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## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant, or other professional adviser.

**If you have sold or transferred** all your shares in A-Max Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities.

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**A-MAX HOLDINGS LIMITED**  
**奧瑪仕控股有限公司\***  
*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 959)**

**VERY SUBSTANTIAL ACQUISITION  
RELATING TO FINANCIAL ASSISTANCE  
AND  
PLACING OF NEW SHARES**

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A notice convening the special general meeting of A-Max Holdings Limited to be held at Room 3078, Diamond Square, 3/F, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on 21 November 2007, Wednesday at 10:30 a.m., or any adjournment thereof is set out on pages 90 to 91 of this circular. Whether or not you intend to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to our branch share registrar, Secretaries Limited of 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the special general meeting or any adjourned meeting should you so wish.

\* *For identification purposes only*

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings, unless the context otherwise requires:*

“Ace High”	Ace High Group Limited, a company incorporated in the British Virgin Islands in which Mr. Albino is the holder of 100% of its issued share capital
“AMA”	AMA International Limited, a company incorporated in Macau in which Mr. Albino is the holder of 100% of its interests
“AMA Turnover”	non-negotiable chips sold by the Gaming Operator to AMA to facilitate the gaming players introduced and brought by AMA and/or its collaborators to play at the casino operated by the Gaming Operator less the non-negotiable chips returned by AMA to the Gaming Operator
“Bye-laws”	bye-laws of the Company
“Closing Date”	the date falling two business days (any day (excluding a Saturday) on which banks generally are open for business in Hong Kong during normal working hours) after the fulfillment of the conditions referred to in paragraphs (a) to (g) under the sub-section headed “Conditions” under the section headed “Placing Agreement” in this circular which shall not, in any case, be later than the Long Stop Date, unless mutually agreed between the Company and the Placing Agent
“Collaborator Turnover”	non-negotiable chips resold by AMA to the relevant collaborator to facilitate the gaming players introduced and brought by the collaborator to play at casinos designated by AMA less the non-negotiable chips returned by the collaborator to AMA
“Company”	A-Max Holdings Limited, a company incorporated in Bermuda with limited liability and whose Shares are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company

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## DEFINITIONS

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“First Profit Transfer Agreement”	the profit transfer agreement made between AMA and Ace High relating to (i) Ace High’s provision for an indefinite term of all the operating capital of AMA to develop the junket business under the Gaming Promotion Agreement and (ii) AMA’s transfer of all the Profits to Ace High
“Gaming Intermediary Agreements”	the 10 gaming intermediary agreements (including all supplements thereto) made between AMA and the collaborators respectively relating to the introduction and bringing of gaming players to play at casinos designated by AMA in Macau
“Gaming Operator”	a licensed gaming operator in Macau which is an Independent Third Party
“Gaming Promotion Agreement”	the gaming promotion agreement entered into, inter alia, between AMA and the Gaming Operator
“Gaming Transactions”	the transactions including the Loan transaction, the on-lending of the Loan proceeds by Ace High to AMA for the operations of its gaming business in Macau, the relevant profit transfer arrangements between Mr. Albino, Ace High and AMA contemplated under the First Profit Transfer Agreement and the Second Profit Transfer Agreement, and the transactions contemplated under the Gaming Promotion Agreement and the Gaming Intermediary Agreements
“Greek Mythology”	Greek Mythology (Macau) Entertainment Group Corporation Limited, a company incorporated in Macau
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	an independent third party which is (i) not connected with any of the directors, chief executives, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates; and (ii) not a connected person of the Company as defined in the Listing Rules

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## DEFINITIONS

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“Latest Practicable Date”	1 November 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan facility in the amount of up to HK\$3 billion to be granted by the Company to Ace High under the Loan Agreement
“Loan Agreement”	the loan agreement dated 23 August 2007 entered into between the Company and Ace High relating to the Loan (as amended and supplemented by the extension letters dated 21 September 2007 and 22 October 2007 respectively)
“Long Stop Date”	the day falling 12 days after the execution of the Pricing Supplement
“Macau”	the Macau Special Administrative Region of the PRC
“Minimum Turnover”	the minimum amount of Collaborator Turnover in each month as undertaken by a collaborator under the relevant Gaming Intermediary Agreement
“Mr. Albino”	Mr. Francisco Xavier Albino
“non-negotiable chips”	chips that a junket may purchase from or return to the relevant casino, and specifically designed for VIP players in order to allow the casinos to monitor the accurate VIP turnover
“Placing”	the proposed placing of the Placing Shares
“Placing Agent”	CLSA Limited, a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities
“Placing Agreement”	the conditional placing agreement dated 17 October 2007 entered into between the Company and the Placing Agent relating to the Placing
“Placing Price”	the price per Placing Share

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## DEFINITIONS

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“Placing Proceeds Amount”	the amount equal to the Placing Price multiplied by the total number of Placing Shares actually placed by the Placing Agent under the Placing Agreement
“Placing Shares”	such number of new Shares to be placed by the Company to finance the business under the Loan Agreement further particulars of which are set out in the sub-section headed “Placing Shares” under the section headed “Placing Agreement” in this circular
“PRC”	the People’s Republic of China which for the purpose of this circular shall exclude Hong Kong, Macau and Taiwan
“Previous Placing Agent”	Head & Shoulders Securities Limited, an Independent Third Party, a licensed corporation under the SFO to carry out type 1 (dealing in securities) regulated activity
“Previous Placing Agreement”	the conditional placing agreement dated 7 September 2007 entered into between the Company and the Previous Placing Agent relating to the Placing
“Pricing Supplement”	the supplementary agreement to be entered into between the Company and the Placing Agent pursuant to the Placing Agreement to record and confirm the final Placing Price, the settlement mechanics and the number of Placing Shares
“Profits”	the profits that will be generated by AMA from the junket business under the Gaming Promotion Agreement which represent the aggregate commissions and bonuses which range from 1.2% to 1.35% of the AMA Turnover payable by the Gaming Operator to AMA under the Gaming Promotion Agreement after deducting (a) the total commissions and bonuses which range from 0.9% to 1.21% of the Collaborator Turnover payable by AMA to its collaborators under the Gaming Intermediary Agreements or otherwise and (b) all the operational and administrative expenses incurred and tax payable to the Macau Government
“Second Profit Transfer Agreement”	the profit transfer agreement made between Ace High and Mr. Albino relating to the transfer of 20% of the Profits by Ace High to Mr. Albino or company nominated by him

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## DEFINITIONS

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“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SGM”	the special general meeting of the Company to be held to consider the ordinary resolution to be proposed to approve the Loan Agreement and the Specific Mandate
“Shareholders”	holders of the Shares from time to time
“Shares”	ordinary shares of HK\$0.001 each in the share capital of the Company
“Specific Mandate”	the specific mandate to be granted to the Directors to allot and issue the Placing Shares under the Placing Agreement as referred to in sub-paragraphs (b) and (c) of the resolution in the notice of SGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Termination Agreement”	the termination agreement dated 17 October 2007 entered into by the Company and the Previous Placing Agent to terminate the Previous Placing Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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LETTER FROM THE BOARD

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**A-MAX HOLDINGS LIMITED**  
**奧瑪仕控股有限公司\***

*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 959)**

*Executive Directors:*

Mr. Cheung Nam Chung, Brian (*Chairman*)  
Mr. Chan Chi Yuen  
Mr. Lam Cheok Va, Francis  
Ms. Li Wing Sze  
Mr. Chen Zhiquan  
Mr. Lee Keung Shing

*Independent non-executive Directors:*

Mr. Chan Chiu Hung, Alex  
Mr. Lee Tsz Hong  
Mr. Ng Wai Hung, Raymond

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Principal places of business  
in Hong Kong:*

Room 3043A  
Diamond Square  
3/F, Shun Tak Centre  
200 Connaught Road Central  
Hong Kong

Units 11-12  
32/F, Cable TV Tower  
9 Hoi Shing Road  
Tsuen Wan  
New Territories  
Hong Kong

5 November 2007

*To the Shareholders*

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION  
RELATING TO FINANCIAL ASSISTANCE  
AND  
PLACING OF NEW SHARES**

**INTRODUCTION**

Reference is made to the announcements of the Company dated 10 September 2007 and 18 October 2007 respectively in respect of the Loan Agreement, the Previous Placing Agreement and the Placing Agreement.

\* *For identification purposes only*

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## LETTER FROM THE BOARD

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On 23 August 2007, the Company entered into the conditional Loan Agreement with Ace High whereby the Company will provide a term loan facility of up to HK\$3 billion to Ace High which in turn will on-lend the same amount to AMA to operate the junket business in Macau. Junket business is a terminology of the gaming industry for the activity of marketing and promotion of games of fortune and chance and of other games in casinos whereby junkets will introduce or bring gaming players by themselves or through their collaborators to play at casinos, and the gaming operators of the casinos will pay commissions to the junkets for those services based on the aggregate amount of non-negotiable chips purchased by the junkets less the non-negotiable chips returned by the junkets to the gaming operators.

On 7 September 2007, the Company and the Previous Placing Agent entered into the conditional Previous Placing Agreement pursuant to which the Previous Placing Agent shall place new Shares on a best efforts basis to places to finance the business under the Loan Agreement. Subsequently, the Directors, after considering the size of the Placing and the experience and distribution capabilities of the Placing Agent, decided that it is in the interests of the Company to appoint the Placing Agent as a placing agent to participate in the Placing. Since the Placing Agent only agrees to be the sole lead placing agent of the Company to have full and sole control of the book-building process and discretion to manage and co-ordinate any possible sub-placing syndicate, the Company after considering the circumstances and liaising with the Previous Placing Agent, entered into the Termination Agreement with the Previous Placing Agent on 17 October 2007. Pursuant to the Termination Agreement, the Previous Placing Agreement was terminated with effect from 17 October 2007 and becomes null and void and ceases to have any legal effect. Neither party shall have any present or future rights or claims against the other party under the Previous Placing Agreement.

On 17 October 2007, the Company entered into the conditional Placing Agreement with the Placing Agent pursuant to which the Placing Agent shall on a best efforts basis place such number of Placing Shares to raise funds of up to HK\$3 billion. The net proceeds from the Placing will be applied as the Loan to be granted to Ace High under the Loan Agreement. The Placing Price shall be agreed between the Company and the Placing Agent and recorded in the Pricing Supplement and shall not be lower than the higher of (a) HK\$0.13; and (b) the lower of (i) 75% of the average closing price of the Shares traded on the Stock Exchange during the period from 11 September 2007 to the trading day immediately preceding the date of the Pricing Supplement, both days inclusive; and (ii) 75% of the closing price of the Shares traded on the Stock Exchange on the trading day immediately preceding the date of the Pricing Supplement.

**Shareholders and potential investors should note that the Placing, which is subject to satisfaction of a number of conditions, may or may not be completed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the securities of the Company.**

The purpose of this circular is (i) to provide, among other things, further information in relation to the Loan Agreement and the Placing Agreement, and (ii) to give you the notice of SGM to consider and, if thought fit, to approve the Loan Agreement and the transactions contemplated thereunder and the Specific Mandate respectively.

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## LETTER FROM THE BOARD

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### LOAN AGREEMENT

#### Date

23 August 2007

#### Parties

- (1) The Company, as the lender
- (2) Ace High, as the borrower and is an Independent Third Party

#### Principal Terms

- Loan amount: Up to a maximum aggregate amount of HK\$3 billion (or such other amount as may be agreed by the parties thereto in writing).
- Availability period: Ace High may make a drawing or drawings on the loan amount within six months from the date the Loan Agreement becomes unconditional (or such other period as shall be allowed by the Company) after prior consultation with the Company.
- Interest rate: The prime lending rate as quoted by the Hongkong and Shanghai Banking Corporation Limited in Hong Kong from time to time plus 2% per annum. Interest will be payable once every six months in arrears.
- Conditions precedent: The Loan Agreement is subject to the fulfillment of the following conditions that:
- a. the Company being in its reasonable discretion satisfied with the results of the due diligence reviews in respect of AMA and Ace High including but not limited to the affairs, business, legal and financial structures of AMA and Ace High;
  - b. the Company shall have received to its reasonable satisfaction a Macanese legal opinion on the legality and validity of the First Profit Transfer Agreement and the transactions contemplated thereunder;
  - c. the Shareholders shall have approved the Loan Agreement and the transactions contemplated thereunder;

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## LETTER FROM THE BOARD

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- d. completion of the Placing shall have taken place;
- e. Mr. Albino shall have executed a share mortgage (in form and substance satisfactory to the Company) in favour of the Company wherein Mr. Albino shall charge or mortgage 100% of the total issued share capital of Ace High held by him to the Company;
- f. Mr. Albino shall have executed a deed of guarantee (in form and substance satisfactory to the Company) in favour of the Company wherein Mr. Albino shall guarantee the due performance of the obligations of Ace High under the Loan Agreement; and
- g. all relevant approvals and consents from governmental or other competent authorities relating to the Loan Agreement and the transactions contemplated thereunder shall have been obtained.

The Company may in its absolute discretion waive any of the conditions precedent by notice in writing to Ace High if the applicable laws, rules and regulations so permit. If any of the above conditions precedent is not fulfilled or waived within 30 days from the date of the Loan Agreement or such later date as the parties may agree, the Loan Agreement will lapse and become null and void.

It is set out in the sub-section headed "Completion" under the section headed "Placing Agreement" below that the latest date for completion of the Placing will be 75 days after the issue of this circular. Since completion of the Placing is a condition precedent, by two extension letters dated 21 September 2007 and 22 October 2007 respectively entered into between the Company and Ace High, the parties have agreed to extend the deadline for fulfillment or waiver of the above conditions precedent to 31 December 2007 or such later date as the parties may agree.

### Repayment:

On demand by the Company provided that Ace High is not allowed to early repay the Loan or any part thereof.

Such restriction is for the benefits of the Company and the Shareholders as the Company can continue to have the repayment of interest accruing on the Loan. Since the Loan is repayable on demand, the Company can demand Ace High to repay at anytime. However, there is no repayment schedule or due date for Ace High to repay the Loan.

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## LETTER FROM THE BOARD

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Securities: (i) a share mortgage executed by Mr. Albino in favour of the Company relating to the 100% of the total issued share capital of Ace High held by him and (ii) a deed of guarantee executed by Mr. Albino in favour of the Company.

Under the deed of guarantee to be executed by Mr. Albino, Mr. Albino will unconditionally and irrevocably undertake with the Company as a primary obligor to indemnify and keep indemnified the Company from and against all damages, losses, costs and expenses sustained or incurred by the Company as a result of any failure of Ace High to perform any of its obligations under the Loan Agreement.

Use of loan proceeds: The proceeds of the loan shall be applied by Ace High towards the operating capital of AMA in carrying out the junket business in Macau but not otherwise.

Capitalization: Within the period of six months from the date of the Loan Agreement or such later date as the parties may agree in writing, the Company shall have the right, at its absolute discretion, by giving not less than three days' notice in writing to Ace High, to capitalize HK\$50,000,000 of the principal amount of the Loan for an allotment and issue of such number of new shares of Ace High representing 99.99% of the enlarged issued share capital of Ace High on a fully diluted basis.

The capitalization amount and the Company's percentage of interests in Ace High after capitalization have been determined after arm's length negotiations between the Company, Ace High and Mr. Albino with reference to (i) the estimated Profits that will be generated by AMA based on the aggregate Minimum Turnover undertaken by the collaborators of AMA under the Gaming Intermediary Agreements; and (ii) the funding of the operating capital for AMA's junket business by way of the Loan.

The capitalization may constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules. If the Company decides to exercise the right of capitalization, it will comply with the relevant disclosure and/or shareholders approval requirements of the Listing Rules as and when appropriate.

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## LETTER FROM THE BOARD

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Other terms:

The Loan Agreement contains, among other things, the following provisions to safeguard the interests of the Company:

- a. unless agreed by the Company, Ace High shall not make any distribution in cash or specie to holders of its shares;
- b. Ace High shall and shall procure AMA keep full and adequate books of account and other records reflecting the results of their respective operation on an accrual basis in local currency in accordance with the requirements of the laws of Macau or the place where it carries out its business (as the case may be). The books of account and all other records of Ace High and AMA (including the monthly junket representative settlement forms signed off by the casinos from time to time) shall be available to the Company or its duly authorized representatives for examination, audit, inspection and transcription without any restriction; and
- c. The Company shall be entitled to appoint representatives to attend the monthly settlements of commissions between the casinos and AMA and review the junket representative settlement form for each month. Ace High shall be obliged to make all necessary arrangement with AMA and other parties accordingly.

The terms of the Loan Agreement, in particular, the maximum amount of the Loan was determined by the parties after arm's length negotiations with reference to the estimated operating capital requirement of AMA under the Gaming Promotion Agreement and the Gaming Intermediary Agreements. The Gaming Promotion Agreement is a confidential document and its major terms and the identity of the Gaming Operator cannot be disclosed to the public without consent of the parties thereto. The Gaming Operator has not consented to the disclosure of its identity and the Company understands that the Gaming Operator will not so consent before the approval of the Loan Agreement and the Specific Mandate by the Shareholders. The Company also understands that the Gaming Operator takes the view that it is inappropriate to engage in pre-mature disclosure of a transaction with respect to the Gaming Operator. Without the consent of the Gaming Operator, the Company is not in a position to disclose the identity of the Gaming Operator. Based on its current participation and experience in the gaming industry in Macau, the Company estimates that approximately HK\$30 million will be required as operating capital for each VIP gaming table among which approximately HK\$15 million will be used for the purchase of non-negotiable chips from the relevant gaming operator, approximately HK\$10 million for the prepayment of commissions of the collaborators and HK\$5 million to meet unexpected increase in business. As AMA plans to operate a minimum of 100 VIP gaming tables at all times, an estimated operating capital requirement of HK\$3 billion is needed.

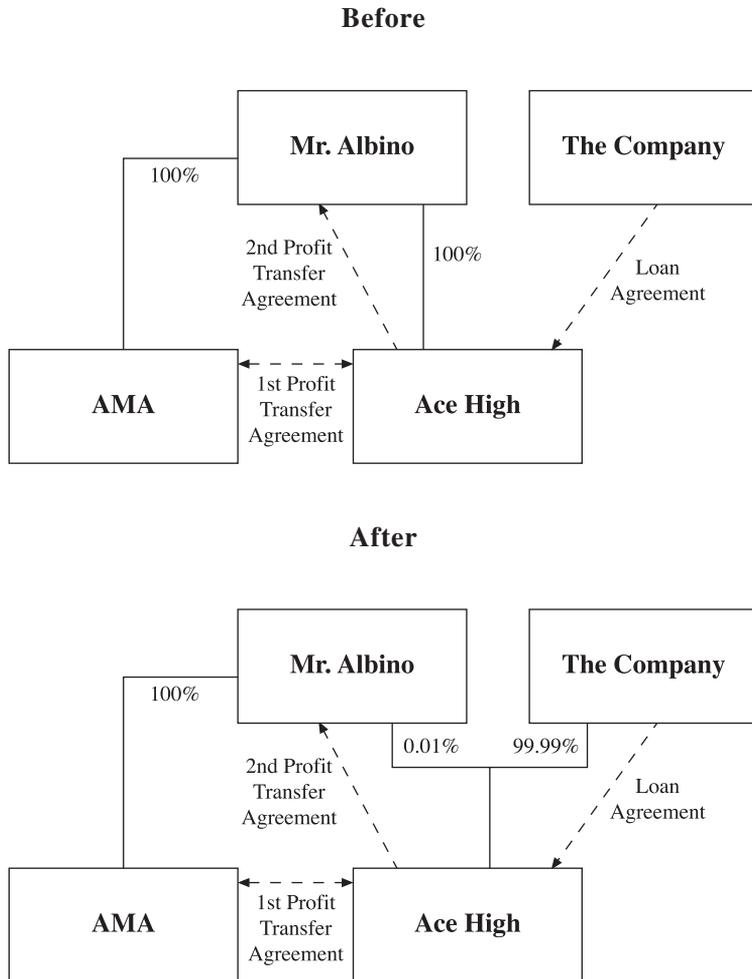
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## LETTER FROM THE BOARD

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### Relationships Before and After Capitalization

The following diagrams illustrate the simplified relationships between the Company, AMA, Ace High and Mr. Albino immediately before and after the Company's exercise of the right of capitalization under the Loan Agreement:



### INFORMATION ON AMA AND ACE HIGH

AMA is the holder of a junket license to carry out the junket business in Macau and the license is valid until 31 December 2007. The duration of every junket license granted by the Macau Government will be to 31 December of each year which is renewable annually. Junket licenses will be granted to natural persons or Macau companies with shareholders who are natural persons. In relation to the requirements for obtaining a junket licence, the applicant needs to comply with the probity requirements. If the applicant is a corporation, the probity requirements also apply to its shareholders with 5% or more of the share capital, and the applicant's key employees. The competent authorities of the Macau Government will consider the information provided by the applicant in the questionnaire submitted with the application, including its corporate, business and financial information, information regarding its key employees and shareholders, judicial litigation and governmental investigation, bankruptcy

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## LETTER FROM THE BOARD

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and insolvency, its previous experience in junket business, so as to determine if the applicant fulfills the probity requirements. For a corporate applicant, information of its shareholders with 5% or more of the share capital is required. The investigation on the application will also take into consideration its key employees, including their personal and family background, their financial information and civil proceedings or criminal investigation that they may be involved in.

AMA specializes in introducing gaming players to the high roller gaming areas in casinos in Macau. Mr. Albino is the sole owner of the entire interests in AMA. Mr. Albino is an Independent Third Party. Since 1997, Mr. Albino has been employed as a coordinator of the New Century Hotel in Macau and the Greek Mythology Casino located therein. He is responsible for providing administrative support to the managers of the New Century Hotel and the Greek Mythology Casino, and overseeing the daily operation of the same.

Mr. Albino is also the sole owner of the entire issued share capital of Ace High. Mr. Albino purchased Ace High from an Independent Third Party engaging in the business of forming or incorporating shell companies. AMA and Ace High have entered into the First Profit Transfer Agreement whereby Ace High has agreed to provide for an indefinite term all the operating capital of AMA that will be needed to develop the junket business under the Gaming Promotion Agreement, and AMA in return has agreed to transfer all the Profits to Ace High. AMA will not be a subsidiary of Ace High by virtue of the First Profit Transfer Agreement and the results of AMA will not be consolidated into the accounts of Ace High. The principal assets of AMA are the junket license and its rights and interests of and in the Gaming Promotion Agreement and the Gaming Intermediary Agreements. The principal asset of Ace High is its rights and interests of and in the First Profit Transfer Agreement.

Since Mr. Albino's personal interests lie with the success and failure of the junket business of AMA, and as an incentive for Mr. Albino to carry out the junket business in a prudent and efficient manner, Ace High and Mr. Albino have entered into the Second Profit Transfer Agreement whereby 20% of the Profits received by Ace High (before any payment of interest accruing on the Loan) from time to time will be transferred to Mr. Albino or a company nominated by him. The Second Profit Transfer Agreement shall continue to be valid and subsisting after the Company has exercised the right of capitalization under the Loan Agreement. Accordingly, only 80% of the Profits will ultimately be retained by Ace High.

Ace High will provide AMA with the operating capital to carry out the junket business from the loan proceeds to be received by it from the Loan Agreement.

### **OPERATING MECHANISM OF JUNKET BUSINESS BY AMA**

In June and July 2007, AMA entered into 10 Gaming Intermediary Agreements with the collaborators which are all Independent Third Parties. The initial term of each Gaming Intermediary Agreement shall be three years from its date of execution. By the supplemental agreements executed in October 2007, the parties have agreed that the initial term of each Gaming Intermediary Agreement shall automatically be renewed for another period of three

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## LETTER FROM THE BOARD

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years (referred to in this paragraph as the “Extended Term”) with the same terms and conditions unless AMA gives to the relevant collaborator three months’ written notice that it does not wish to renew prior to the expiry of the initial term. Further, the Extended Term shall automatically be renewed with the same terms and conditions unless either party gives to the other not less than one year’s written notice that it does not wish to renew prior to the expiry of the Extended Term or the automatic renewal thereof.

Pursuant to each Gaming Intermediary Agreement, the relevant collaborator will introduce and bring gaming players to play at casinos in Macau designated by AMA. Such gaming players will play at the VIP gaming rooms or tables located at the casinos and will involve considerably higher stake wagers than those on the mass market gaming floor. The relevant collaborator will normally give 24-hour prior notice to AMA specifying the names and particulars of the gaming players together with the estimated required non-negotiable chips. AMA will then forward the information of the gaming players to such casinos. On 21 August 2007, AMA entered into the Gaming Promotion Agreement with the Gaming Operator. Therefore, the gaming players introduced and brought by the collaborators will primarily play at the casino operated by the Gaming Operator. Under the Gaming Promotion Agreement, the Gaming Operator will, at the request of AMA, also provide the hotel room, food and beverage, and transportation services (where applicable) to the gaming players at the hotel casino complex operated by the Gaming Operator. The Gaming Promotion Agreement shall be in effect for three years from the date of execution until the third anniversary thereof, and thereafter subject to the provisions therein, the term shall be automatically renewed for successive period(s) of two years with the same terms and conditions.

AMA will arrange to use its own funds to purchase the non-negotiable chips from the Gaming Operator under the Gaming Promotion Agreement for resale to the collaborators. The amount of non-negotiable chips resold to the collaborators will be settled by them immediately in cash or by cashier’s order(s) drawn by licensed bank(s) in favour of AMA. The gaming players introduced and brought by the collaborators will then bet with the non-negotiable chips purchased from AMA. If a player loses, the non-negotiable chips will go to the casino. If a player wins, the casino will pay the gain to him or her in the traditional cash chips. The collaborators may purchase additional non-negotiable chips from AMA for betting by the gaming players. Each collaborator will have separate agreement or arrangement with the gaming players for settlement of the non-negotiable chips provided by such collaborator. The non-negotiable chips can neither be converted into cash nor be redeemed for other goods or services by the collaborators or the gaming players directly. Therefore, when the gaming players finish playing at the casino, the collaborators will return the unused non-negotiable chips to AMA for cash. AMA is also entitled to return the unsold non-negotiable chips to the casino for cash.

Pursuant to the Gaming Promotion Agreement, AMA has agreed with the Gaming Operator that the average monthly AMA Turnover, which represents the aggregate amount of non-negotiable chips purchased by AMA less the non-negotiable chips returned by AMA to the Gaming Operator, will not be less than HK\$30 billion. If AMA is not able to meet such minimum AMA Turnover during a specific period of six months, the Gaming Operator will be

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## LETTER FROM THE BOARD

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entitled to, among other things, terminate the Gaming Promotion Agreement. The Company has been advised by AMA that the aggregate Minimum Turnover under the Gaming Intermediary Agreements is approximately HK\$77.4 billion each month. AMA will have no difficulty in meeting the minimum AMA Turnover if such Minimum Turnover is reached by the collaborators.

Under the Gaming Promotion Agreement, the Gaming Operator will pay commission and bonus to AMA on a monthly basis by reference to the agreed thresholds of the AMA Turnover in a month. The percentages are on a sliding scale ranging from 1.2% to 1.35% of the AMA Turnover such that the greater the AMA Turnover in a month, the higher the percentage of commission and bonus to be paid to AMA. The rates of the commission and bonus under the Gaming Promotion Agreement were agreed between the Gaming Operator and AMA after arm's length negotiations taking into account the prevailing rates offered by other gaming operators in Macau. AMA will also need to spend a monthly minimum amount equal to 0.04% of the AMA Turnover of that month at the hotel casino complex operated by the Gaming Operator including the hotel, restaurants and food and beverage outlets and on transportation provided by the Gaming Operator pursuant to the Gaming Promotion Agreement to the gaming players introduced and brought by AMA and/or the collaborators. The actual amount of such expenses will be calculated by the Gaming Operator based on its prevailing rates charged for such services. Any deficit between the actual amount spent by AMA and the aforesaid minimum amount will be an amount due and payable by AMA to the Gaming Operator. However, it is the practice of the junket business in Macau that such expenses (including the aforesaid monthly minimum expenditure of 0.04% of the AMA Turnover) shall be borne by the collaborators. AMA will deduct such amount from the commissions and bonuses payable to the relevant collaborators.

Under each Gaming Intermediary Agreement, AMA will pay commission to the relevant collaborator on a monthly basis at the rate of 0.9% of the aggregate amount of Collaborator Turnover. Originally, if the aggregate amount of Collaborator Turnover in a month reaches the Minimum Turnover agreed under the relevant Gaming Intermediary Agreement, AMA will pay the collaborator a bonus of 0.3% of the amount of Collaborator Turnover in that month. In consideration of each collaborator's consent to extend the term under the relevant Gaming Intermediary Agreement, AMA has under the supplemental agreements executed in October 2007 agreed to pay the collaborator the bonus of 0.3% of the amount of Collaborator Turnover if the aggregate amount of Collaborator Turnover in a month reaches 80% of the Minimum Turnover. In addition, AMA may pay a discretionary bonus of up to 0.01% of the Collaborator Turnover in that month if it appraises the collaborator's performance as dynamic and positive. The rates of the commissions and bonuses under the Gaming Intermediary Agreements were agreed between AMA and the collaborators after arm's length negotiations taking into account the prevailing rates offered by other junkets in Macau. AMA is obliged under each Gaming Intermediary Agreement to prepay commission to the relevant collaborator at the rate of 0.9% of the amount of Collaborator Turnover from time to time. The net amount of commission and bonus of each month will be paid on the second day of the immediately succeeding month after setting off against the prepaid commission already given to the collaborator. AMA will be benefited from earning the Profits.

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## LETTER FROM THE BOARD

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In order to control the flow of funds, AMA will set up its own shroff office at the relevant casino to keep the monies and chips which will be operated by AMA's employees or representatives. The non-negotiable chips resold by AMA to each collaborator and returned by such collaborator to AMA will be processed and recorded by AMA's employees or representatives. They will also carry out reconciliation of the accounts on a daily basis. Full accounting books will be prepared and kept in AMA's main office which will be available for inspection by the Company from time to time.

Pursuant to the Loan Agreement, the books of account and all other records of Ace High and AMA (including the monthly junket representative settlement forms signed off by the casinos from time to time) shall be available to the Company or its duly authorized representatives for examination, audit, inspection and transcription without any restriction. As such, the Company will be fully aware of the financial and business positions of AMA and Ace High. The Company will also procure Ace High to arrange representative of the Company to be joint signatory to the bank accounts of AMA and Ace High respectively such that the Company will have sufficient control of the funds of AMA and Ace High respectively.

### **RISK FACTORS OF JUNKET BUSINESS BY AMA**

The following are the risk factors relating to the junket business operated by AMA:

- (a) There is keen competition in junket business in Macau. As such, there is no guarantee that AMA and/or its collaborators can secure the gaming players from being lured away by other junkets.
- (b) The ability of AMA and/or its collaborators to procure gaming players to play at the casino operated by the Gaming Operator depends on the attractiveness of the casino to the gaming players. There is no guarantee that the casino will always be attractive to the gaming players.
- (c) The AMA Turnover generated by AMA operating as a junket representative in the casino operated by the Gaming Operator relies on, among other things, the subsistence of the Gaming Promotion Agreement. There is no guarantee that the Gaming Promotion Agreement will be renewed by the Gaming Operator upon its expiry.
- (d) The Company is not a party to the Gaming Promotion Agreement, the Gaming Intermediary Agreements (including the supplemental agreements executed in October 2007) or the First Profit Transfer Agreement. Therefore, the Company has no control on the termination and renewal of such agreements.
- (e) The junket license of AMA granted by the Macau Government is subject to renewal annually. If AMA fails to obtain the renewal of its junket licence from the Macau Government, it can no longer operate the junket business and no Profits will be generated therefrom and transferred to Ace High as a result. Alternatively, if AMA ceases to be committed to the junket business, the Profits that will be generated from the junket business and transferred to Ace High will be adversely affected.

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## LETTER FROM THE BOARD

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- (f) The authorization for the transfer of the Profits under the First Profit Transfer Agreement granted by the Macau Government is subject to renewal annually. If AMA and/or Ace High fail to obtain the renewal of such authorization from the Macau Government, AMA will not be allowed to transfer the Profits to Ace High.
- (g) If the casino operated by the Gaming Operator becomes the target for carrying out money laundering, the AMA Turnover generated by AMA may be affected and/or interrupted.
- (h) The license of the casino operated by the Gaming Operator may be revoked by the Macau Government.

### IMPLICATIONS UNDER THE LAWS OF HONG KONG AND THE LISTING RULES

Based on the opinion of the Hong Kong legal advisers of the Company, as the gaming activities of the gaming players introduced and brought by the collaborators under the Gaming Intermediary Agreements and/or AMA in casinos will take place outside Hong Kong and the bookmaking transactions and the parties to the transactions are outside Hong Kong, the junket business carried out by AMA will not be subject to the Gambling Ordinance (Chapter 148 of the Laws of Hong Kong). Further, the Macau legal advisers of the Company which is an Independent Third Party, having considered the relevant documents and the applicable laws, rules and regulations, have opined that AMA is validly licensed to act as a junket in Macau and the junket business carried out by AMA, the arrangements under the Gaming Promotion Agreement and the First Profit Transfer Agreement, all comply with the applicable laws in Macau. To the best of the knowledge of the Macau legal advisers of the Company after due inquiry, they are not aware of any breach or non-compliance by AMA and Ace High of any agreement or provisions of Macau law that may adversely affect its rights and obligations pursuant to the First Profit Transfer Agreement, in particular the laws, rules, regulations and guidelines concerning the prevention of money laundering activities.

Shareholders should be aware that under the guidelines issued by the Stock Exchange in relation to “Gambling activities undertaken by listing applicants and/or listed issuers” dated 11 March 2003, should the Group directly or indirectly be engaged in gambling activities and operation of such gambling activities (i) fail to comply with the applicable laws in the areas where such activities operate; and/or (ii) contravene the Gambling Ordinance, the Company or its business may be considered unsuitable for listing under Rule 8.04 of the Listing Rules. The Stock Exchange may direct the Company to take remedial action, and/or may suspend dealings in, or may cancel the listing of, the Shares.

In relation to the prevention of money laundering activities, as AMA is licensed to operate the junket business by the competent authorities in Macau and the amount of turnover will be properly registered by AMA, the gaming activities and businesses are subject to stringent control and regulation of the Macau Government. As the activities are under the regulation of the Macau Government, the Directors consider that the activities AMA participates in should be legal and lawful and thereby the income derived from such activities should also be lawful and proper. The Company will also review its internal control systems and consider to adopt the guideline issued by the Hong Kong Monetary Authority in formulating its anti-money laundering policy.

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## LETTER FROM THE BOARD

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### FINANCIAL EFFECT OF THE ENTERING INTO OF THE LOAN AGREEMENT

As the net proceeds from the Placing will be applied as the Loan to be granted to Ace High under the Loan Agreement, the granting of the Loan is not expected to result in material adverse impact of the Company's cashflow position or its business operation.

Before the Company exercises its right of capitalization under the Loan Agreement, Ace High will not become a subsidiary of the Company. As such, the earnings, assets and liabilities of Ace High will not be consolidated in the Company's future audited consolidated financial statements. There will also be no profit attributable to Ace High and AMA. Ace High will be a debtor of the Company under the Loan Agreement and the Loan will be accounted for as account receivable in the financial statements of the Company. The Company is entitled to have interest accruing on the Loan which will increase its earnings accordingly.

### REASONS FOR AND BENEFITS OF THE LOAN AGREEMENT

Pursuant to the First Profit Transfer Agreement and the Second Profit Transfer Agreement, Ace High will be benefited from the Profits. The aggregate Minimum Turnover under the Gaming Intermediary Agreements is approximately HK\$77.4 billion each month which have been agreed between AMA and the respective collaborators with reference to their track records. Given the size of the aggregate Minimum Turnover undertaken by the collaborators under the Gaming Intermediary Agreements respectively, if such Minimum Turnover is reached by the collaborators, substantial revenue and profits will be generated therefrom.

Under the Loan Agreement, the Company will be entitled to interest accruing on the Loan. Further, the Company has the right to capitalize part of the Loan under the Loan Agreement, and upon its exercise, the Company will practically own the entire enlarged issued share capital of Ace High which is the beneficiary of 80% of the Profits pursuant to the terms of the First Profit Transfer Agreement and the Second Profit Transfer Agreement.

Having taken into account the terms of the Loan Agreement and the profitability of AMA and Ace High, the Directors consider that the terms of the Loan Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### PLACING AGREEMENT

#### Date

17 October 2007

#### Issuer

The Company

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## LETTER FROM THE BOARD

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### Placing Agent

The Placing Agent, an Independent Third Party

### Placees

The Placing Agent shall place the Placing Shares on a best efforts basis to placees, which will be professional, institutional or other investors and Independent Third Parties.

### Placing Price

The Placing Price shall be agreed between the Company and the Placing Agent and recorded in the Pricing Supplement and shall not be lower than the higher of:

- (a) HK\$0.13; and
- (b) the lower of:
  - (i) 75% of the average closing price of the Shares traded on the Stock Exchange during the period from 11 September 2007 to the trading day immediately preceding the date of the Pricing Supplement, both days inclusive; and
  - (ii) 75% of the closing price of the Shares traded on the Stock Exchange on the trading day immediately preceding the date of the Pricing Supplement.

Accordingly, the Placing Price shall not be lower than HK\$0.13 in any event. The Placing Price shall be fixed when the Pricing Supplement is executed which will be within 42 days after the SGM. As 11 September 2007 was the first trading day of the Shares after publication of the announcement of the Company dated 10 September 2007 relating to, among other things, the Gaming Transactions, it would act as a suitable reference point on the average market reaction/impression to the Gaming Transactions. Therefore, it was taken as the first trading day in the calculation of the average closing price of the Shares in paragraph (b)(i) above.

For the purposes of illustration only, assuming that the Placing Price will be HK\$0.13, it will represent:

- (a) a discount of approximately 24.42% to the closing price of HK\$0.172 per Share as quoted on the Stock Exchange on 16 October 2007, being the last trading day immediately before the entering into of the Placing Agreement;
- (b) a discount of approximately 22.16% to the average closing price of approximately HK\$0.167 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including 16 October 2007, being the last trading day immediately before the entering into of the Placing Agreement; and

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## LETTER FROM THE BOARD

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- (c) a discount of approximately 23.98% to the average closing price of approximately HK\$0.171 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including 16 October 2007, being the last trading day immediately before the entering into of the Placing Agreement.

### **Placing Shares**

The Placing Shares shall be such number of new Shares to be placed by or on behalf of the Placing Agent as agent for the Company which in aggregate shall not exceed the number derived from HK\$3 billion divided by the Placing Price.

For the purposes of illustration only, assuming that the Placing Shares will be issued at the price of HK\$0.13, the maximum number of Placing Shares that will be placed under the Placing will be 23,076,923,077 new Shares. Such number of Placing Shares represents approximately 205.97% of the Company's issued share capital as at the date of this circular and will represent approximately 67.32% of the share capital of the Company as enlarged by the Placing Shares. Further announcement will be made once the Placing Price and the number of actual Placing Shares are confirmed under the Pricing Supplement.

**Shareholders and potential investors should note that the above information is for the purposes of illustration only. The exact number of Placing Shares to be placed under the Placing and the final Placing Price are subject to further discussion/negotiation and agreement between the Company and the Placing Agent.**

### **Placing Commission**

The Placing Agent will receive a placing commission of 2% on the gross proceeds of the Placing Shares placed by it. The Directors consider that the placing commission is on normal commercial terms and is fair and reasonable.

### **Specific Mandate to issue the Placing Shares**

The issue and allotment of the Placing Shares pursuant to the Placing Agreement will be subject to the approval of the Shareholders at the SGM.

### **Listing on the Stock Exchange**

The Company will make an application to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

### **Ranking of the Placing Shares**

The Placing Shares will be issued as fully paid and will rank pari passu in all respects with the Shares in issue immediately prior to their issue.

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## LETTER FROM THE BOARD

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### Conditions

Completion of the Placing Agreement is conditional upon the fulfillment of all the following conditions:

- (a) the passing at a special general meeting of the Company of a resolution to approve the issue and allotment of the Placing Shares and the Gaming Transactions;
- (b) the execution of the Pricing Supplement by the Company and the Placing Agent;
- (c) the grant of the listing of and permission to deal in the Placing Shares by the Listing Committee (and such listing and permission not being subsequently revoked prior to the delivery of valid and definitive share certificate(s) representing the Placing Shares to the Hong Kong Securities Clearing Company Limited);
- (d) the Bermuda Monetary Authority approving the issue of the Placing Shares and the subsequent transfer of the same to and between persons regarded as non-residents of Bermuda for exchange control purposes for so long as the Placing Shares are listed on the Stock Exchange (where applicable);
- (e) the receipt of a US legal opinion from the Company's legal advisers in form and substance acceptable to the Placing Agent;
- (f) the Gaming Transactions contemplated under the relevant contracts having all become unconditional except for the Placing; and
- (g) all relevant approvals and consents from governmental or other competent authority or in accordance with applicable laws having been obtained for the Placing Agreement.

As a result, completion of the Placing Agreement is subject to approval of the Shareholders relating to the granting of the Specific Mandate to the Directors for the issue and allotment of the Placing Shares. Waiver of any of the conditions is not expressly provided in the Placing Agreement. However, it is always possible for the parties to subsequently agree to waive such condition(s) if the applicable laws, rules and regulations so permit. If the condition(s) set out in:

- (i) paragraph (a) above is not fulfilled within 21 days after the issue of this circular; or
- (ii) paragraph (b) above is not fulfilled within 42 days after the satisfaction of the condition in paragraph (a) above; or
- (iii) paragraphs (c) to (g) above are not satisfied on or before noon on the Long Stop Date (which will be within 75 days after the issue of this circular),

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## LETTER FROM THE BOARD

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the Placing Agreement shall terminate and neither the Company nor the Placing Agent shall be liable to the other or have any claim against the other for damages, compensation or otherwise save and except any liability for antecedent breaches of either party and provided that the Company shall remain liable for the payment of any relevant costs, charges and expenses already incurred as provided therein.

The Company shall, among other things, use reasonable endeavours to obtain the granting of listing of, and permission to deal in, the Placing Shares, and shall use its best endeavours to procure that the conditions as set out in paragraphs (d) to (g) above shall be satisfied on or before the Long Stop Date.

### **Completion**

Completion of the Placing will take place on the Closing Date which will be within 75 days after the issue of this circular.

### **Non-Disposal Undertaking**

The Company undertakes to the Placing Agent that, unless with the prior written consent of the Placing Agent, it will not, directly or indirectly, during the period commencing from the date of the Placing Agreement and ending on the expiration of (a) three months from the Closing Date in the event that the Placing Proceeds Amount is equal to or less than HK\$1,500,000,000; or (b) six months from the Closing Date in the event that the Placing Proceeds Amount is more than HK\$1,500,000,000, as the case may be, allot, issue, offer, lend, sell, contract to issue, allot or sell, pledge, grant any option to subscribe or purchase or otherwise transfer or dispose of, or repurchase any Shares (or any securities convertible into or exchangeable for Shares) or enter into a transaction (including a derivative transaction) having an economic effect similar to that of a sale or allotment or enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of the Shares, whether any such transaction described above is to be settled by delivery of Shares or such other securities, in cash or otherwise or publicly announce any intention to allot, issue, offer, lend, sell, contract to issue, allot or sell, pledge, grant any option to subscribe or purchase or otherwise transfer or dispose of, or repurchase any Shares (or any securities convertible into or exchangeable for or which carry rights to subscribe or purchase Shares) or enter into any swap or similar agreement described above or deposit any Shares (or any securities convertible into or exchangeable for Shares) in any depositary receipt facility, other than (i) the allotment of the Placing Shares pursuant to the Placing Agreement, and (ii) any Shares or options allotted or granted pursuant to the share option scheme of the Company adopted on 12 August 2002.

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## LETTER FROM THE BOARD

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### Termination

The Placing Agent shall be entitled to, at its sole discretion, terminate the Placing Agreement by giving notice in writing to the Company if at any time on or prior to the Closing Date:

- (a) there is (i) any significant change in financial, political, military, economic or market (including stock market) conditions or currency exchange rates or exchange controls in Hong Kong, Macau, the United States, any country of the European Union or the PRC or (ii) any suspension of dealings in the Shares (other than as a result of the Placing) for any period whatsoever (even if such suspension is subsequently lifted prior to the Closing Date), or any cancellation of the listing of the Shares on the Stock Exchange or (iii) any adverse announcement, determination or ruling of any governmental or other regulatory body on the Company or any Group member or Greek Mythology, which would (in any of the cases mentioned in (i), (ii) and (iii) above), in the sole opinion of the Placing Agent, be likely to prejudice materially the success of the Placing;
- (b) any material breach of any of the representations and warranties by the Company under the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the Closing Date which (i) if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect; or (ii) in the opinion of the Placing Agent, materially and adversely affect the financial position or business of the Group and Greek Mythology taken as a whole, or there has been a material breach by the Company of, or failure to perform, any other provision of the Placing Agreement;
- (c) any of the following events having occurred at any time prior to the Closing date:
  - (i) any event, or series of events in Hong Kong, Macau, the United States, any country of the European Union or the PRC, beyond the reasonable control of the Placing Agent (including, without limitation, acts of government, strikes, labour disputes, lock-outs, fire, explosion, flooding, civil commotion, economic sanctions, epidemic, terrorism, outbreak or escalation of hostilities, acts of war and acts of God);
  - (ii) any material adverse change, or development in Hong Kong, Macau, the United States, any country of the European Union or the PRC (including, without limitation, the introduction of any new law or regulation or change in existing laws or regulations (or the judicial interpretation thereof) or any other similar event) (whether or not permanent) involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company or the Group or Greek Mythology as a whole, whether or not arising in the ordinary course of business;

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## LETTER FROM THE BOARD

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which, in the sole opinion of the Placing Agent, is likely to prejudice materially the success of the Placing;

- (d) there is any litigation, claim of material importance to the business, financial or operations of the Group or Greek Mythology, any breach of applicable laws by any member of the Group or Greek Mythology, or by Ace High, AMA or Mr. Albino in connection with the Gaming Transactions, any revocation, suspension or cancellation of any authorization, licence or approval in connection with the Gaming Transactions, or any adverse change in the financial position of the Company, which in the sole opinion of the Placing Agent is material in the context of the Placing; or
- (e) any moratorium, suspension or material restriction has been imposed on the trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, Inc., or the stock exchanges in the United Kingdom, or any member of the European Union due to exceptional financial circumstances or otherwise at any time prior to the Closing Date.

In the event that the Placing Agent terminates the Placing Agreement pursuant to any of paragraphs (a) to (e) above, all obligations of each of the parties thereunder shall cease and determine and no party shall have any claim against any other party in respect of any matter arising out of or in connection with the Placing Agreement except for any antecedent breach of any obligation.

### **REASONS FOR AND BENEFITS OF THE PLACING AND USE OF PROCEEDS**

The expected gross proceeds from the Placing are up to HK\$3 billion. The expected net proceeds from the Placing, after deducting the placing commission and all relevant fees and expenses are up to approximately HK\$2.93 billion which will be applied as the Loan to be granted to Ace High under the Loan Agreement.

After taking into consideration of the size of the Placing, the experience and distribution capabilities of the Placing Agent, the rate of the placing commission, and the prevailing market conditions, the Directors are of the view that the Placing Agreement is entered into under normal commercial terms following arm's length negotiations between the Company and the Placing Agent and that the terms of the Placing thereunder are fair and reasonable and in the interests of the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### EFFECT OF THE PLACING

On the basis that 23,076,923,077 Placing Shares will be issued, the shareholding structure of the Company immediately before and after completion of the Placing are as follows:

Shareholders	Immediately prior to completion of the Placing		Immediately after completion of the Placing	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
The placees	–	–	23,076,923,077	67.32
Existing public Shareholders	<u>11,204,282,285</u>	<u>100.00</u>	<u>11,204,282,285</u>	<u>32.68</u>
	<u>11,204,282,285</u>	<u>100.00</u>	<u>34,281,205,362</u>	<u>100.00</u>

While the Company is not currently aware of any investor who wishes to subscribe for the Placing Shares that will result in becoming a substantial Shareholder, the book-building for the Placing has not yet concluded and therefore the Company is not able to confirm if any placee will ultimately end up becoming a substantial Shareholder. In the event that the level of interests in the Placing Shares is sufficiently high, the Company intends to have a more diversified Shareholders' base and will co-ordinate with the Placing Agent such that no placee will become a substantial Shareholder. The Company will issue an announcement setting out the information of those placees becoming substantial Shareholders, if any, upon completion of the Placing.

### FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Pursuant to the placing agreement dated 10 October 2006 entered into between the Company and Lippo Securities Limited, two lots of 586,412,155 new Shares each were issued by the Company on 25 October 2006 and 8 November 2006 respectively. The net proceeds from the placing of approximately HK\$97 million, among which HK\$48 million has been used to acquire the entire issued share capital of Jadepower Limited which is principally engaged in the operation of 204 electronic slot machines in the Greek Mythology Casino, HK\$20 million has been used to acquire the entire issued share capital of Thousand Ocean Investments Limited which is principally engaged in gaming activities and operation of high roller gaming area in the Greek Mythology Casino, and the balance of approximately HK\$29 million has been used as working capital of the Group. Save for the above, the Company has not conducted any equity fund raising activities in the past twelve months.

### IMPLICATIONS UNDER THE LISTING RULES

The entering into of the Loan Agreement by the Company constitutes a notifiable transaction for the Company under Chapter 14 of the Listing Rules. As the applicable percentage ratios for the Loan Agreement are above 100%, the entering into of the Loan

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## LETTER FROM THE BOARD

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Agreement constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules, and is subject to the approval of the Shareholders.

As the asset ratio of the Loan is greater than 8% and thus the Loan constitutes an advance to an entity for the Company under Rule 13.13 of the Listing Rules.

### INFORMATION ON THE GROUP

The Group is principally engaged in manufacturing and trading of LCD and LCD modules, gaming and entertainment business in Macau, and investment holding.

Since the successful expansion of the Group's operation into the VIP gaming market through engagement in the high-rolling gaming business in March 2007, the Directors anticipate that the gaming business of the Group will be further expanded and be a major sector of the Group's operations in the coming years. The Directors expect there will be growth in the revenue from the gaming business in this financial year. Regarding the manufacturing business, the Directors intend to focus the Group's manufacturing resources only on the higher-margin LCD products business. After the introduction of cost saving measures and fading out of those lower-end lower-margin products, the Directors expect to have improving results in the manufacturing business in this financial year.

### PROCEDURES FOR DEMANDING A POLL

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is required under the Listing Rules or any other applicable laws, rules or regulations or unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of the meeting; or
- (b) by at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (d) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding Shares in the company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

A demand by a person as proxy for a Shareholder or in the case of a Shareholder being a corporation by its duly authorised representative shall be deemed to be the same as a demand by the Shareholder.

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## LETTER FROM THE BOARD

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Subject to any special rights or restrictions as to voting attached to any Shares by or in accordance with the Bye-laws, at any general meeting on a show of hands, every Shareholder who is present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy shall (save as provided otherwise in the Bye-laws) have one vote. On a poll, every Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative), or by proxy shall have one vote for every fully-paid Share of which he is the holder (but so that no amount paid or credited as paid up on a share in advance of calls or installments shall be treated for the foregoing purposes as paid on the Share). A person entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way.

### SGM

A notice of SGM convening the SGM at which ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, to approve the Loan Agreement and the grant of the Specific Mandate is set out on pages 90 to 91 of this circular. To the best knowledge of the Directors, no Shareholder would be required to abstain from voting at the SGM.

A form of proxy for use at the SGM is also enclosed with this circular. Whether or not you intend to be present at the SGM, you are requested to complete the form of proxy and return it to the branch share registrar of the Company, Secretaries Limited of 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time fixed for the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting in person.

### RECOMMENDATION

The Directors are of the opinion that the terms of the Loan Agreement and the Placing under the Placing Agreement are fair and reasonable and that the resolution to be proposed at the SGM as described in this circular are in the interests of the Company and of the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution approving the Loan Agreement and the Specific Mandate set out in the notice of SGM contained in this circular.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendices to this circular.

On behalf of the Board  
**A-Max Holdings Limited**  
**Cheung Nam Chung, Brian**  
*Chairman*

## A. SUMMARY OF FINANCIAL RESULTS OF THE GROUP

The following is a summary of the audited consolidated results of the Group for the three years ended 31 March 2007, which are extracted from the respective annual reports of the Company. In the opinions of the auditors, the audited consolidated financial statements of the Group for the three years ended 31 March 2007 respectively are not qualified.

## RESULTS

	<b>Year ended 31 March</b>		
	<b>2007</b>	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	<u>65,586</u>	<u>81,035</u>	<u>101,144</u>
(LOSS)/PROFIT BEFORE TAXATION	(118,693)	112,942	(46,147)
INCOME TAX	<u>(7)</u>	<u>–</u>	<u>–</u>
(LOSS)/PROFIT FOR THE YEAR	<u>(118,700)</u>	<u>112,942</u>	<u>(46,147)</u>

## ASSETS AND LIABILITIES

	<b>At 31 March</b>		
	<b>2007</b>	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TOTAL ASSETS	2,647,790	2,595,705	1,414,154
TOTAL LIABILITIES	<u>(887,874)</u>	<u>(817,720)</u>	<u>(61,942)</u>
SHAREHOLDERS' FUNDS	<u>1,759,916</u>	<u>1,777,985</u>	<u>1,352,212</u>

## B. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

Set out below is the audited consolidated financial statements of the Group for the year ended 31 March 2007 together with the relevant notes thereto as extracted from the annual report of the Company for the year ended 31 March 2007.

### Consolidated Income Statement

For the year ended 31 March 2007 (Expressed in Hong Kong Dollars)

	Note	2007 HK\$'000	2006 HK\$'000 (restated)
<b>Continuing operations</b>			
<b>Turnover</b>	3, 14	65,326	60,971
Cost of sales		(57,310)	(94,368)
<b>Gross profit/(loss)</b>		8,016	(33,397)
Other revenue	4	1,154	1,912
Gain on disposal of property, plant and equipment		13	–
Selling and distribution expenses		(4,032)	(2,244)
General and administrative expenses		(28,434)	(14,145)
Reduction in provision for other payables		9,184	1,600
<b>Loss from operations</b>	5	(14,099)	(46,274)
Finance costs	6	(53,054)	(1,225)
Excess of fair value of net assets acquired over the cost of acquisition of an associate		–	178,800
Share of (loss)/profit of an associate			
Share of operating profit of an associate		120,402	3,251
Share of amortisation of intangible asset of an associate		(178,075)	(1,949)
Gain on disposal of subsidiaries		(57,673)	1,302
		14,123	–
<b>(Loss)/profit before taxation</b>		(110,703)	132,603
Income tax	7	(7)	–
<b>(Loss)/profit for the year from continuing operations</b>		(110,710)	132,603
<b>Discontinued operation</b>			
Loss for the year from discontinued operation	10(a)	(7,990)	(19,661)
<b>(Loss)/profit for the year</b>		(118,700)	112,942

	<i>Note</i>	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i> (restated)
<b>Attributable to:</b>			
Equity shareholders of the Company	<i>12, 26(a)</i>	(118,659)	112,942
Minority interests	<i>26(a)</i>	<u>(41)</u>	<u>–</u>
<b>(Loss)/profit for the year</b>	<i>26(a)</i>	<u><u>(118,700)</u></u>	<u><u>112,942</u></u>
<b>(Loss)/earnings per share – basic</b>			
From continuing and discontinued operations	<i>13(a)</i>	<u>HK(1.63) cents</u>	<u>HK3.01 cents</u>
From continuing operations		<u>HK(1.52) cents</u>	<u>HK3.53 cents</u>
From discontinued operation		<u>HK(0.11) cents</u>	<u>HK(0.52) cents</u>
<b>(Loss)/earnings per share – diluted</b>			
From continuing and discontinued operations	<i>13(b)</i>	<u>N/A</u>	<u>HK1.52 cents</u>
From continuing operations		<u>N/A</u>	<u>HK1.78 cents</u>
From discontinued operation		<u>N/A</u>	<u>HK(0.26) cents</u>

**Consolidated Balance Sheet***As at 31 March 2007 (Expressed in Hong Kong Dollars)*

		<b>2007</b>		<b>2006</b>	
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>					
Fixed assets	<i>15</i>				
– Property, plant and equipment			17,876		58,543
– Interests in leasehold land held for own use under operating leases			–		4,539
			<u>17,876</u>		<u>63,082</u>
Intangible assets	<i>16</i>		67,821		–
Interest in an associate	<i>18</i>		<u>2,454,597</u>		<u>2,512,270</u>
			2,540,294		2,575,352
<b>Current assets</b>					
Inventories	<i>19</i>	5,540		9,157	
Trade and other receivables	<i>20</i>	44,199		6,470	
Cash and cash equivalents	<i>21</i>	<u>57,757</u>		<u>4,726</u>	
			107,496		20,353
<b>Current liabilities</b>					
Trade and other payables	<i>22</i>	(42,004)		(22,239)	
Income tax payable		<u>(7)</u>		<u>–</u>	
			(42,011)		(22,239)
<b>Net current assets/(liabilities)</b>					
			<u>65,485</u>		<u>(1,886)</u>
<b>Total assets less current liabilities</b>					
			2,605,779		2,573,466
<b>Non-current liabilities</b>					
Borrowings	<i>23</i>	(53,985)		(52,969)	
Convertible notes	<i>24</i>	–		(2,435)	
Promissory notes	<i>25</i>	<u>(791,878)</u>		<u>(740,077)</u>	
			(845,863)		(795,481)
<b>NET ASSETS</b>					
			<u>1,759,916</u>		<u>1,777,985</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	<i>26(a)</i>		11,205		4,825
Reserves			<u>1,748,384</u>		<u>1,773,160</u>
<b>Total equity attributable to equity shareholders of the Company</b>					
			1,759,589		1,777,985
<b>Minority interests</b>					
			<u>327</u>		–
<b>TOTAL EQUITY</b>					
			<u>1,759,916</u>		<u>1,777,985</u>

**APPENDIX I**
**FINANCIAL INFORMATION ON THE GROUP**
**Balance Sheet**
*As at 31 March 2007 (Expressed in Hong Kong Dollars)*

		<b>2007</b>		<b>2006</b>	
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>					
Fixed assets	<i>15</i>		3,766		2,747
Investments in subsidiaries	<i>17</i>		68,790		18
Interest in an associate	<i>18</i>		<u>2,332,479</u>		<u>2,332,168</u>
			2,405,035		2,334,933
<b>Current assets</b>					
Trade and other receivables	<i>20</i>	43,978		353	
Cash and cash equivalents	<i>21</i>		<u>48,971</u>		<u>3,585</u>
			92,949		3,938
<b>Current liabilities</b>					
Trade and other payables	<i>22</i>		<u>(72,376)</u>		<u>(3,099)</u>
<b>Net current assets</b>			<u>20,573</u>		<u>839</u>
<b>Total assets less current liabilities</b>			2,425,608		2,335,772
<b>Non-current liabilities</b>					
Borrowings	<i>23</i>	(10,000)		(13,900)	
Convertible notes	<i>24</i>	–		(2,435)	
Promissory notes	<i>25</i>		<u>(791,878)</u>		<u>(740,077)</u>
			<u>(801,878)</u>		<u>(756,412)</u>
<b>NET ASSETS</b>			<u><u>1,623,730</u></u>		<u><u>1,579,360</u></u>
<b>CAPITAL AND RESERVES</b>					
Share capital	<i>26(b)</i>		11,205		4,825
Reserves			<u>1,612,525</u>		<u>1,574,535</u>
<b>TOTAL EQUITY</b>			<u><u>1,623,730</u></u>		<u><u>1,579,360</u></u>

**Consolidated Statement of Changes in Equity***For the year ended 31 March 2007 (Expressed in Hong Kong Dollars)*

	2007		2006	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Total equity at 1 April</b>		1,777,985		1,352,212
<b>(Loss)/profit for the year</b>		(118,700)		112,942
<b>Capital contribution from a minority shareholder of a subsidiary</b>		368		–
<b>Movements in equity arising from capital transactions:</b>				
Shares issued under the placing	100,393		–	
Shares issued under conversion of convertible notes	2,488		1,163	
Shares issued in respect of the acquisition of Greek Mythology	–		311,672	
Share issuance expenses	(2,618)		(4)	
		<u>100,263</u>		<u>312,831</u>
<b>Total equity at 31 March</b>		<u><u>1,759,916</u></u>		<u><u>1,777,985</u></u>

**Consolidated Cash Flow Statement***For the year ended 31 March 2007 (Expressed in Hong Kong Dollars)*

	<i>Note</i>	<b>2007</b>		<b>2006</b>	
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Operating activities</b>					
Loss from operations					
– From continuing operations		(14,099)		(46,274)	
– From discontinued operation	<i>10(a)</i>	<u>(6,934)</u>		<u>(18,819)</u>	
		(21,033)		(65,093)	
Adjustments for:					
Interest income		(7)		(7)	
Dividend income from investments		–		(311)	
Depreciation of fixed assets		13,312		41,042	
Amortisation of land lease premium for property held for own use		86		104	
Amortisation of intangible assets		171		–	
Impairment loss for trade and other receivables		276		754	
Provision for slow-moving and obsolete inventories		2,206		2,030	
Foreign exchange loss/(gain)		1,470		(21)	
Gain on disposal of fixed assets		(13)		–	
Reduction in provision for other payables		<u>(9,184)</u>		<u>(2,300)</u>	
<b>Operating loss before changes in working capital</b>		(12,716)		(23,802)	
Decrease in inventories		1,411		2,732	
(Increase)/decrease in trade and other receivables		(38,005)		7,203	
Increase/(decrease) in trade and other payables		19,765		(3,787)	
Increase in accrued directors' emoluments		<u>–</u>		<u>1,417</u>	
<b>Cash used in operations</b>		(29,545)		(16,237)	
Tax paid		<u>–</u>		<u>–</u>	

## APPENDIX I

## FINANCIAL INFORMATION ON THE GROUP

	Note	2007		2006	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Net cash used in operating activities</b>			(29,545)		(16,237)
<b>Investing activities</b>					
Payments for purchases of property, plant and equipment			(4,106)		(5,167)
Proceeds from sale of subsidiaries	29	50,000			–
Proceeds from sale of fixed assets		50			–
Payments for acquisition of intangible assets		(67,992)			–
Interest received		7			7
<b>Net cash used in investing activities</b>			(22,041)		(5,160)
<b>Financing activities</b>					
Proceeds from other new loans		8,706		21,421	
Capital contribution from a minority shareholder of a subsidiary		368			–
Proceeds from shares issued under the placing		100,393			–
Payments for share issuance expenses		(2,618)			(4)
Interest paid		(2,257)			(1,388)
<b>Net cash generated from financing activities</b>			104,592		20,029
<b>Net increase/(decrease) in cash and cash equivalents</b>			53,006		(1,368)
<b>Cash and cash equivalents at 1 April</b>			4,726		6,072
<b>Effect of foreign exchange rate changes</b>			25		22
<b>Cash and cash equivalents at 31 March</b>	21		<u>57,757</u>		<u>4,726</u>

**Notes to the Financial Statements***For the year ended 31 March 2007***1. INFORMATION OF REPORTING ENTITY**

A-Max Holdings Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Group is principally engaged in manufacturing and trading of LCD and LCD modules (together “LCD products”) and gaming operations. The Group’s manufacturing and trading of electronic consumer products (“LCD consumer products”) was discontinued during the year.

**2. 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. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies applied in these financial statements and has no significant impact on the results or the financial position of the Group and the Company for current and previous accounting periods.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 38).

**(b) Basis of preparation of the financial statements**

The consolidated financial statements for the year ended 31 March 2007 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 37.

**(c) Subsidiaries and minority interests**

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)), unless the investment is classified as held for sale.

**(d) Associate**

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is classified as held for sale. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on goodwill relating to the investment in the associate recognised for the year (see notes 2(e) and (j)).

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Company's balance sheet, its interest in the associate is stated at cost less impairment losses (see note 2(j)), unless it is classified as held for sale.

**(e) Goodwill**

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2(j)). In respect of the associate, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.



Both period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

**(h) Leased assets**

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

*(i) Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

*(ii) Operating lease charges*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

**(i) Trade and other receivables**

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 2(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 2(j)).

**(j) Impairment of assets**

*(i) Impairment of financial assets*

Financial assets that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

The impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

*(ii) Impairment of other assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- pre-paid interests in leasehold land classified as being held under an operating lease;
- intangible assets; and
- investments in subsidiaries and associate.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

**(k) Inventories**

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

**(l) Convertible notes**

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the note is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to retained profits.

**(m) Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fee payable, using the effective interest method.

**(n) Trade and other payables**

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

**(o) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

**(p) Employee benefits***(i) Short term employee benefits and contributions to defined contribution plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

*(ii) Termination benefits*

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

**(q) Income tax**

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

**(r) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(s) Revenue recognition**

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit or loss as follows:

*(i) Sale of goods*

Revenue is recognised when the goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

*(ii) Gaming operations*

Revenue from gaming operations, representing the net gaming wins, is recognised when the relevant services have been rendered and is measured at the entitlement of economic inflow of the Group from the business.

*(iii) Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

*(iv) Dividend income*

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

*(v) Interest income*

Interest income recognised as it accrues using the effective interest method.

**(t) Translation of foreign currencies**

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

**(u) Borrowing costs**

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

**(v) Discontinued operations**

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

**(w) Related parties**

For the purposes of these financial statements, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

**(x) Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

**3. TURNOVER**

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

	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
<b>Continuing operations:</b>		
Sales of LCD products	59,580	60,971
Revenue from gaming operations	1,131	–
Revenue from sales of travel packages	4,615	–
	<u>65,326</u>	<u>60,971</u>
<b>Discontinued operation (note 10):</b>		
Sales of LCD consumer products	260	20,064
	<u>260</u>	<u>20,064</u>
	<u><u>65,586</u></u>	<u><u>81,035</u></u>

## 4. OTHER REVENUE

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<b>Continuing operations:</b>		
Interest income from banks	6	4
Dividend income from unlisted equity securities	–	311
Rental income	944	526
Refund of export tax paid	174	1,020
Sundry income	30	51
	<u>1,154</u>	<u>1,912</u>
	-----	-----
<b>Discontinued operation (note 10):</b>		
Interest income from banks	1	3
Sundry income	185	7
	<u>186</u>	<u>10</u>
	-----	-----
	<u>1,340</u>	<u>1,922</u>
	=====	=====

## 5. LOSS FROM OPERATIONS

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<b>(a) Staff costs (including directors' remuneration):</b>		
<b>Continuing operations:</b>		
Contributions to defined contribution retirement plans	253	226
Salaries, wages and other benefits	13,859	15,478
	<u>14,112</u>	<u>15,704</u>
	-----	-----
<b>Discontinued operation (note 10):</b>		
Contributions to defined contribution retirement plans	6	88
Salaries, wages and other benefits	63	6,808
	<u>69</u>	<u>6,896</u>
	-----	-----
	<u>14,181</u>	<u>22,600</u>
	=====	=====

	2007 HK\$'000	2006 HK\$'000
<b>(b) Other items:</b>		
<b>Continuing operations:</b>		
Amortisation of land lease premium	86	104
Depreciation of property, plant and equipment	7,484	33,344
Amortisation of intangible assets	171	–
Impairment loss on trade and other receivables	271	450
Provision for slow-moving and obsolete inventories	2,206	530
Gain on disposal of property, plant and equipment	(13)	–
Net foreign exchange loss	1,353	353
Auditors' remuneration	500	300
Operating lease rentals:		
– property rentals	405	635
– hire of equipment	6	–
Cost of inventories	<u>57,310</u>	<u>94,368</u>
<b>Discontinued operation (note 10):</b>		
Depreciation of property, plant and equipment	5,828	7,698
Impairment loss on trade and other receivables	5	304
Provision for slow-moving and obsolete inventories	–	1,500
Net foreign exchange loss	948	42
Operating lease rentals in respect of premises	–	480
Cost of inventories	<u>391</u>	<u>26,572</u>

## 6. FINANCE COSTS

	2007 HK\$'000	2006 HK\$'000
<b>Continuing operations:</b>		
Interest on bank advances and other borrowings wholly repayable within five years	1,201	546
Interest on convertible notes	52	112
Interest on promissory notes	<u>51,801</u>	<u>567</u>
	53,054	1,225
<b>Discontinued operation (note 10):</b>		
Interest on borrowings wholly repayable within five years	<u>1,056</u>	<u>842</u>
	<u>54,110</u>	<u>2,067</u>

## 7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

### (a) Continuing operations

(i) *Income tax in the consolidated income statement represents*

	2007 HK\$'000	2006 HK\$'000
<b>Current tax – Hong Kong profits tax</b>		
Provision for the year	<u>7</u>	<u>–</u>

The provision for Hong Kong profits tax for the year ended 31 March 2007 is calculated at 17.5% of the estimated assessable profits for the year.

No provision for overseas income tax has been made as the companies comprising the continuing operations have no estimated assessable profits for the year ended 31 March 2007.

No provision for Hong Kong profits tax and overseas income tax has been made as the companies comprising the continuing operations have no estimated assessable profits for the year ended 31 March 2006.

(ii) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rate:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
(Loss)/profit before taxation	(110,703)	132,603
Notional tax on (loss)/profit before taxation, calculated at the tax rate of 17.5%	(19,373)	23,206
Tax effect of expenses that are not deductible in determining taxable profit	26,927	6,400
Tax effect of income that are not assessable in determining taxable profit	(10,819)	(32,071)
Tax effect of net deferred tax assets not recognised	3,272	2,465
Actual tax expense	<u>7</u>	<u>–</u>

**(b) Discontinued operation (note 10)**

(i) No provision for Hong Kong profits tax and overseas income tax has been made as the companies comprising the discontinued operation have no estimated assessable profits during the years ended 31 March 2007 and 2006.

(ii) Reconciliation between tax expense and accounting loss at applicable tax rate:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Loss before taxation	(7,990)	(19,661)
Notional tax on loss before taxation, calculated at the tax rate of 17.5%	(1,398)	(3,441)
Tax effect of expenses that are not deductible in determining taxable profit	282	1,100
Tax effect of income that are not assessable in determining taxable profit	–	(13)
Tax effect of net deferred tax assets not recognised	1,116	2,354
Actual tax expense	<u>–</u>	<u>–</u>

**(c) Deferred taxation not recognised**

There was no material unprovided deferred taxation. The Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK\$91.0 million (2006: HK\$75.3 million) at 31 March 2007 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 entity. The tax losses do not expire under current tax legislation.

## 8. DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

## For the year ended 31 March 2007

	Directors' fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Executive directors</b>				
Mr. Cheung Nam Chung, Brian ( <i>Note 4</i> )	–	507	9	516
Mr. Lam Cheok Va, Francis ( <i>Note 1</i> )	–	240	–	240
Mr. Chan Chi Yuen ( <i>Note 1</i> )	–	570	12	582
Ms. Li Wing Sze ( <i>Note 4</i> )	–	190	8	198
Mr. Chen Zhiquan ( <i>Note 3</i> )	–	78	–	78
Mr. Lee Keung Shing ( <i>Note 3</i> )	–	78	–	78
Mr. Chan King Ming ( <i>Note 10</i> )	–	420	5	425
Mr. Chan Chi Wan ( <i>Note 7</i> )	–	23	–	23
Mr. Wong Kin Kwok ( <i>Note 7</i> )	–	23	1	24
Mr. Siu Ting Cheong, Robert ( <i>Note 8</i> )	–	600	7	607
<b>Independent non-executive directors</b>				
Mr. Chan Chiu Hung, Alex ( <i>Note 2</i> )	96	–	–	96
Mr. Lee Tsz Hong ( <i>Note 5</i> )	69	–	–	69
Mr. Ng Wai Hung, Raymond	96	–	–	96
Mr. Cham Yiu Leung ( <i>Note 6</i> )	27	–	–	27
	<u>288</u>	<u>2,729</u>	<u>42</u>	<u>3,059</u>

## For the year ended 31 March 2006

	Directors' fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Executive directors</b>				
Mr. Chan King Ming ( <i>Note 10</i> )	–	871	8	879
Mr. Lam Cheok Va, Francis ( <i>Note 1</i> )	–	145	–	145
Mr. Chan Chi Yuen ( <i>Note 1</i> )	–	435	8	443
Ms. Ng Wai Fong, Wendy ( <i>Note 9</i> )	–	478	5	483
Ms. Leung Kwai Hing ( <i>Note 9</i> )	–	477	5	482
Ms. Kam Shuk Ling ( <i>Note 9</i> )	–	477	5	482
Mr. Lam Yiu Man, Lewis ( <i>Note 9</i> )	–	388	5	393
Ms. Ching Mei Yee ( <i>Note 9</i> )	–	140	5	145
<b>Independent non-executive directors</b>				
Mr. Chan Chiu Hung, Alex ( <i>Note 2</i> )	44	–	–	44
Mr. Ng Wai Hung, Raymond	91	–	–	91
Mr. Cham Yiu Leung ( <i>Note 6</i> )	58	–	–	58
Mr. Wong Chi Keung ( <i>Note 9</i> )	48	–	–	48
Mr. Yuen Xiaoxin ( <i>Note 9</i> )	30	–	–	30
	<u>271</u>	<u>3,411</u>	<u>41</u>	<u>3,723</u>

There were no amounts paid during the years ended 31 March 2007 and 2006 to the directors in connection with their retirement from employment with the Group, or an inducement to join. Other than Ms. Ng Wai Fong, Ms. Leung Kwai Hing and Ms. Kam Shuk Ling agreed to waive their remuneration of approximately HK\$3,062,000, HK\$3,061,000 and HK\$3,061,000, respectively, in respect of the period up to 24 August 2005 (date of their retirement) during the year ended 31 March 2007, there was no arrangement under which a director of the Company waived or agreed to waive any remuneration during the years ended 31 March 2007 and 2006.

*Notes:*

1. Appointed on 24 August 2005.
2. Appointed on 17 October 2005.
3. Appointed on 8 June 2006.
4. Appointed on 18 July 2006.
5. Appointed on 13 July 2006.
6. Appointed on 24 August 2005 and resigned on 13 July 2006.
7. Appointed on 8 June 2006 and retired on 5 September 2006.
8. Appointed on 18 July 2006 and resigned on 18 January 2007.
9. Retired on 24 August 2005.
10. Resigned on 1 September 2006.

## 9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2006: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other one (2006: two) individual is as follows:

	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
Salaries and other emoluments	678	1,250
Retirement scheme contributions	–	19
	<u>678</u>	<u>1,269</u>

The emoluments of the one (2006: two) individual with the highest emoluments are within the following band:

	<b>2007</b> <i>Number of individuals</i>	<b>2006</b> <i>Number of individuals</i>
HK\$ Nil – 1,000,000	<u>1</u>	<u>2</u>

No emolument was paid during the years ended 31 March 2007 and 2006 by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

## 10. DISCONTINUED OPERATION

The Group's manufacturing and trading of LCD consumer products was discontinued during the year.

(a) The results of the discontinued operation for the years ended 31 March 2007 and 2006 were as follows:

	<i>Note</i>	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
<b>Turnover</b>	3, 14	260	20,064
Cost of sales		<u>(391)</u>	<u>(26,572)</u>
<b>Gross loss</b>		(131)	(6,508)
Other revenue	4	186	10
Selling and distribution expenses		(2)	(1,033)
General and administrative expenses		(6,987)	(11,988)
Reduction in provision for other payables		<u>–</u>	<u>700</u>
<b>Loss from operations</b>	5	(6,934)	(18,819)
Finance costs	6	<u>(1,056)</u>	<u>(842)</u>
<b>Loss before taxation</b>		(7,990)	(19,661)
Income tax	7	<u>–</u>	<u>–</u>
<b>Loss for the year</b>		<u><u>(7,990)</u></u>	<u><u>(19,661)</u></u>

(b) The net cash flows of the discontinued operation for the years ended 31 March 2007 and 2006 were as follows:

	<b>2007</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>
Net cash outflow from operating activities	(472)	(9,848)
Net cash inflow/(outflow) from investing activities	1	(1,473)
Net cash inflow from financing activities	<u>38</u>	<u>9,690</u>
Net cash outflow incurred by the discontinued operation	<u><u>(433)</u></u>	<u><u>(1,631)</u></u>

## 11. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with employees when contributed into the MPF Scheme.

In addition to the participation in the MPF Scheme, the Group is required to contribute to a defined contribution retirement scheme for its employees in the People's Republic of China (the "PRC") based on the applicable basis and rates with the relevant government regulations.

The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the respective schemes.

The total costs charged to the consolidated income statement of approximately HK\$259,000 (2006: HK\$314,000) represent contributions payable to the retirement benefit schemes in Hong Kong and the PRC by the Group for the year at rates specified in the rules of the relevant schemes.

## 12. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of approximately HK\$55,893,000 (2006: HK\$6,504,000) which has been dealt with in the financial statements of the Company.

## 13. (LOSS)/EARNINGS PER SHARE

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

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue during the year, calculated as follows:

#### (i) (Loss)/profit attributable to ordinary equity shareholders of the Company

	2007 HK\$'000	2006 HK\$'000
Continuing operations	(110,669)	132,603
Discontinued operation ( <i>Note 10</i> )	(7,990)	(19,661)
	<u>(118,659)</u>	<u>112,942</u>

#### (ii) Weighted average number of ordinary shares

	2007 '000	2006 '000
Issued ordinary shares at 1 April	1,810,813	2,664,838
Effect of convertible notes exercised	5,165,139	1,073,928
Effect of shares issued under the placing	313,891	–
Effect of new shares issued in respect of the acquisition of an associate	–	11,778
	<u>7,289,843</u>	<u>3,750,544</u>
Weighted average number of ordinary shares at 31 March	<u>7,289,843</u>	<u>3,750,544</u>

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

The diluted loss per share for the year ended 31 March 2007 is not presented as the Company's potential ordinary shares outstanding during the year had an anti-dilutive effect on the basic loss per share from continuing operations.

The calculation of diluted (loss)/earnings per share for the year ended 31 March 2006 is based on the (loss)/profit attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares, calculated as follows:

*(i) (Loss)/profit attributable to ordinary equity shareholders of the Company (diluted)*

	<b>Continuing operations</b>	<b>2006 Discontinued operation</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit attributable to ordinary equity shareholders	132,603	(19,661)	112,942
After tax effect of effective interest on liability component of convertible notes	112	–	112
(Loss)/profit attributable to ordinary equity shareholders (diluted)	132,715	(19,661)	113,054

*(ii) Weighted average number of ordinary shares (diluted)*

	<b>2006 '000</b>
Weighted average number of ordinary shares at 31 March	3,750,544
Effect of conversion of convertible notes	3,685,373
Weighted average number of ordinary shares (diluted) at 31 March	7,435,917

**14. SEGMENT REPORTING**

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

**Business segments**

The Group comprises the following main business segments:

**Continuing operations:**

LCD products segment: the manufacturing and sales of LCD and LCD modules.

Gaming and entertainment segment: the promotion, client development, co-ordination and operation of gaming business.

**Discontinued operation:**

LCD consumer products segment: the manufacturing and sales of calculators and other electronic products.

**For the year ended 31 March 2007**

	Continuing operations			Discontinued operation		Total HK\$'000
	LCD products HK\$'000	Gaming and entertainment HK\$'000	Sub-total HK\$'000	LCD consumer products HK\$'000	Inter- segment eliminations HK\$'000	
<b>Revenue</b>						
Revenue from external customers	59,580	5,746	65,326	260	–	65,586
Inter-segment revenue*	3	–	3	–	(3)	–
Total	<u>59,583</u>	<u>5,746</u>	<u>65,329</u>	<u>260</u>	<u>(3)</u>	<u>65,586</u>
<b>Results</b>						
Segment results	<u>(16,090)</u>	<u>1,934</u>	(14,156)	(6,565)	–	(20,721)
Unallocated operating income and expenses			(9,127)	(369)		(9,496)
Reduction in provision for other payables			<u>9,184</u>	<u>–</u>		<u>9,184</u>
Loss from operations			(14,099)	(6,934)		(21,033)
Finance costs			(53,054)	(1,056)		(54,110)
Share of loss of the associate	–	(57,673)	(57,673)	–		(57,673)
Gain on disposal of subsidiaries			14,123	–		14,123
Taxation			<u>(7)</u>	<u>–</u>		<u>(7)</u>
Loss for the year			<u>(110,710)</u>	<u>(7,990)</u>		<u>(118,700)</u>

For the year ended 31 March 2006

	Continuing operations			Discontinued operation	Inter-segment eliminations HK\$'000	Total HK\$'000
	LCD products HK\$'000	Gaming and entertainment HK\$'000	Sub-total HK\$'000	LCD consumer products HK\$'000		
<b>Revenue</b>						
Revenue from external customers	60,971	–	60,971	20,064	–	81,035
Inter-segment revenue*	1,234	–	1,234	214	(1,448)	–
<b>Total</b>	<b>62,205</b>	<b>–</b>	<b>62,205</b>	<b>20,278</b>	<b>(1,448)</b>	<b>81,035</b>
<b>Results</b>						
Segment results	(42,505)	311	(42,194)	(19,528)	(125)	(61,847)
Unallocated operating income and expenses			(5,680)	9	125	(5,546)
Reduction in provision for other payables			1,600	700		2,300
Loss from operations			(46,274)	(18,819)		(65,093)
Finance costs			(1,225)	(842)		(2,067)
Excess of fair value of net assets acquired over the cost of acquisition of an associate	–	178,800	178,800	–		178,800
Share of profit of the associate	–	1,302	1,302	–		1,302
<b>Profit/(loss) for the year</b>			<b>132,603</b>	<b>(19,661)</b>		<b>112,942</b>

\* Inter-segment revenue is charged based on terms mutually agreed between the segments.

As at 31 March 2007

	Continuing operations			Discontinued operation	Total HK\$'000
	LCD products HK\$'000	Gaming and entertainment HK\$'000	Sub-total HK\$'000	LCD consumer products HK\$'000	
<b>Assets</b>					
Segment assets	<u>17,346</u>	<u>110,964</u>	<u>128,310</u>	<u>10,775</u>	139,085
Interest in an associate		2,454,597			2,454,597
Unallocated assets					<u>54,108</u>
Total assets					<u>2,647,790</u>
<b>Liabilities</b>					
Segment liabilities	<u>19,900</u>	<u>105</u>	<u>20,005</u>	<u>1,313</u>	21,318
Unallocated liabilities					<u>866,556</u>
Total liabilities					<u>887,874</u>
<b>Other segment information:</b>					
Capital expenditure incurred during the year	653	69,825	70,478	–	
Depreciation and amortisation for the year	<u>6,320</u>	<u>685</u>	<u>7,005</u>	<u>5,828</u>	

As at 31 March 2006

	Continuing operations			Discontinued operation	Total HK\$'000
	LCD products HK\$'000	Gaming and entertainment HK\$'000	Sub-total HK\$'000	LCD consumer products HK\$'000	
<b>Assets</b>					
Segment assets	39,729	–	39,729	37,020	76,749
Interest in an associate		2,512,270			2,512,270
Unallocated assets					6,686
Total assets					2,595,705
<b>Liabilities</b>					
Segment liabilities	24,068	809	24,877	–	24,877
Unallocated liabilities					792,843
Total liabilities					817,720
<b>Other segment information:</b>					
Capital expenditure incurred during the year	690	1,051,182	1,051,872	1,488	
Depreciation and amortisation for the year	30,118	–	30,118	10,787	

**(b) Geographical segments**

In presenting information on the basis of the geographical segment, segment revenue is based on the geographical location of the customers. Segment assets and capital expenditure are based on the geographical location of the assets.

**For the year ended 31 March 2007**

	<b>Hong Kong</b>	<b>Macau</b>	<b>The PRC (excluding Hong Kong and Macau)</b>	<b>Japan</b>	<b>South Korea</b>	<b>Others</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Segment revenue</b>							
Revenue from external customers	38,588	1,131	5,805	3,280	13,861	2,661	65,326
Attributable to discontinued operation	–	–	260	–	–	–	260
	<u>–</u>	<u>–</u>	<u>260</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>260</u>
Revenue from Continuing operations	<u>38,588</u>	<u>1,131</u>	<u>6,065</u>	<u>3,280</u>	<u>13,861</u>	<u>2,661</u>	<u>65,586</u>
<b>Segment assets</b>							
– Continuing operations	18,049	2,562,584	2,273	–	–	–	2,582,906
– Discontinued operation	1,069	–	9,707	–	–	–	10,776
	<u>19,118</u>	<u>2,562,584</u>	<u>11,980</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,593,682</u>
– Unallocated assets							54,108
							<u>2,647,790</u>
<b>Segment capital expenditure</b>							
– Continuing operations	2,068	67,992	418	–	–	–	70,478
– Discontinued operation	–	–	–	–	–	–	–
	<u>2,068</u>	<u>67,992</u>	<u>418</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>70,478</u>
– Unallocated							1,620
							<u>72,098</u>

For the year ended 31 March 2006

	Hong Kong HK\$'000	Macau HK\$'000	The PRC (excluding Hong Kong and Macau) HK\$'000	Japan HK\$'000	South Korea HK\$'000	Others HK\$'000	Total HK\$'000
<b>Segment revenue</b>							
Revenue from continuing operations	28,288	–	13,434	2,838	14,041	2,370	60,971
Revenue from discontinued operation	12,715	–	1,979	4,842	–	528	20,064
	<u>41,003</u>	<u>–</u>	<u>15,413</u>	<u>7,680</u>	<u>14,041</u>	<u>2,898</u>	<u>81,035</u>
<b>Segment assets</b>							
– Continuing operations	15,411	2,512,270	24,318	–	–	–	2,551,999
– Discontinued operation	2,172	–	34,848	–	–	–	37,020
	<u>17,583</u>	<u>2,512,270</u>	<u>59,166</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,589,019</u>
– Unallocated assets							<u>6,686</u>
							<u>2,595,705</u>
<b>Segment capital expenditure</b>							
– Continuing operations	278	1,051,182	412	–	–	–	1,051,872
– Discontinued operation	28	–	1,460	–	–	–	1,488
	<u>306</u>	<u>1,051,182</u>	<u>1,872</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,053,360</u>
– Unallocated							<u>2,989</u>
							<u>1,056,349</u>

## 15. FIXED ASSETS

## (a) The Group

	Buildings for own use carried at cost HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Other fixed assets HK\$'000	Sub-total HK\$'000	Interests in leasehold land held for own use under operating leases HK\$'000	Total fixed assets HK\$'000
<b>Cost:</b>							
At 1 April 2005	45,986	22,466	113,651	42,440	224,543	5,232	229,775
Additions	–	2,138	921	2,108	5,167	–	5,167
At 31 March 2006	45,986	24,604	114,572	44,548	229,710	5,232	234,942
At 1 April 2006	45,986	24,604	114,572	44,548	229,710	5,232	234,942
Additions	–	1,096	121	2,889	4,106	–	4,106
Disposal	–	–	(250)	(41)	(291)	–	(291)
Disposal of subsidiaries	(45,986)	(21,169)	–	–	(67,155)	(5,232)	(72,387)
At 31 March 2007	–	4,531	114,443	47,396	166,370	–	166,370
<b>Accumulation amortisation and depreciation:</b>							
At 1 April 2005	11,036	16,152	72,540	30,397	130,125	589	130,714
Charge for the year	1,840	4,844	25,424	8,934	41,042	104	41,146
At 31 March 2006	12,876	20,996	97,964	39,331	171,167	693	171,860
At 1 April 2006	12,876	20,996	97,964	39,331	171,167	693	171,860
Charge for the year	1,686	2,003	6,661	2,962	13,312	86	13,398
Written back on disposals	–	–	(250)	(4)	(254)	–	(254)
Disposal of subsidiaries	(14,562)	(21,169)	–	–	(35,731)	(779)	(36,510)
At 31 March 2007	–	1,830	104,375	42,289	148,494	–	148,494
<b>Net book value:</b>							
At 31 March 2007	–	2,701	10,068	5,107	17,876	–	17,876
At 31 March 2006	33,110	3,608	16,608	5,217	58,543	4,539	63,082

## (b) The Company

	Leasehold improvements <i>HK\$'000</i>	Other fixed assets <i>HK\$'000</i>	Total fixed assets <i>HK\$'000</i>
<b>Cost:</b>			
Additions, at 31 March 2006 and 1 April 2006	2,115	873	2,988
Additions	–	1,621	1,621
Disposals	–	(41)	(41)
	<u>2,115</u>	<u>2,453</u>	<u>4,568</u>
At 31 March 2007	----- 2,115	----- 2,453	----- 4,568
<b>Accumulated amortisation and depreciation:</b>			
Charge for the year, at 31 March 2006 and at 1 April 2006	143	98	241
Charge for the year	142	423	565
Written back on disposal	–	(4)	(4)
	<u>285</u>	<u>517</u>	<u>802</u>
At 31 March 2007	----- 285	----- 517	----- 802
<b>Net book value:</b>			
At 31 March 2007	<u>1,830</u>	<u>1,936</u>	<u>3,766</u>
At 31 March 2006	<u>1,972</u>	<u>775</u>	<u>2,747</u>

(c) As at 31 March 2006, the Group's leasehold land and buildings were situated in the PRC and held under medium term leases.

## 16. INTANGIBLE ASSETS

	<b>The Group</b> <i>HK\$'000</i>
<b>Cost:</b>	
Additions and at 31 March 2007	67,992
<b>Accumulated amortisation:</b>	
Charge for the year and at 31 March 2007	<u>171</u>
<b>Net book value:</b>	
At 31 March 2007	<u>67,821</u>

The intangible assets represent the operating rights of 5 gaming tables in the high roller area of and 204 electronic slot machines in the Greek Mythology Casino (see note 18) in Macau.

The amortisation charge for the year is included in "general and administrative expenses" in the consolidated income statement.

## 17. INVESTMENTS IN SUBSIDIARIES

	<b>The Company</b>	
	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	68,790	18

Particulars of the subsidiaries at 31 March 2007 were as follows:

Name	Place of incorporation and operation	Particulars of paid-up capital/registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
GMC Management Limited	Hong Kong	HK\$10,000	100%	100%	–	Provision of administrative support to group companies
Hong Kong Macau Express Limited	Hong Kong	HK\$750,000	51%	51%	–	Sales of travel packages
Gold Faith Development Limited	The British Virgin Islands (“BVI”)	US\$50,000	100%	100%	–	Gaming and entertainment business
Jadepower Limited	BVI	US\$1,000	100%	100%	–	Gaming and entertainment business
Profit Goal Holdings Limited	BVI	US\$1,000	100%	100%	–	Investment holding
Thousand Ocean Investments Limited	BVI	US\$1,000	100%	100%	–	Gaming and entertainment business
A-Max Kepo Display Limited	Hong Kong	HK\$100	100%	–	100%	Sales of LCD and LCD modules
A-Max Global Products Limited	Hong Kong	HK\$100	100%	–	100%	Inactive
A-Max Kepo Limited	BVI	US\$100	100%	–	100%	Not yet commenced business
Chesford Group Limited	BVI	US\$100	100%	–	100%	Not yet commenced business

## 18. INTEREST IN AN ASSOCIATE

	<b>The Group</b>		<b>The Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	–	–	2,332,479	2,332,168
Share of net assets	2,454,597	2,512,270	–	–
	<u>2,454,597</u>	<u>2,512,270</u>	<u>2,332,479</u>	<u>2,332,168</u>

(a) Particulars of the associate at 31 March 2007 were as follows:

Name of associate	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest		
			Group's effective interest	Held by the Company	Principal activities
Greek Mythology (Macau) Entertainment Group Corporation Limited ("Greek Mythology")	Macau	2,412 ordinary shares of MOP \$1,000 each	49.9%	49.9%	Gaming and entertainment business

Greek Mythology manages a casino operated under the gaming concession of Sociedade de Jogos de Macau, S.A. in the New Century Hotel (the "Greek Mythology Casino") in Macau.

(b) Summary financial information on the associate

	At 31 March 2007			Year ended 31 March 2007			
	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>	Equity <i>HK\$'000</i>	Revenues <i>HK\$'000</i>	Operating profit <i>HK\$'000</i>	Amortisation of intangible asset <i>HK\$'000</i>	Net profit <i>HK\$'000</i>
100 per cent	5,622,319	703,286	4,919,033	385,193	241,287	(356,864)	(115,577)
Group's effective interest	2,805,537	350,940	2,454,597	192,211	120,402	(178,075)	(57,673)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	At 31 March 2006			Year ended 31 March 2006			
	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>	Equity <i>HK\$'000</i>	Revenues <i>HK\$'000</i>	Operating profit <i>HK\$'000</i>	Amortisation of intangible asset <i>HK\$'000</i>	Net profit <i>HK\$'000</i>
100 per cent	5,653,150	618,540	5,034,610	8,524	6,515	(3,906)	2,609
Group's effective interest	2,820,922	308,652	2,512,270	4,253	3,251	(1,949)	1,302
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## (c) Acquisition of Greek Mythology

	<b>2006</b>
	<i>HK\$'000</i>
<b>Purchase consideration</b>	
Issue of promissory note	
Face value of promissory note ( <i>note 25</i> )	1,454,722
Reduction of face value to fair value	<u>(715,212)</u>
Fair value of promissory note	739,510
Issue of new shares ( <i>note 26(c)(iii)</i> )	<u>601,850</u>
	1,341,360
Shortfall in market price of shares issued	<u>(290,178)</u>
Fair value of consideration for additional 30% interest in Greek Mythology	1,051,182
Cost of investment for 19.9% interest in Greek Mythology acquired in the financial year 2005	<u>1,280,986</u>
<b>Total acquisition cost of 49.9% interest in Greek Mythology</b>	2,332,168
<b>Fair value of net assets acquired, as detailed below</b>	<u>2,510,968</u>
<b>Excess of fair value of net assets acquired over the cost of acquisition of an associate</b>	<u><u>178,800</u></u>

On 28 March 2006, the Group completed the acquisition of a further 30% equity interest in Greek Mythology with part of the consideration being settled by the allotment and issue of 1,074,732,630 new shares of HK\$0.001 each by the Company at an issue price of HK\$0.56 each. HKFRS 3 “Business Combinations” requires the fair value of the share consideration for accounting purposes to be determined at the date that significant influence over its management (including participation in the financial and operating policy decisions) becomes effective. At the completion date of acquisition, the market price of the shares of the Company was HK\$0.29. Accordingly, the fair value of the consideration shares for this purpose was approximately HK\$311,672,000.

The assets and liabilities arising from the acquisition are as follows:

	<b>2006</b>	
	<b>Carrying amount of the associate</b>	<b>Fair value</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	504,018	504,018
Intangible asset ( <i>note</i> )	–	5,000,000
Debtors and prepayments	95,402	95,402
Cash and cash equivalents	98,710	98,710
Creditors and accruals	(66,129)	(66,129)
Borrowings	(600,000)	(600,000)
	<u>32,001</u>	<u>5,032,001</u>
Net assets		
	<u>32,001</u>	<u>5,032,001</u>
49.9% of net assets acquired		<u>2,510,968</u>

*Note:* The intangible asset represents the rights for the management of the Greek Mythology Casino.

## 19. INVENTORIES

	<b>The Group</b>	
	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials, at cost	4,854	7,268
Work in progress, at cost	1,960	1,734
Finished goods, at cost	2,962	2,185
	<u>9,776</u>	<u>11,187</u>
Less: Provision for slow-moving and obsolete inventories	(4,236)	(2,030)
	<u>5,540</u>	<u>9,157</u>

## 20. TRADE AND OTHER RECEIVABLES

	<b>The Group</b>		<b>The Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Due from subsidiaries	–	–	43,780	–
Trade receivables				
– related company	573	–	–	–
– others	8,028	5,889	–	–
	8,601	5,889	–	–
Rental and other deposits	620	63	193	13
Dividend receivable	–	311	–	311
Due from the associate	1,161	–	–	–
Prepayments, deposits and other receivables	33,817	207	5	29
	<u>44,199</u>	<u>6,470</u>	<u>43,978</u>	<u>353</u>

**APPENDIX I****FINANCIAL INFORMATION ON THE GROUP**

The amounts due from subsidiaries and associate are unsecured, non-interest bearing and have no fixed terms of repayment.

All of the trade and other receivables, apart from rental and other deposits, are expected to be recovered within one year.

The ageing analysis of trade receivables (net of impairment losses for bad and doubtful debts) as of the balance sheet date is as follows:

	<b>The Group</b>	
	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	5,382	3,310
1 to 2 months	1,394	1,507
2 to 3 months	427	550
More than 3 months	1,398	522
	<u>8,601</u>	<u>5,889</u>

The Group's credit policy is set out in note 28(a).

Included in trade and other receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	<b>The Group</b>		<b>The Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
United States Dollars	US\$654	US\$54	–	–
Renminbi	RMB293	RMB225	–	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**21. CASH AND CASH EQUIVALENTS**

	<b>The Group</b>		<b>The Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash at bank	51,532	4,699	48,970	3,580
Cash in hand	6,225	27	1	5
	<u>57,757</u>	<u>4,726</u>	<u>48,971</u>	<u>3,585</u>

Included in cash and cash equivalents in the balance sheet are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	<b>The Group</b>		<b>The Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
United States Dollars	US\$26	US\$15	–	–
Renminbi	RMB140	RMB654	–	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## 22. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	16,317	15,293	–	–
Payable for acquisition of intangible assets	20,000	–	20,000	–
Accruals and other payables	5,687	6,946	679	2,645
Amounts due to subsidiaries	–	–	51,697	454
	<u>42,004</u>	<u>22,239</u>	<u>72,376</u>	<u>3,099</u>

The amounts due to subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

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

The ageing analysis of trade payables as of the balance sheet date is as follows:

	The Group	
	2007	2006
	HK\$'000	HK\$'000
Within 1 month	4,233	4,762
After 1 month but within 2 months	5,015	4,106
After 2 months but within 3 months	1,594	1,940
After 3 months	5,475	4,485
	<u>16,317</u>	<u>15,293</u>

Included in trade and other payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2007	2006	2007	2006
	'000	'000	'000	'000
Renminbi	<u>RMB7,761</u>	<u>RMB9,803</u>	<u>–</u>	<u>–</u>

## 23. BORROWINGS

	Note	The Group		The Company	
		2007	2006	2007	2006
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other loans – unsecured	(a)	53,985	43,785	10,000	10,000
Amounts due to ex-directors	(b)	–	9,184	–	3,900
		<u>53,985</u>	<u>52,969</u>	<u>10,000</u>	<u>13,900</u>

Notes:

- (a) Other loans represent unsecured loans from unrelated parties, which bear interest ranging from 3.5% to 8.5% (2006: 3.5% to 6%) per annum and are not repayable within the next twelve months.
- (b) The amounts due to ex-directors, which represented emoluments due to ex-directors, were unsecured and non-interest bearing. The amounts were waived in full during the year.

Included in non-current borrowings are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2007	2006	2007	2006
	'000	'000	'000	'000
Renminbi	<u>RMB30,595</u>	<u>RMB26,750</u>	<u>–</u>	<u>–</u>

#### 24. CONVERTIBLE NOTES

	The Group and the Company	
	2007	2006
	HK\$'000	HK\$'000
At 31 March	<u>–</u>	<u>2,435</u>

Note:

Pursuant to a subscription agreement dated 20 February 2004, the Company issued the convertible notes in the aggregate amount of HK\$14.6 million (comprising 73 notes with a face value of HK\$200,000 each) to Firstcom Technology Limited to raise working capital for the repayment of certain term loans due to lenders and for the general working capital of the Group. The convertible notes bear interest at 1.5% per annum and can be converted into new ordinary shares during the period from 31 March 2004 to 30 March 2009 at the conversion ratio of 5% of the then issued share capital of the Company at the time of conversion for each note in the face value of HK\$200,000. The shares so converted will rank pari passu in all respect with all other ordinary shares in issue on the date of allotment.

The convertible notes that are not converted into ordinary shares will be redeemed at face value on 30 March 2009. The notes bear effective interest at 6.41% per annum and are unsecured.

During the year ended 31 March 2007, the noteholders converted the convertible notes with a total face value of HK\$2,800,000 (2006: HK\$1,400,000) into 5,207,030,659 (2006: 1,084,856,676) new ordinary shares of HK\$0.001 each. All of the convertible notes had been converted into the Company's new ordinary shares during the year ended 31 March 2007.

#### 25. PROMISSORY NOTES

On 28 March 2006, the Company issued promissory notes with the aggregate face values of approximately HK\$1,454,722,000 as part of the consideration for the acquisition of the associate (note 18(c)).

The promissory notes are unsecured, non-interest bearing and repayable on the tenth year of the date of issue of the promissory notes.

Interest expense on promissory notes is calculated using the effective interest method by applying the effective interest rate of 7% per annum to the fair value of the promissory notes.

## 26. CAPITAL AND RESERVES

## (a) The Group

	Attributable to equity shareholders of the Company						Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000			
At 1 April 2005	2,665	1,419,437	(22,470)	872	(117)	(48,175)	1,352,212	–	1,352,212
Shares issued under conversion of convertible notes (notes 26(c)(ii))	1,085	369	–	(291)	–	–	1,163	–	1,163
Share issued in respect of the acquisition of Greek Mythology (note 26(c)(iii))	1,075	310,597	–	–	–	–	311,672	–	311,672
Share issuance expenses	–	(4)	–	–	–	–	(4)	–	(4)
Profit for the year	–	–	–	–	–	112,942	112,942	–	112,942
At 31 March 2006	<u>4,825</u>	<u>1,730,399</u>	<u>(22,470)</u>	<u>581</u>	<u>(117)</u>	<u>64,767</u>	<u>1,777,985</u>	<u>–</u>	<u>1,777,985</u>
At 1 April 2006	4,825	1,730,399	(22,470)	581	(117)	64,767	1,777,985	–	1,777,985
Shares issued under the placing (note 26(c)(i))	1,173	99,220	–	–	–	–	100,393	–	100,393
Shares issued under conversion of convertible notes (notes 26(c)(ii))	5,207	(2,138)	–	(581)	–	–	2,488	–	2,488
Share issuance expenses	–	(2,618)	–	–	–	–	(2,618)	–	(2,618)
Capital contributions from a minority shareholder of a subsidiary	–	–	–	–	–	–	–	368	368
Loss for the year	–	–	–	–	–	(118,659)	(118,659)	(41)	(118,700)
At 31 March 2007	<u>11,205</u>	<u>1,824,863</u>	<u>(22,470)</u>	<u>–</u>	<u>(117)</u>	<u>(53,892)</u>	<u>1,759,589</u>	<u>327</u>	<u>1,759,916</u>

## (b) The Company

	Share capital	Share premium	Contributed surplus	Capital reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2005	2,665	1,419,437	105,026	872	(254,967)	1,273,033
Shares issued under conversion of convertible notes (notes 26(c)(ii))	1,085	369	–	(291)	–	1,163
Share issued in respect of Greek Mythology (note 26(c)(iii))	1,075	310,597	–	–	–	311,672
Share issuance expenses	–	(4)	–	–	–	(4)
Loss for the year	–	–	–	–	(6,504)	(6,504)
At 31 March 2006	<u>4,825</u>	<u>1,730,399</u>	<u>105,026</u>	<u>581</u>	<u>(261,471)</u>	<u>1,579,360</u>
At 1 April 2006	4,825	1,730,399	105,026	581	(261,471)	1,579,360
Shares issued under the placing (note 26(c)(i))	1,173	99,220	–	–	–	100,393
Shares issued under conversion of convertible notes (notes 26(c)(ii))	5,207	(2,138)	–	(581)	–	2,488
Share issuance expenses	–	(2,618)	–	–	–	(2,618)
Loss for the year	–	–	–	–	(55,893)	(55,893)
At 31 March 2007	<u>11,205</u>	<u>1,824,863</u>	<u>105,026</u>	<u>–</u>	<u>(317,364)</u>	<u>1,623,730</u>

## (c) Share capital

	2007		2006	
	Number of shares		Number of shares	
	'000	HK\$'000	'000	HK\$'000
<b>Authorised:</b>				
40,000,000,000 ordinary shares of HK\$0.001 each	40,000,000	40,000	40,000,000	40,000

	Note	2007		2006	
		Number of shares		Number of shares	
		'000	HK\$'000	'000	HK\$'000
<b>Ordinary shares, issued and fully paid:</b>					
At 1 April		4,824,427	4,825	2,664,838	2,665
Shares issued under the placing	(i)	1,172,824	1,173	–	–
Shares issued under conversion of the convertible notes	(ii)	5,207,031	5,207	1,084,857	1,085
Shares issued for the acquisition of Greek Mythology	(iii)	–	–	1,074,732	1,075
At 31 March		11,204,282	11,205	4,824,427	4,825

Notes:

## (i) Shares issued under the placing

During the year ended 31 March 2007, the Company issued 1,172,824,310 new ordinary shares of HK\$0.001 each pursuant to a placing agreement entered into with a placing agent on 10 October 2006 at a placing price of HK\$0.0856 per share to finance the Company's investments and strengthen the Group's working capital.

## (ii) Conversion of the convertible notes

During the year ended 31 March 2007, 5,207,030,659 (2006: 1,084,856,676) new ordinary shares of HK\$0.001 each were issued pursuant to the conversion of HK\$2,800,000 (2006: HK\$1,400,000) convertible notes at an average conversion price of approximately HK0.05 cents (2006: HK0.13 cents) per share.

The share capital and share premium accounts of the Company have been increased by approximately HK\$5,207,000 (2006: HK\$1,085,000) and decreased by HK\$2,138,000 (2006: increased by approximately HK\$369,000) respectively following the conversion. An amount of approximately HK\$581,000 (2006: HK\$291,000) has been transferred from the capital reserve to the share premium account in accordance with the policy set out in note 2(i).

## (iii) Acquisition of the associate

During the year ended 31 March 2006, the Company issued 1,074,732,630 new ordinary shares of HK\$0.001 each at the issue price of HK\$0.56 per share as part of the consideration for the acquisition of a 30% equity interest in Greek Mythology, the associate of the Company (see note 18(c)).

**(d) Nature and purpose of reserves***(i) Share premium*

The application of share premium account is governed by Section 40 of the Bermuda Companies Act 1981.

*(ii) Contributed surplus*

The contributed surplus of the Company represents the differences between the consolidated shareholders' funds of subsidiaries at the date on which they were acquired by the Company and the nominal amount of the share capital of the Company issued under the corporate reorganisation and capitalisation in paying up 1,000,000 nil paid shares. Under The Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to shareholders.

*(iii) Special reserve*

The special reserve of the Group represents the difference between the nominal amount of the share capital of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition pursuant to the corporate reorganisation and capitalisation in paying up 1,000,000 nil paid shares prior to the listing of the Company's shares.

*(iv) Capital reserve*

The capital reserve represents the value of the unexercised equity component of convertible notes issued by the Company recognized in accordance with the accounting policy adopted for convertible notes in note 2(1).

**(e) Distributable reserves**

As at 31 March 2007, in the opinion of the directors of the Company, the reserves of the Company available for distribution to shareholders amounted to approximately HK\$1,612,525,000 (2006: HK\$1,573,954,000) subject to the restrictions stated above.

**27. SHARE OPTION SCHEME**

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

Under the terms of the Share Option Scheme, the board of directors may, at its discretion, grant options to employees, directors, executives or officers of the Group, and any suppliers, consultants or agents who have provided services to the Group at a price not less than the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the offer date or the nominal value of the shares, whichever is the higher.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme will not exceed 10% of the issued share capital of the Company and the maximum number of shares in respect of which options may be granted to any one participant will not exceed 30% of the maximum number of shares in issues from time to time. At the date of report, the total number of shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme must not exceed 4,959,000 shares, represents 10% of the shares in issue as at 18 June 2003, the date of the special general meeting approving the refreshment of the 10% limit on the grant of options.

A nominal consideration of HK\$1 is payable within 30 days from the offer date for each lot of share option granted. An option may be exercised in accordance with the terms of the Share Option Scheme during a period to be notified by the board of directors. Each grantee is entitled to exercise the options at any time after the expiry of one year from the date of the grant of the options, and in each case, not later than 10 years from the date of the grant of the options.

The Share option Scheme is valid for a period of 10 years commencing from 12 August 2002. No share options under the Share Option Scheme were granted up to 31 March 2007.

**28. FINANCIAL INSTRUMENTS**

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

**(a) Credit risk**

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 30 days to 60 days from the date of billing. Normally, the Group does not obtain collateral from customers. At the balance sheet date, the Group has a certain concentration of credit risk as 40% (2006: 16%) and 71% (2006: 48%) of the total trade receivables was due from the Group's largest customer and the five largest customers, respectively.

Cash and cash equivalents are normally placed with licensed banks that have a credit rating better than the Group. Given their high credit ratings, management does not expect any licensed bank to fail to meet its obligations.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

**(b) Liquidity risk**

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major loan lenders to meet its liquidity requirements in the short and longer term.

**(c) Interest rate risk**

The interest rates and terms of repayment of the convertible notes, promissory note and other borrowings of the Group are disclosed in notes 24, 25 and 23, respectively. The Group does not expect any changes in interest rates which might materially affect the Group's result of operations.

**(d) Foreign currency risk**

The Group is exposed to foreign currency risk through certain trade and other receivables, bank deposits, trade and other payables and other loans that are denominated in the United States Dollars (USD) and/or Renminbi (RMB).

As the Hong Kong Dollars (HKD) is pegged to the USD, the Group does not expect any significant movements in the USD/HKD exchange rate. However, certain of the Group's borrowings are denominated in RMB, any appreciation or depreciation of HKD against RMB will affect the Group's financial position and reflect in the Group's income statement and/or exchange reserve.

The Group's foreign operations do not undertake significant transactions in a currency other than their respective functional currencies. Funds are retained by the foreign operations for use within the respective operations. Based on this, management considers the foreign exchange exposure to be low.

**(e) Fair values**

The fair values of all financial assets and liabilities are not materially different from their carrying amounts.

The following methods and assumptions were used to estimate the fair value for each class of the Group's financial instruments.

- (i) The carrying values of the Group's current financial assets and liabilities are estimated to approximate to their fair values based on the nature or short-term maturity of these instruments.
- (ii) The carrying value of the Group's non-current financial liabilities are estimated to approximate their fair values based on a discounted cash flow approach using interest rates available to the Group for similar indebtedness.

**29. DISPOSAL OF SUBSIDIARIES**

During the year, the Group disposed of two subsidiaries at the consideration of HK\$50,000,000. The net assets of these subsidiaries at the date of disposal were as follows:

Net assets disposed of at the date of disposal:

	<i>HK\$'000</i>
Property, plant and equipment	31,424
Interest in leasehold land for own use under operating leases	4,453
	<hr/>
Net assets disposed	35,877
Total consideration	50,000
	<hr/>
Gain on disposal	14,123
	<hr/> <hr/>
Total consideration satisfied by cash	50,000
	<hr/> <hr/>

**30. MAJOR NON-CASH TRANSACTIONS**

- (a) During the year ended 31 March 2007, convertible notes of HK\$2,800,000 (2006: HK\$1,400,000) was converted into 5,207,030,659 (2006: 1,084,856,676) ordinary shares of HK\$0.001 each (notes 24 and 26(c)(ii)).
- (b) During the year ended 31 March 2006, the Company acquired a 30% equity interest in Greek Mythology at a total consideration, before expenses, of approximately HK\$2,056,572,000 which was satisfied by the issuance of a promissory note (see note 25) and the issuance of the Company's 1,074,732,000 new ordinary shares of HK\$0.001 each at an issue price of HK\$0.56 each.

**31. BANKING FACILITIES**

As at 31 March 2007, the Group had unsecured banking facilities totalling HK\$6 million (2006: HK\$6 million) in which no amount was utilised (2006: Nil).

**32. COMMITMENTS**

As at 31 March 2007, the Group had the following commitments:

**(a) Operating lease commitments**

At 31 March 2007, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>The Group</b>	
	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,863	–
In the second to fifth years	698	–
	<u>2,561</u>	<u>–</u>

**(b) Other commitments**

Pursuant to a contract entered into between one of the Company's subsidiaries and an independent party in the PRC whereby the Group's factory is located, the Group is committed to pay to the independent party an annual management fee in respect of the land use right until the year of 2048. An analysis of the management fee commitment is as follows:

	<b>The Group</b>	
	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	–	1,289
In the second to fifth years	–	5,619
After five years	–	77,530
	<u>–</u>	<u>84,438</u>

Save as disclosed above, the Group and the Company did not have any other significant capital or financial commitments as at 31 March 2007 and 2006.

**33. CONTINGENT LIABILITIES**

At 31 March 2007, the Group and the Company did not have any significant contingent liabilities.

At 31 March 2006, there were contingent liabilities in respect of guarantees given by the Company to the third parties to the extent of approximately HK\$25,937,000 in respect of term loans borrowed from these third parties to the Company's subsidiaries. The term loans were utilised by the subsidiaries of the Company. Save as disclosed above, the Group and the Company did not have any significant contingent liabilities as at 31 March 2006.

**34. MATERIAL RELATED PARTY TRANSACTIONS**

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

- (a) Remuneration for key management personnel is the amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9. Total remuneration is included in "staff costs" (see note 5(a)).
- (b) During the year ended 31 March 2007, the Company acquired an intangible asset in respect of the operating rights of slot machines in the Greek Mythology Casino in Macau from an associate of the Company at a consideration of HK\$48,000,000.

- (c) During the year ended 31 March 2007, the Company acquired an intangible asset in respect of the operating rights of 5 gaming tables in the high roller area of the Greek Mythology Casino in Macau from a director of the Company's subsidiary at a consideration of HK\$20,000,000.
- (d) Other related party transactions

Particulars of significant transactions between the Group and the following related parties are as follows:

	<b>The Group</b>	
	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Purchases of ferry tickets from Hong Kong North West Express Limited, a related company in which a director of the Company's subsidiary has controlling interest	1,777	–
Rental expense charged by Hong Kong North West Express Limited	39	–
Rental expense charged by Superfaith Corporation Limited, a related company in which the director of the Company's subsidiary has controlling interest	180	–
Management fee charged by Remarkable Management Limited, a related company in which the director of the Company's subsidiary has controlling interest	379	–
Commission income received and receivable from the associate of the Company	490	–
Purchases of casino packages from the associate of the Company	501	–
Consultancy fee charged by the director of the Company's subsidiary	100	–
Consultancy fee charged by E-Mirage Holdings Limited, a related company in which a director of the Company has controlling interest	507	–
Consultancy fee charged by a spouse of the ex-director of the Company	–	120

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

### 35. NON-ADJUSTING POST BALANCE SHEET EVENTS

- (a) On 28 June 2007, Profit Goal Holdings Limited, a wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with an independent third party to dispose of 100% equity interest in A-Max Global Products Limited, a wholly-owned subsidiary of the Company, at a consideration of HK\$1, resulting in a gain of approximately HK\$13 million.
- (b) On 22 May 2007, the Company entered into the rights assignment agreement with a director of the Company's subsidiary pursuant to which Thousand Ocean Investments Limited, a wholly-owned subsidiary of the Company, has conditionally agreed to acquire the operation rights of 5 additional gaming tables in the high roller gaming area of the Greek Mythology Casino within the New Century Hotel in Macau at a consideration of HK\$20 million. Upon the completion of acquisition, the number of high roller gaming tables operated by the Group will increase to 10. However, due to the delay of operation schedule of these 5 additional tables, the transaction was subsequently terminated on 18 July 2007.

Thousand Ocean Investments Limited is principally engaged in the promotion, sales and marketing, client development, coordination and operation of the existing 5 tables at the high roller gaming area in the Greek Mythology Casino.

- (c) Subsequent to the balance sheet date in June and July 2007, AMA International Sociedade Unipessoal Limitada (“AMA”), a company incorporated in Macau in which the Company owns a 80% equity interest, has entered into 10 conditional gaming intermediary agreements (the “Gaming Intermediary Agreements”) with a number of the gaming intermediaries, the independent third parties.

Pursuant to each gaming intermediary agreement, the relevant gaming intermediaries will introduce and bring players to play at casinos in Macau designated by AMA. The owners of such casinos will pay commissions to AMA for the amount of non-negotiable chips being exchanged. AMA in turn will pay commission to these gaming intermediaries calculated at the agreed percentages under the relevant Gaming Intermediary Agreements (which are with reference to the market practice) of the amount of non-negotiable chips being exchanged. AMA will be benefited from earning the difference between the commissions received from casinos and the commissions paid to gaming intermediaries.

AMA plans to operate a minimum of 100 gaming tables at all times. The directors of the Company are considering various fund raising methods to meet the necessary operating capital.

Up to the date of these consolidated financial statements, these transactions have not yet been completed.

### 36. COMPARATIVE FIGURES

Certain comparative figures have been re-classified due to compliance with the disclosure requirements of HKFRS 5 “Non-current assets held for sale and discontinued operations”.

### 37. ACCOUNTING ESTIMATES AND JUDGEMENTS

The method, estimates and judgements the management use in applying the Group’s accounting policies have a significant impact on the Group’s financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain. Certain critical accounting judgements in applying the Group’s accounting policies are described below.

#### (a) Depreciation and amortisation of fixed assets

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The management reviews annually the useful life of an asset and its residual value, if any. Interests in leasehold land held for own use under operating leases are amortised on a straight-line basis over the shorter of the estimated useful lives of the leased assets and the lease term. Both the period and methods of amortisation are reviewed annually. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

#### (b) Amortisation of intangible assets

Amortisation of intangible assets is calculated to write off the cost of items of intangible assets using the straight-line method over their estimated useful lives unless such lives are indefinite. The Group reviews the estimated useful lives of intangible assets annually in order to determine the amount of amortisation expense to be recorded during any reporting period. The useful lives are based on the estimate period over which future economic benefits will be received by the Group and taking into account any unexpected adverse changes in circumstances or events. The amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

#### (c) Valuation of inventories

Inventories are stated at the lower of cost and net realisable value at the balance sheet date. Net realisable value is determined on the basis of the estimated selling price less the estimated costs necessary to make the sale. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. In addition, the management performs an inventory review on a product-by-product basis at each year end date and assess the need for write down of inventories.

**(d) Impairments**

If circumstances indicate that the carrying value of fixed and intangible assets may not be recoverable, the assets may be considered “impaired”, and an impairment loss may be recognised in accordance with HKAS 36 “Impairment of Assets”. The carrying amounts of fixed and intangible assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amount is reduced to recoverable amount. The recoverable amount of fixed and intangible assets is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group’s asset are not available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sale volume, selling price and amount of operating costs. The management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

Impairment losses for bad and doubtful debts are assessed and provided based on the management’s regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by the management when assessing the credit worthiness and past collection history of each individual customer.

Any increase or decrease in the above impairment losses would affect the net profit in future years.

### **38. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2007**

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2007 and which have not been adopted in these financial statements.

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

In addition, the following developments may result in new or amended disclosure in the financial statements:

		<b>Effective for accounting periods beginning on or after</b>
HKFRS 7	Financial instruments: disclosures	1 January 2007
Amendment to HKAS 1	Presentation of financial statements: capital disclosures	1 January 2007

**C. MANAGEMENT DISCUSSION AND ANALYSIS**

The following is the management discussion and analysis as extracted from the annual reports of the Company for three years ended 31 March 2007.

**YEAR ENDED 31 MARCH 2005****Financial Review**

During the year under review, the Group posted total turnover of approximately HK\$101.1 million (2004: HK\$92.8 million), an increase of 9% over the previous year, aided by an overall recovery in orders for LCD and electronic consumer products. However, a net loss of approximately HK\$18.3 million (2004: HK\$10.6 million) was recorded for the reporting year as a result of escalating production costs and intensifying market competition.

**Dividend**

The Directors do not recommend payment of a dividend for the year ended 31 March 2005 (2004: Nil).

**Business Review and Prospects***Manufacturing Business*

The LCD and electronic consumer products business reported a 9% year-on-year growth in turnover to approximately HK\$101.1 million (2004: HK\$92.8 million) due to a recovery in market demand and as a result of the Group's proactive business-development efforts over the past year. However, rocketing oil prices that pushed the cost of major raw materials to new heights, coupled with shortages and the unstable supply of labour and electricity in China, continued to put a tighter rein on the segments' performance. Net attributable loss therefore widened to approximately HK\$18.3 million (2004: HK\$10.6 million).

As keen market competition has rendered price increases quite infeasible, A-Max, along with most other manufacturers, has had to absorb the cost increases, which in turn has severely eroded business margins.

In a bid to reduce fixed manufacturing-related operating costs, the Directors are considering appropriate cost-reduction measures, including the disposal of certain factory assets and the increased engagement of outsourcing capabilities.

*Entertainment Business*

The Group is now a participant in the entertainment business in Macau through its interest in Greek Mythology, which saw the opening of its Greek Mythology Casino in Taipa, Macau, in December 2004. The integrated casino and entertainment project will be developed by phases. In 2004, Greek Mythology invested about MPO600 million in the 160,000-sq-ft first phase with 228 gaming tables and a range of ancillary entertainment and childcare facilities. More VIP rooms and slot machines were added to the casino in the second quarter of 2005. The casino reported a net gaming income of over MOP234 million (net of gaming taxes of about 40% and concessions paid) for the first 4 months of operation. It also saw significant increase in traffic to over 30,000 visitors daily by the end of the second quarter.

The casino's business development plan envisages the adding of floor space in the second phase, and a new hotel wing to the project in the third phase. Based on the instant success of the casino project and its excellent growth potential, an independent valuation house has valued the project at HK\$10 billion.

The Directors expect the return from this investment to continue to increase significantly once operational plans for the casino are fully implemented. The continuing growth trend in the performance of Greek Mythology validates the Directors' confidence in this business segment.

The Directors hold an optimistic view of the ongoing performance of Greek Mythology and envisage dedicating increased management efforts in growing this business segment.

**Liquidity and Financial Resources**

In the reporting year, the Group continued to maintain a stable financial position. The Group had total assets and net assets of approximately HK\$1,471.2 million (2004: HK\$203.0 million) and HK\$1,408.5 million (2004: HK\$136.6 million) respectively as at 31 March 2005. Consolidated shareholders' equity as at year end was approximately HK\$1,408.5 million (2004: HK\$136.6 million).

The gearing ratio as at 31 March 2005, calculated as a ratio of borrowings to shareholders' funds, improved significantly to 2% (2004: 31%).

The Directors believe that existing financial resources are sufficient to cover its existing businesses. If the Group requires additional funding to capture business opportunities that may arise in the future, the Directors are confident that the Group will be able to obtain financing on favourable terms.

**Employees and Remuneration Policy**

As at 31 March 2005, the Group employed a total of approximately 1,100 employees in the PRC and Hong Kong. They were remunerated according to the nature of job and market condition. Other employee benefits available for eligible employees included period-end payment, staff canteen, retirement schemes, share option and medical insurance scheme.

**Foreign Exchange and Currency Risks**

Since most of the revenue generated from the sale of products and the payment for purchases of materials, components, equipment and salaries are either made in Hong Kong dollars, Renminbi, or Hong Kong dollars pegged currencies, no use of financial instruments for hedging purposes is considered necessary and the exposure to exchange rate fluctuations is minimal.

**Contingent Liabilities**

As at 31 March 2005, the Group had no significant contingent liabilities.

**YEAR ENDED 31 MARCH 2006****Financial Review**

During the year under review, the Group posted total manufacturing turnover of approximately HK\$81.0 million (2005: HK\$101.1 million), a decrease of 19.9% over the previous year. A net profit of approximately HK\$112.9 million (2005 (restated): net loss of HK\$46.1 million) was recorded for the reporting year as a result of three days' contribution from Greek Mythology following the completion of the acquisition on 28 March 2006, and an excess of fair value of net assets acquired over the cost of acquisition of 49.9% Greek Mythology of HK\$178.8 million. After the completion of acquisition, Greek Mythology has become an associated company of the Group. During the three days' period from 29 March 2006 to 31 March 2006, Greek Mythology recorded EBITDA and net profit of HK\$7.2 million and HK\$6.5 million respectively.

**Dividend**

The Directors do not recommend payment of a dividend for the year ended 31 March 2006 (2005: Nil).

**Business Review and Prospects***Manufacturing Business*

The LCD and electronic consumer products businesses reported a 19.9% year-on-year decrease in turnover to approximately HK\$81.0 million (2005: HK\$101.1 million) due to keen market competition. Rocketing oil prices had pushed the cost of major raw materials to new heights, coupled with shortages and unstable supply of labour and electricity in the PRC, continued to put pressure on the segments' performance. As keen market competition has rendered price increases quite infeasible, the Group, along with most other manufacturers, has had to absorb the cost increases, which in turn has severely eroded business margins. Net attributable loss from manufacturing therefore widened.

The Group intends to focus its manufacturing operation on the higher-end higher-margin LCD products and streamline its electronic consumer products business. The Group will continue to outsource the production of the lower-end lower-margin products to subcontractors in the PRC. In order to further develop the LCD manufacturing business of the Group, the Group established representative offices in Japan, Korea and the USA in 2005. These representative offices enable the Group to provide better services to the Group's major overseas customers and allow the Group to better monitor market developments and changes in technological requirements. In November 2005, the Group also added a sales and marketing team in the Hong Kong headquarters to cope with the development program of the Group. The Directors consider that the provision of better customer services and the expansion of the Group's sales and marketing team the keys to the further development of the Group's LCD operation. In addition, the Group has since December 2005 begun study on the development of more profitable colour LCD modules and it is expected that the decision on upgrading the existing production facilities of the Group for colour LCD modules production could be finalised in the near future.

As part of the effort to streamline the manufacturing operations, the Group had decided to restructure its electronic consumer products sector in order to improve the overall profit margin of the Group. The Group had scaled down the electronic consumer products sector by phases and temporarily suspended the sector's manufacturing operation, so that the manufacturing resources can be more effectively utilized for the production of higher-end higher-margin LCD products. The sector will rely mostly on out-sourcing. The Group will review the decision from time to time, and will not rule out the possibility of permanent termination of electronic consumer products sector eventually. Although the overall turnover from manufacturing may decrease as a result, the Group will be in a better position to narrow the losses in future and become profitable eventually.

Although the losses from the Group's manufacturing operation has widened, the Directors are of the view that the performance of the Group's manufacturing operation will improve. The Company has since November 2005 introduced cost saving measures by merging certain administrative functions of its manufacturing operations. With the prices for raw materials and oil beginning to stabilise, the market development efforts of the Company beginning to take shape and the effort to streamline the electronic consumer products business, the Directors expect that the performance of the Group's manufacturing operation will improve.

#### *Gaming and Entertainment Business*

The Group participates in the gaming and entertainment business in Macau through its investment in Greek Mythology, which saw the opening of the Greek Mythology Casino in Taipa, Macau, in December 2004. The integrated casino and entertainment project is being developed in phases. The casino, has a total gross floor area of about 160,000 square feet and called for an investment of around MOP600 million, was completed in December 2004. Greek Mythology Casino is one of the largest casinos in Macau with a range of ancillary entertainment and childcare facilities. It also saw significant increase in traffic to over 30,000 customers daily by the end of the second quarter of 2005. The construction of the new hotel wing has commenced in December 2005. Although the concrete timetable is still under revision, Greek Mythology intends to complete its development by 2007.

Upon the completion of further acquisition of Greek Mythology on 28 March 2006, the Company's interest in Greek Mythology increased to approximately 49.9% from 19.9%. As such, Greek Mythology will be accounted for as an associated company of the Group, and the Company is able to share its profits for the first time. It is expected that the contributions from Greek Mythology will be fully reflected in the next financial year. For the period ended 31 March 2006, Greek Mythology recorded EBITDA and net profit of HK\$522.7 million and HK\$424.0 million respectively. During the period from 29 March 2006 to 31 March 2006, Greek Mythology recorded EBITDA and net profit of HK\$7.2 million and HK\$6.5 million respectively. The Directors also expect the return from this investment to continue to increase significantly once operational plans for the casino are fully implemented. The continuing growth trend in the performance of Greek Mythology validates the Directors' confidence in this investment.

Subsequent to the year-end, the Group had reached collaboration agreements with various parties in relation to the provision of gaming and electronic technical services for servicing and operation of certain electronic gaming systems located in Greek Mythology Casino in June 2006. In return, the Group is entitled to share a fixed rate on net gaming wins from the systems.

### **Liquidity and Financial Resources**

In the reporting year, the Group continued to maintain a stable financial position. The Group had total assets and net assets of approximately HK\$2,595.7 million (2005 (restated): HK\$1,414.2 million) and HK\$1,778.0 million (2005 (restated): HK\$1,352.2 million) respectively as at 31 March 2006. Consolidated shareholders' equity as at the year end was approximately HK\$1,778.0 million (2005 (restated): HK\$1,352.2 million).

The gearing ratio as at 31 March 2006, calculated as a ratio of borrowings to shareholders' funds, was 3% (2005 (restated): 2%). If the balances of convertible notes and promissory note are included in the calculations, the gearing ratio would be 45% (2005 (restated): 2%).

The Group has sufficient financial resources to cover its operations. As at 31 March 2006, the Group had facilities up to HK\$26 million.

### **Employees and Remuneration Policy**

As at 31 March 2006, the Group employed a total of approximately 650 employees in the PRC and Hong Kong. They were remunerated according to the nature of job and market condition. Other employee benefits available for eligible employees included period-end payment, staff canteen, retirement schemes, share option and medical insurance scheme.

### **Foreign Exchange and Currency Risks**

Since most of the revenue generated from the sale of products and the payment for purchases of materials, components, equipment and salaries are either made in Hong Kong dollars, Renminbi, or Hong Kong dollars pegged currencies, no use of financial instruments for hedging purposes is considered necessary and the exposure to exchange rate fluctuations is minimal.

**Contingent Liabilities**

As at 31 March 2006, the Group had no significant contingent liabilities.

**YEAR ENDED 31 MARCH 2007****Financial Review**

During the year under review, the Company and its discontinued operations of approximately HK\$65.6 million (2006: HK\$81.0 million), a decrease of 19.0% over the previous year resulted mainly from the discontinuation of manufacturing business of consumer products. A net loss of approximately HK\$118.7 million (2006: net profit HK\$112.9 million) was recorded for the reporting year with contribution from Greek Mythology amounting to HK\$120.4 million. The loss for the year was merely due to the accounting expenses of HK\$51.9 million non-cash interests on convertible notes and promissory notes, and HK\$178.1 million amortisation of intangible assets resulted from the acquisition of 49.9% Greek Mythology. Should these non-cash expenses be excluded, the Group was able to record a net profit of HK\$111.3 million for the year. Greek Mythology is an associated company of the Company. During the year ended 31 March 2007, Greek Mythology recorded EBITDA and net profit of HK\$322.2 million and HK\$241.3 million respectively.

**Dividend**

The Directors do not recommend payment of a dividend for the year ended 31 March 2007 (2006: Nil).

**Business Review and Prospects***Gaming and Entertainment Business*

The completion of the acquisition of 49.9% equity interest in Greek Mythology on 28 March 2006 embarked the group's full participation in Macau's gaming and entertainment sector, one of the world's fastest-growing gaming markets.

During the year, Greek Mythology achieved an EBITDA of HK\$322.2 million. Despite the figure was below the record of last year, the management considers that it has been well performed as the gaming market of Macau has been changing significantly following the openings of a number of new and international branded casinos.

Focusing on the new operating environment, the Group was actively identifying investment opportunities to broaden its revenue base and market share. One of the milestones was the successful expansion of its operation into the VIP gaming market through engagement in the high-rolling gaming business since March 2007.

Following the significant participation of the major international players of the gaming industry in Macau, the management considers that the VIP gaming market would be one of the major sectors for the future success. In this respect, the group would grasp every opportunity to enrich its VIP gaming business.

For diversification and be a full range operator in the entertainment business, the Group also commenced its operation in electronic slot machines and electronic gaming entertainment.

The management anticipates that the gaming business of the Group will be further expanded and be a major sector of the Group's operations in the coming years.

### *Manufacturing Business*

The manufacturing business reported a 26.2% decrease in turnover (including both continuing and discontinued operations) to HK\$59.8 million (2006: HK\$81.0 million) after discontinuation of the low-margin consumer products business. The Group intends to focus its manufacturing resources only on the higher-margin LCD products business. During the year under review, in order to increase the financial flexibility of the Group, factory property was disposed for HK\$50.0 million, and a profit of approximately HK\$14.1 million was recorded accordingly. Subsequent to the year-end, the disposal of the consumer products company also recorded a profit of approximately HK\$13.0 million, which will be recorded in the next financial year ended 31 March 2008.

After the introduction of a number of cost saving measures and fading out of those lower-end lower-margin products, the management is pleased to see the turnaround of the manufacturing business, and the operations were able to see improving results. Our investment in new technology and expansion of sales and marketing teams have eventually help the Group obtain significant orders from several US and Japanese customers. The management is confident that the manufacturing operations will become profitable in the coming financial years.

### **Liquidity and Financial Resources**

In the reporting year, the Group continued to maintain a stable financial position. The Group had total assets and net assets of approximately HK\$2,647.8 million (2006: HK\$2,595.7 million) and HK\$1,760.0 million (2006: HK\$1,778.0 million) respectively as at 31 March 2007. Consolidated shareholders' equity as at the year end was approximately HK\$1,760.0 million (2006: HK\$1,778.0 million).

The gearing ratio as at 31 March 2007, calculated as a ratio of borrowings to shareholders' funds, was 3.1% (2006: 3.0%). If the promissory notes are included in the calculation, the gearing ratio would be 48.1% (2006: 44.6%).

The Group has sufficient financial resources to cover its operations. As at 31 March 2007, the Group had facilities up to HK\$26 million.

### **Employees and Remuneration Policy**

As at 31 March 2007, the Group employed a total of approximately 270 employees in the PRC and Hong Kong. They were remunerated according to the nature of job and market condition. Other employee benefits available for eligible employees included period-end payment, staff canteen, retirement schemes, share option and medical insurance scheme.

**Foreign Exchange and Currency Risks**

Since most of the revenue generated from the sale of products and the payment for purchases of materials, components, equipment and salaries are either made in Hong Kong dollars, Renminbi, or Hong Kong dollars pegged currencies, no use of financial instruments for hedging purposes is considered necessary and the exposure to exchange rate fluctuations is minimal.

**Contingent Liabilities**

As at 31 March 2007, the Group had no significant contingent liabilities.

**D. INDEBTEDNESS****Borrowings**

As at the close of business on 30 September 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$856 million comprising unsecured promissory notes of approximately HK\$820 million (with face value of approximately HK\$1,455 million) and unsecured other borrowings of approximately HK\$36 million.

**Contingent Liabilities**

As at 30 September 2007, the Group had no significant contingent liabilities.

**Disclaimer**

Save as aforesaid above and apart from intra-group liabilities, at the close of business on 30 September 2007, the Group did not have any outstanding mortgages, charges, debentures, or other loan capital or bank overdrafts, term loans, debt securities issued and outstanding, and authorised or otherwise created but unissued or other similar indebtedness, liabilities under acceptances or acceptances credits or hire purchase commitments, or any guarantees or other material commitment or any material contingent liabilities.

The Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 30 September 2007.

**E. WORKING CAPITAL**

As at the Latest Practicable Date, after due and careful enquiry, the Directors are of the opinion that, following completion of the Loan Agreement and the Placing Agreement, taking into account the financial resources available to the Group, including the internally generated funds and the present available banking facilities, the Group will have sufficient working capital for its present requirements, that is at least for the next 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances.

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement contained herein misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Disclosure of interests of Directors and chief executive

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) and which have been notified to the Company and the Stock Exchange were as follows:

Name of Director	No. of Shares held	Nature of interest	Position	Approximate shareholding percentage
Mr. Cheung Nam Chung, Brian	300,000	Personal	Long	0.003%
Mr. Chan Chiu Hung, Alex	200,000	Personal	Long	0.002%

Save as disclosed herein and so far as is known to the Directors, as at the Latest Practicable Date:

- (i) none of the Directors or chief executive of the Company had any interest or a short position in the shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange;
- (ii) none of the Directors including proposed Directors (if any) was a director or employee of a company which has an interest or a short position in the Shares

or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO;

- (iii) none of the Directors or their associates was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group taken as a whole;
- (iv) since 31 March 2007, the date to which the latest published audited financial statements of the Group were made up, none of the Directors including proposed Directors (if any) or their associates has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to, any member of the Group; and
- (v) none of the Directors or their associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

**(b) Disclosure of interests of substantial Shareholders**

Save as disclosed herein and so far as is known to the Directors, as at the Latest Practicable Date, no person had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or no person was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital.

**3. MATERIAL ADVERSE CHANGES**

The Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 March 2007, the date to which the latest published audited financial statements of the Group were made up.

**4. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claims of material importance and no litigation or claim of material importance was pending or threatened against the Company or any of its subsidiaries.

**5. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors including proposed Directors (if any) had entered into, or was proposing to enter into, any service contract with any member of the Group which will not expire or be determinable by the employer within one year without payment of compensation (other than statutory compensation).

**6. MATERIAL CONTRACTS**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular and are or may be material:

- (a) the agreement dated 8 November 2005 entered into between Mr. Ng Man Sun and the Company in respect of the acquisition by the Company of 724 shares of MOP1,000 each in Greek Mythology;
- (b) the placing agreement dated 10 October 2006 entered into between Lippo Securities Limited and the Company in relation to the placing of two lots of 586,412,155 new Shares each;
- (c) the sale and purchase agreement dated 12 February 2007 entered into between Profit Goal Holdings Limited and Ms. He Liqiu relating to Profit Goal Holdings Limited's transfer of the entire issued share capital of Keview Technology (BVI) Limited to Ms. He Liqiu at the consideration of HK\$50 million;
- (d) the sale and purchase agreement dated 14 March 2007 entered into between Greek Mythology and the Company relating to the Company's acquisition of the entire issued share capital of Jadepower Limited at the consideration of HK\$48 million;
- (e) the sale and purchase agreement dated 30 March 2007 entered into between Ms. Chen Mei Huan and the Company relating to the Company's acquisition of the entire issued share capital of Thousand Ocean Investments Limited at the consideration of HK\$20 million;
- (f) the rights assignment agreement dated 22 May 2007 entered into between Ms. Chen Mei Huan and Thousand Ocean Investments Limited relating to the acquisition by Thousand Ocean Investments Limited of the operation rights to 5 gaming tables at the high roller gaming area in the Greek Mythology Casino at the consideration of HK\$20 million;
- (g) the Loan Agreement;
- (h) the Placing Agreement; and
- (i) the extension letters dated 21 September 2007 and 22 October 2007 respectively entered into between the Company and Ace High relating to extension of the deadline for fulfillment or waiver of the conditions precedent under the Loan Agreement.

**7. MISCELLANEOUS**

- (a) Save as disclosed, none of the Directors is materially interested in any contracts or arrangements subsisting at the date of this circular which are significant in relation to the business of the Group.
- (b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal places of business of the Company in Hong Kong are at Room 3043A, Diamond Square, 3/F, Shun Tak Centre, 200 Connaught Road Central, Hong Kong and Units 11-12, 32/F, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong respectively.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Secretaries Limited of 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (d) The company secretary and qualified accountant of the Company is Mr. Chan Chi Yuen who is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and is an associate member of the Institute of Chartered Accountants in England and Wales.
- (e) All references to times and dates in this circular refer to Hong Kong times and dates.
- (f) In the event of any inconsistency, the English language text of this circular and the form of proxy shall prevail over the Chinese language text.

**8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the office of the Company at Units 11-12, 32/F, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong during normal business hours on any weekday (except Saturdays, Sundays and public holidays) from the date of this circular up to and including 21 November 2007:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for each of the three years ended 31 March 2007; and
- (c) the material contracts referred to in paragraph 6 of this Appendix.



**A-MAX HOLDINGS LIMITED**  
**奧瑪仕控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 959)**

**NOTICE OF SPECIAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the special general meeting of A-Max Holdings Limited (the “**Company**”) will be held at Room 3078, Diamond Square, 3/F, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on 21 November 2007, Wednesday at 10:30 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution of the Company:

**“THAT:**

- (a) the conditional loan agreement (a copy of which marked “A” has been produced to the meeting and signed by the Chairman for the purpose of identification) made between Ace High Group Limited and the Company dated 23 August 2007 (as amended and supplemented by the extension letters dated 21 September 2007 and 22 October 2007 respectively) relating to the granting of the term loan facility of up to HK\$3 billion to Ace High Group Limited (details of which are set out in the circular of the Company dated 5 November 2007 to its shareholders (the “**Circular**”), a copy of which marked “B” has been produced to the meeting and signed by the Chairman for the purpose of identification) and all transactions contemplated thereby be and are hereby approved, ratified and confirmed;
- (b) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Placing Shares (as defined below), the directors (the “**Directors**”) of the Company be and are hereby authorised to allot and issue up to 23,076,923,077 new shares of the Company of HK\$0.001 each (the “**Placing Shares**”) pursuant to the terms of the placing agreement made between the Company and CLSA Limited dated 17 October 2007 and the Placing Shares shall, when allotted and issued, rank *pari passu* in all respects with all other shares of the Company in issue on the date of such allotment and issue; and
- (c) the Directors be and are hereby authorised on behalf of the Company to sign, seal, execute, perfect, deliver and do all such documents, deeds, acts, matters and things as they may in their absolute discretion consider necessary or desirable or expedient for the purpose of or in connection with the implementation of and to give effect to the matters

\* *For identification purposes only*

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## NOTICE OF SGM

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contemplated in sub-paragraphs (a) and (b) above (including without limitation any agreement or document in connection with the agreement between the Company and CLSA Limited to determine the placing price for the Placing Shares) and all other matters incidental thereto.”

On behalf of the Board  
**A-Max Holdings Limited**  
**Cheung Nam Chung, Brian**  
*Chairman*

Hong Kong, 5 November 2007

*As at the date hereof, the board of Directors comprises six executive Directors, namely Mr. Cheung Nam Chung, Brian, Mr. Chan Chi Yuen, Mr. Lam Cheok Va, Francis, Ms. Li Wing Sze, Mr. Chen Zhiquan and Mr. Lee Keung Shing and three independent non-executive Directors, namely Mr. Chan Chiu Hung, Alex, Mr. Lee Tsz Hong and Mr. Ng Wai Hung, Raymond.*

*Principal places of business in Hong Kong:*

Room 3043A  
Diamond Square  
3/F, Shun Tak Centre  
200 Connaught Road Central  
Hong Kong

Units 11-12  
32/F, Cable TV Tower  
9 Hoi Shing Road  
Tsuen Wan  
New Territories  
Hong Kong

*Notes:*

1. A form of proxy for use at the meeting is being despatched to the shareholders of the Company together with a copy of this notice.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person duly authorized to sign the same.
3. Any shareholder entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar, Secretaries Limited of 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
5. Completion and deposit of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or any adjourned meeting and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.