (2014: HK$1,998,000) from disposal of listed securities held for trading and unrealised loss of HK$13,481,000 (2014: unrealised gain of HK$9,557,000) due to change in fair value on held for trading investments. As at 30 September 2015, the carrying amount of the listed securities was HK$150,325,000 (31 March 2015: HK$110,752,000).

**Potential Multimedia Business**

In order to complement the entertainment business of the Group, during the period under review, the Group has explored opportunities in investments in the multimedia business. On 8 October 2015, the Company entered into a sale and purchase agreement (the "Yota SPA") with Telconet Capital Limited Partnership ("Telconet"), pursuant to which the Company conditionally agreed to acquire (or procure its nominee to acquire) a majority stake in Yota.

Yota is a renowned developer of innovative smartphone technology, and is principally engaged in the design, research and development, and the marketing and sale of primarily smartphones under the brand "YOTAPHONE" and other connectivity devices such as modems. In 2013, Yota's first smart phone product, "YotaPhone 1", was launched. Its current major product and brand is its second generation smartphone "YotaPhone 2". Headquartered in Russia, Yota has offices and operations in Europe, Asia and the Middle East.

The Company entered into the Yota SPA as the Group believed that the acquisition presents a good investment opportunity for the Group in the smartphone development industry and will help broaden the revenue stream of the Group thus help diversify business risks of the Group.

The Stock Exchange of the Hong Kong Limited (the "Stock Exchange") has informed the Company that it has made a decision that the transactions contemplated under the Yota SPA constitutes a reverse takeover under Rule 14.06(6) of the Listing Rules. Therefore, the Yota SPA will not be able to proceed on its original terms. The Company remains to be interested in investing in Yota and is in the course of considering any viable alternative to restructure its proposed investment in Yota, including the entering into of any supplemental agreements to amend the Yota SPA, if or when required.

## PROSPECTS

Looking ahead, the Group intends to adopt different strategies in order to minimise the impact of the economic adjustments in China and the global economy generally. The Group will continue to commit time and resources into its existing businesses including but not limited to the leisure, hospitality and cruise ship business as part of the Group's entertainment business division. The Group started its various existing businesses on a smaller scale due to uncertainties in the economic environment in China and globally in recent times. The Group likely would take some time for its core business to be recognised.

At the same time, the Group has a strong network in China, and it will continue to explore attractive investments and opportunities to diversify into different lines of business with high growth potential in order to maximise returns and enhance its shareholders' value. It is generally recognised that there is a significant and growing demand in the internet, technology, media and telecommunication sectors in China. The Group will actively search for potential acquisition targets that operate through various platforms and channels including mobile devices and mobile applications. On the basis of the foregoing, the Group is confident about its future development and long term profitability.

## FINANCIAL REVIEW

### Financial Result

During the period under review, the Group recorded a turnover of HK$59,662,000 (2014: HK$14,253,000), representing a increase of 319% compared with previous corresponding period. The surge was mainly attributable to meaningful contribution from the entertainment business since the commencement of the cruise ship operation in late August 2014.

Loss from operations for the period amounted to HK$11,026,000 (2014: HK$28,350,000). Net loss attributable to equity shareholders of the Company for the period improved and reduced to HK$13,858,000 (2014: HK$37,805,000), which was mainly attributable to the profit recorded under the Entertainment Division during the period and the completion of the disposal of the business of 冕寧縣茂源稀土科技有限公司 (Mianning Mao Yuan Rare Earth Technology Company Limited*) in February 2015 which reduced the loss in Resources Business Division. As at 30 September 2015, the total assets and net assets of the Group were HK$392,159,000 and HK$244,045,000 (31 March 2015: HK$374,321,000 and HK$231,841,000) respectively. The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2015.

In August 2014, the Company entered into a placing agreement to renew the placing period for the placing of 7-year 5% unsecured notes (the "Placing Notes") up to 31 August 2015. The period for the placing of the Placing Notes has expired on 31 August 2015. During the period under review, no Placing Notes has been issued by the Company pursuant to the aforesaid placing agreement. As at 30 September 2015, the Placing Notes in the aggregate principal amount of HK$30,000,000 (31 March 2015: HK$30,000,000) was outstanding.

**Liquidity and Financial Resources**

As at 30 September 2015, the Group had cash and cash equivalents of HK$40,161,000 (31 March 2015: HK$106,505,000). Short term bank and other borrowings were HK$59,582,000 (31 March 2015: HK$51,333,000). Long term bank and other borrowings as at 30 September 2015 was HK$28,381,000 (31 March 2015: HK$38,304,000). The gearing ratio, being the ratio of the sum of total borrowings to total equity, was 36% as at 30 September 2015 (31 March 2015: 39%). The liquidity ratio, being the ratio of current assets over current liabilities, was 343% as at 30 September 2015 (31 March 2015: 386%). The decrease of liquidity ratio was mainly due to the reclassification of bank borrowing from long term borrowing to short term borrowing. In order to further improve the Group's liquidity and to increase its working capital, the Company has been considering different fund raising and capital restructuring options so as to strengthen the Group's financial base.

**Property, Plant and Equipment**

During the period under review, there were additions of HK$2,574,000 (2014: HK$26,000) to property, plant and equipment to expand the Group's operations.

**Capital Commitments**

Details of significant capital commitments of the Group are set out in note 15 to the financial statements.

**Pledge of Assets**

At 30 September 2015, the Group's land use rights and certain property, plant and equipment with carrying amount of approximately HK$16,092,000 (31 March 2015: approximately HK$17,020,000) were pledged to a bank to secure the bank borrowing granted to the Group.

At 30 September 2015, the Group's listed securities with carrying amount of approximately HK$89,777,000 (31 March 2015: approximately HK$109,532,000) were pledged to secure margin account payable granted to the Group.

### Contingent Liabilities

Details of contingent liabilities of the Group are set out in note 14 to the financial statements.

### Exposure to Exchange Rate Risk and Interest Rate Risk

The Group's transactions are denominated in Hong Kong dollars and Renminbi. The Group did not enter into any foreign exchange forward contracts to hedge against exchange rates fluctuations. Foreign exchange risk arising from the normal course of operations is considered to be minimal and the management will closely monitor the fluctuation in the currency and take appropriate actions when condition arises.

In terms of the interest rate risk exposures, the Group does not have any significant interest rate risk as both the borrowings of the Group and the interest rates currently remain at low levels.

## SHARE CAPITAL

165,500,000 new Shares were issued and allotted during the period under review upon exercise of share options granted by the Company.

As at 30 September 2015, the total number of issued shares of the Company was 7,557,195,617. Save as the above, there was no change in the share capital structure of the Company during the period under review.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

As disclosed in the announcement of the Company dated 5 August 2015, the Company entered into a memorandum of understanding with certain third parties in order to document the intention of the Company to acquire a majority interest in a renowned developer of innovative smartphone technology (the "Smartphone Developer"). On 19 October 2015, the Company announced that it had entered into the Yota SPA for the conditional acquisition of 64.9% of the issued share capital of Yota, the Smartphone Developer, at a cash consideration of US$100,000,000.

The Stock Exchange has informed the Company that it has made a decision that the transactions contemplated under the Yota SPA constitutes a reverse takeover under Rule 14.06(6) of the Listing Rules. Therefore, the Yota SPA will not be able to proceed on its original terms. The Company remains to be interested in investing in Yota and is in the course of considering any viable alternative to restructure its proposed investment in Yota.

Save as disclosed herein, the Group had no other material acquisition and disposal of subsidiaries during the six months ended 30 September 2015.

## EMPLOYEE AND EMOLUMENT POLICY

As at 30 September 2015, the Group employed 319 employees (2014: 382).

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are reviewed periodically based on performance appraisal and other relevant factors. Staff benefits plans maintained by the Group include medical insurance, hospitalisation scheme, mandatory provident fund and share option scheme. Employees in the PRC are remunerated according to the prevailing market conditions in the locations of their employments.

## INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2015 (2014: HK$Nil).

## CORPORATE GOVERNANCE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, throughout the period, in compliance with the code provisions (the “Code Provision(s)”) under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except the following deviations:

Under the Code Provision A.2.1, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The Company does not at present have a Chairman nor a Chief Executive. Nevertheless, the main duties and responsibilities of a Chairman and a Chief Executive are currently held by separate individuals with written guidelines for the division of responsibilities with a view to maintain an effective segregation of duties between the management of the Board and the day-to-day management of the Group's business and operations. The Company will continue to review the effectiveness of the Group's corporate governance structure and consider the appointment of a Chairman of the Board and a Chief Executive if candidates with suitable leadership, knowledge, skills and experience can be identified within or outside the Group.

Under the Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Currently, save for Mr. Lee Chi Ming who was appointed as an independent non-executive Director for a term of 3 years, the other non-executive Directors are not appointed for a specific term, while all of them are subject to retirement by rotation at the Company's annual general meeting as specified in the Company's bye-laws.

## CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The principal place of business in Hong Kong of the Company was changed to Suites 1320-22, 13/F, Two Pacific Place, 88 Queensway, Hong Kong with effect from 2 September 2015.

## AUDIT COMMITTEE

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 September 2015.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Specific enquiry has been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 September 2015.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 September 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The results announcement of the Group for the six months ended 30 September 2015 is published on the websites of The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) and the Company (http://www.aplushk.com/clients/00164rex-ent/index.html) respectively. The 2015 interim report of the Company will be despatched to the shareholders of the Company and made available on the above websites in due course.

By order of the Board
**REX Global Entertainment Holdings Limited**
**Yeung Chun Wai, Anthony**
*Executive Director*

Hong Kong, 27 November 2015

*As at the date of this announcement, the executive Directors are Mr. Yeung Chun Wai, Anthony, Ms. Chu Wei Ning, Mr. Chen Domingo and Mr. Wong King Shiu, Daniel; and the independent non-executive Directors are Mr. Wong Hoi Kuen, Mr. Chan Chi Yuen and Mr. Lee Chi Ming.*

* *The English translation of Chinese names or words are for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*