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AMAX INTERNATIONAL HOLDINGS LIMITED

奧瑪仕國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 959)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019**

The board (the “Board”) of directors (the “Directors”) of Amax International Holdings Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2019 (the “Period under Review”), together with the unaudited comparative figures for the corresponding period in 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2019

		Six months ended	
		30 September	
		2019	2018
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	5	28,501	62,265
Cost of sales		<u>(15,504)</u>	<u>(40,598)</u>
Gross profit		12,997	21,667
Other income		422	–
Loss on settlement of promissory notes		–	(10,129)
Selling and distribution expenses		–	(1,232)
General and administrative expenses		(22,753)	(27,777)
Finance costs	6	<u>(4,573)</u>	<u>(4,455)</u>
Loss before taxation	7	(13,907)	(21,926)
Income tax	8	<u>366</u>	<u>402</u>
Loss for the period		<u>(13,541)</u>	<u>(21,524)</u>
Attributable to:			
Owners of the Company		(14,663)	(22,074)
Non-controlling interests		<u>1,122</u>	<u>550</u>
Loss for the period		<u>(13,541)</u>	<u>(21,524)</u>
Loss per share		<i>HK Cents</i>	<i>HK Cents</i>
— basic and diluted	10	<u>(1.17)</u>	<u>(2.65)</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the six months ended 30 September 2019

	Six months ended	
	30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss and total comprehensive expense for the period	<u>(13,541)</u>	<u>(21,524)</u>
Total comprehensive expense attributable to:		
Owners of the Company	(14,663)	(22,074)
Non-controlling interests	<u>1,122</u>	<u>550</u>
	<u>(13,541)</u>	<u>(21,524)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

		30 September 2019	31 March 2019
	Note	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		1,408	3,082
Right-of-use assets		5,443	–
Intangible assets		101,428	106,826
Goodwill		41,761	41,761
Deposits paid for acquisition of computer software and property, plant and equipment		5,742	5,742
		155,782	157,411
Current assets			
Trade and other receivables	11	45,037	42,665
Cash and cash equivalents		3,927	1,201
		48,964	43,866
Current liabilities			
Trade and other payables	12	8,952	14,613
Obligations under a finance lease		–	33
Other borrowings		43,520	10,385
Promissory notes	13	28,662	19,837
Convertible bonds	14	–	14,410
Lease liabilities		2,810	–
Tax payables		1,006	974
		84,950	60,252
Net current liabilities		(35,986)	(16,386)
Total assets less current liabilities		119,796	141,025
Non-current liabilities			
Promissory notes	13	–	26,638
Convertible bonds	14	25,921	24,237
Lease liabilities		2,664	–
Deferred tax liabilities		2,419	2,817
		31,004	53,692
NET ASSETS		88,792	87,333
Capital and reserves			
Share capital		256,495	246,495
Reserves		(221,798)	(212,135)
Total equity attributable to owners of the Company		34,697	34,360
Non-controlling interests		54,095	52,973
TOTAL EQUITY		88,792	87,333

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2019

1. GENERAL INFORMATION

Amax International Holdings Limited (the “Company”) was incorporated and domiciled in Bermuda with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the head office and principal place of business of the Company is Suite 6303–04, 63/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The principal activities of the Company and its subsidiaries (together the “Group”) are investment holdings, operating the gaming business in Vanuatu and the VIP room in Cambodia, and the development of innovative intellectual properties and technological solutions in connection with AR/VR applications to clients.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

The unaudited condensed consolidated interim financial statements should be read in conjunction with the Annual Report of the Group for the year ended 31 March 2019.

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

(b) Going concern

In preparing the unaudited condensed consolidated interim financial statements, the directors have considered the future liquidity of the Group in view of its net current liabilities position as at 30 September 2019. The Group incurred a consolidated net loss after taxation attributable to owners of the Company of approximately HK\$14,663,000 for the six months ended 30 September 2019, and had consolidated net current liabilities of approximately HK\$35,986,000 as at 30 September 2019. The consolidated net current liabilities of approximately HK\$35,986,000 were mainly contributed by the loan of approximately HK\$43,520,000 due to Mr. Ng Man Sun. The loan is interest free, unsecured and has no fixed repayment terms.

The directors adopted the going concern basis in the preparation of the unaudited condensed consolidated interim financial statements by obtaining financial support from Mr. Ng Man Sun.

In the opinion of the directors, in light of the aforesaid arrangement implemented to date, the Group will have sufficient working capital for its current requirements and it is reasonable to expect that the Group will remain as a commercially viable concern. Accordingly, the directors are

satisfied that it is appropriate to prepare the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2019 on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for future liabilities which might arise and to reclassify non-current assets and non-current liabilities to current respectively. The effect of these adjustments has not been reflected in the unaudited condensed consolidated interim financial statements.

(c) Judgments and estimates

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

In preparing these unaudited condensed consolidated interim financial statements, significant judgments made by the directors in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's consolidated financial statements for the year ended 31 March 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in preparing these unaudited condensed consolidated interim financial statements are consistent with those used in the Group's audited consolidated financial statements for the year ended 31 March 2019, except for the adoption of the new/revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are relevant to the Group's operations and are effective for the Group's financial year beginning on 1 April 2019 as described below.

HKFRS 16	Leases
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle
Amendments to HKFRS 9	Prepayment Features with Negative Compensation

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Groups are the lessor.

The Groups adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of accumulated losses at 1 April 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Groups elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Groups allocate the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Groups have adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Groups have lease contracts mainly for properties. As a lessee, the Groups previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Groups. Under HKFRS 16, the Groups apply a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Groups have elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Groups recognise the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Groups elected to present the right-of-use assets separately in the consolidated statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and stated at cost less accumulated depreciation and accumulated impairment losses, the Groups have continued to include them as investment properties at 1 April 2019.

The Groups have used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application;
- Excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK\$6.86 million and right-of-use assets of HK\$6.86 million at 1 April 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 3.51%.

As a lessee

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 is as follows:

	<i>HK\$'000</i> (Unaudited)
Operating lease commitments as at 31 March 2019	21,224
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 March 2020	<u>(13,771)</u>
	<u>7,453</u>
Lease liabilities discounted at relevant incremental borrowing rates relating to operating lease recognised upon application of HKFRS 16 as at 1 April 2019	<u>6,863</u>
Analysed as	
Current lease liabilities	2,782
Non-current lease liabilities	<u>4,081</u>
	<u>6,863</u>

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position as at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously report as at 31 March 2019 <i>HK\$'000</i>	Adjustment <i>HK\$'000</i>	Carrying amounts under HKFRS 16 as at 1 April 2019 <i>HK\$'000</i>
Non-current assets			
Right-of-use assets	–	6,863	6,863
Current liabilities			
Lease liabilities	–	2,782	2,782
Non-current liabilities			
Lease liabilities	–	4,081	4,081
	<u>–</u>	<u>4,081</u>	<u>4,081</u>

4. SEGMENT REPORT

HKFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the executive directors) (“CODM”) in order to allocate resources to segments and to assess their performance.

During the six months ended 30 September 2019 and 30 September 2018, the Group’s operating activities are attributable to two operating segments focusing on (i) gaming and entertainment related businesses; and (ii) AR/VR and mobile games solutions.

These operating segments have been identified on the basis of internal management reports prepared in accordance with accounting policies which conform to HKFRSs, that are regularly reviewed by the CODM. The following is an analysis of the Group’s revenue and results by reportable and operating segments:

(a) Segment revenue and results

	Six months ended 30 September 2019 (Unaudited)		
	Gaming and entertainment <i>HK\$'000</i>	AR/VR and mobile games solutions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
External	26,521	1,980	28,501
Time of revenue recognition			
As a point in time	26,521	1,980	28,501
Segment results	3,989	1,190	5,179
Reconciliation:			
Amortisation of intangible assets			(5,398)
Unallocated corporate expenses			(9,115)
Unallocated finance costs			(4,573)
Loss before taxation			(13,907)

	Six months ended 30 September 2018 (Unaudited)		
	Gaming and entertainment <i>HK\$'000</i>	AR/VR and mobile games solutions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
External	59,509	2,756	62,265
Segment results	10,097	(348)	9,749
Reconciliation:			
Amortisation of intangible assets			(6,696)
Loss on settlement of promissory notes			(10,129)
Fair value change of derivative financial assets			(156)
Unallocated corporate expenses			(10,239)
Unallocated finance costs			(4,455)
Loss before taxation			(21,926)

Segment profit/(loss) represents the profit/(loss) incurred by each segment include depreciation, but without allocation of certain amortisation, impairment, administration costs and other income. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

(b) Segment assets and liabilities

	30 September 2019 (Unaudited)			31 March 2019 (Audited)		
	Gaming and entertainment	AR/VR and mobile games solutions	Total	Gaming and entertainment	AR/VR and mobile games solutions	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets						
Segment assets	<u>102,419</u>	<u>91,305</u>	<u>193,724</u>	<u>100,868</u>	<u>96,849</u>	<u>197,717</u>
Unallocated corporate assets			<u>11,022</u>			<u>3,560</u>
Consolidated total assets			<u>204,746</u>			<u>201,277</u>
Liabilities						
Segment liabilities	<u>3,976</u>	<u>4,164</u>	<u>8,140</u>	<u>3,976</u>	<u>4,438</u>	<u>8,414</u>
Unallocated corporate liabilities			<u>107,814</u>			<u>105,530</u>
Consolidated total liabilities			<u>115,954</u>			<u>113,944</u>

	30 September 2019 (Unaudited)				31 March 2019 (Audited)			
	Gaming and entertainment	AR/VR and mobile games solutions	Other	Total	Gaming and entertainment	AR/VR and mobile games solutions	Other	Total
	<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>	<i>HK\$'000</i>
Other segment information								
Amounts included in the measure of segment profit or loss or segment assets								
Addition of property, plant and equipment	-	-	-	-	-	103	336	439
Depreciation of property, plant and equipment	1,366	27	152	1,545	5,210	115	611	5,936
Depreciation of right-of-use assets	-	-	1,420	1,420	-	-	-	-
Finance costs	-	-	4,573	4,573	-	-	14,507	14,507
Income tax credit	-	(366)	-	(366)	-	(419)	-	(419)
Amortisation of intangible assets	<u>2,988</u>	<u>2,410</u>	<u>-</u>	<u>5,398</u>	<u>7,497</u>	<u>4,846</u>	<u>-</u>	<u>12,343</u>

(c) **Major customer**

No single customer contracted 10% or more to the Group's revenue for the six months ended 30 September 2019.

(d) **Geographical**

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

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Macau	–	2,400
Republic of Vanuatu (“Vanuatu”)	7,021	6,828
Hong Kong	1,980	2,756
Kingdom of Cambodia (“Cambodia”)	19,500	50,281
	28,501	62,265

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

	30 September	31 March
	2019	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Vanuatu	5,165	6,477
Hong Kong	149,023	149,286
Cambodia	1,594	1,648
	155,782	157,411

5. REVENUE

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

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue from investments in gaming and entertainment related businesses		
– Investment in VIP gaming tables related operation	–	1,800
– Investment in slot machines related operation	–	600
– Investment in gaming operation in Vanuatu	7,021	6,828
– Investment in VIP room in Cambodia		
Net gaming win	26,170	50,281
Less: Commission	(6,670)	–
Service income derived from AR/VR and mobile games solutions	1,980	2,756
	<u>28,501</u>	<u>62,265</u>

6. FINANCE COSTS

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on promissory notes	2,187	1,532
Interest on convertible bonds	2,274	2,798
Interest on lease liabilities	90	–
Finance charges on obligations under a finance lease	1	5
Interest on other borrowings	21	120
	<u>4,573</u>	<u>4,455</u>
Total interest expense on financial liabilities not at fair value through profit or loss		

7. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(a) Staff costs (including directors' emoluments)		
Salaries, allowances and other benefits	3,477	5,446
Contributions to defined contribution retirement plans	105	103
	<u>3,582</u>	<u>5,549</u>
(b) Other items		
Depreciation of property, plant and equipment	1,545	2,993
Depreciation of right-of-use assets	1,420	–
Amortisation of intangible assets	5,398	6,696
Fair value change of derivative financial assets	–	156
Operation lease charges in respect of premises: – minimum lease payments	4,340	5,635
	<u>4,340</u>	<u>5,635</u>

8. INCOME TAX

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

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong.

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong profits tax		
Current period provision	(32)	–
Deferred tax		
In respect of current period	<u>398</u>	<u>402</u>
Total tax credit for the period	<u>366</u>	<u>402</u>

9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2019 (2018: Nil).

10. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share was based on the unaudited loss attributable to owners of the Company of approximately HK\$14,663,000 (2018: HK\$22,074,000) and the weighted average number of 1,250,782,000 (2018: 832,332,000) ordinary shares in issue during the Period under Review.

(b) Diluted loss per share

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 September 2019 and 30 September 2018 in respect of a potential dilution of share options and convertible bonds as the impact of the share options and convertible bonds had an anti-dilutive effect on the basic loss per share amounts presented.

11. TRADE AND OTHER RECEIVABLES

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Trade receivables	2,840	1,491
Other receivables	155,199	154,198
Less: impairment loss	<u>(117,367)</u>	<u>(117,367)</u>
	37,832	36,831
Rental and other deposits	<u>3,845</u>	<u>3,845</u>
Loans and receivables	44,517	42,167
Prepayments	<u>520</u>	<u>498</u>
	<u>45,037</u>	<u>42,665</u>

12. TRADE AND OTHER PAYABLES

	<i>Note</i>	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Trade payables		297	–
Accruals and other payables		7,871	13,829
Due to related companies	<i>a</i>	<u>784</u>	<u>784</u>
		<u>8,952</u>	<u>14,613</u>

Notes:

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

- (a) The amounts due to related companies are unsecured, non-interest bearing and repayable on demand.

13. PROMISSORY NOTES

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
At the beginning of the period/year	46,475	12,816
Issuance of promissory notes	–	50,000
Fair value adjustment	–	(7,853)
Effective interest on promissory notes	2,187	5,024
Settlement of promissory notes	<u>(20,000)</u>	<u>(13,512)</u>
At the end of the period/year	28,662	46,475
Portion classified as current liabilities	<u>(28,662)</u>	<u>(19,837)</u>
Non-current portion	<u>–</u>	<u>26,638</u>

Notes:

- (a) On 18 October 2017, the Company issued unsecured promissory notes with principal value of HK\$14,000,000 for the acquisition of Explicitly Grand Investments Limited. The promissory notes are interest free and fall due on 17 October 2019. The fair values of the promissory notes at date of issuance was HK\$12,490,000. The promissory notes are subsequently measured at amortised cost, using effective interest rate of 5.87%. The promissory notes were settled on 4 March 2019.

- (b) In 2006, the Company issued promissory notes to directors of Greek Mythology and certain independent third parties with total face value of approximately HK\$1,454,722,000 as part of the consideration for the further 30% equity interest in Greek Mythology. The promissory notes were unsecured, non-interest bearing and repayable in 2016.
- (c) Pursuant to a subscription agreement (the “Subscription Agreement”) entered into between the Company and a shareholder and director of the Company, Mr. Ng Man Sun, (“Mr. Ng”) irrevocably undertook and guaranteed the Company that the irrecoverable debts from certain collaborators of AMA International Limited (“AMA”) should not be more than HK\$50,000,000 for the year ended 31 March 2010. Otherwise, Mr. Ng would compensate the Company by offsetting against his promissory notes for the excess with a cap of face value of HK\$300,000,000.

In addition, during the year ended 31 March 2010, Mr. Ng irrevocably undertook and guaranteed the Company the repayment of debts due from the specified collaborators of AMA of up to HK\$300,000,000 on security of other promissory notes with a total face value of HK\$300,000,000.

During the year ended 31 March 2010, AMA made an allowance for impairment of bad and doubtful debts of approximately HK\$2,515,674,000 which included the amounts due from specific collaborators.

As a result, approximately HK\$400,106,000 was deducted from the face value of the promissory notes of HK\$600,000,000 held by Mr. Ng to offset against the bad and doubtful debts in AMA and recognised in the consolidated income statement for the year ended 31 March 2010.

On 18 March 2016 and 15 September 2016, the Company issued two separate writ of summons in the Court of First Instance of the High Court of Hong Kong claiming against Ms. Lee Bing (“Ms. Lee”) and Mr. Wu Weide (“Mr. Wu”).

On 29 December 2017, the Company entered into the Deed of Settlement (the “Deed”) in relation to the settlement of the disputes on the HK\$190 million promissory notes (the “PNs”) with Ms. Lee and Mr. Wu (collectively the “Holders”), pursuant to which the Company has agreed with the Holders on a settlement proposal in respect of the PNs concerned. The Company and the Holders agreed the settlement as follow:

- i) paying a total sum of HK\$85,500,000 to the Holders in the following manner:
 - (a) the sum of HK\$5,500,000 and which shall be paid to the solicitors of the Holders;
 - (b) the sum of HK\$20,000,000 by the issuance of promissory notes (“PN1”) in favour of the Holders and with a maturity date falling on the last business day of the period of nine calendar months after the issuance of promissory notes;
 - (c) the sum of HK\$30,000,000 by the issuance of promissory notes (“PN2”) in favour of the Holders and with a maturity date falling on the last business day of the period of eighteen calendar months after the issuance of promissory notes;
 - (d) the balance of HK\$30,000,000 to be satisfied by the issuance by the Company of a convertible bond in favour of the Holders (“CB1”) at a conversion price of HK\$0.249 per share. In case the Holders intend to sell, transfer, assign or dispose of the CB1 or any part thereof to a third party, the Holders shall first serve a written notice to Mr. Ng, with a copy to the Company offering to sell to Mr. Ng;

and

- ii) transferring and assigning a total sum of HK\$104,500,000 of the PNs in favour of Mr. Ng Man Sun (“Mr. Ng”) or such other person or entity as the Company shall nominate and the total sum of HK\$104,500,000 of the PNs was settled by issuing the convertible bonds (“CB2”) at a conversion price of HK\$0.3 per share.

The above settlement have been approved by the independent shareholders at a special general meeting of the Company held on 19 June 2018. All the PN1, PN2, CB1 and CB2 were issued on 23 July 2018.

The PN1 and PN2 are interest free and fall due on 23 April 2019 and 23 January 2020 respectively. The fair values of PN1 and PN2 at the date of issuance were approximately HK\$18,064,000 and HK\$24,083,000 respectively. The PN1 and PN2 are subsequently measured at amortised cost, using effective interest rate of 14.53% and 15.73% respectively. As at 30 September 2019, imputed interest of PN1 and PN2 were approximately HK\$163,000 and HK\$2,024,000 respectively and were charged to profit or loss.

14. CONVERTIBLE BONDS

The liabilities component of convertible bonds is as follows:

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
CB1	25,921	24,237
CB2	–	14,410
	<hr/>	<hr/>
At the end of the period/year	25,921	38,647
Portion classified as current liabilities	–	(14,410)
	<hr/>	<hr/>
Non-current portion	25,921	24,237
	<hr/> <hr/>	<hr/> <hr/>

As mentioned in note 13 above, the Company issued CB1 and CB2 to settle part of the PNs.

CB1

The principal amount of CB1 is HK\$30,000,000. The holders of the CB1 will be able to convert the outstanding principal amount in whole or in part (in multiples of HK\$1,000,000) into ordinary shares of the Company at a conversion price of HK\$0.249 per conversion share (subject to be customary anti-dilutive adjustments) until the maturity date (i.e. 23 October 2020). The Company has an option to early redeem the CB1 at an amount equal to 100% of the principal amount any time since the issue date but before the maturity date. The CB1 is not interest bearing.

The CB1 is determined to be a compound financial instrument with a conversion option, that will or may be settled by an exchange of a fixed number of ordinary shares of the Company for a fixed amount of cash, being treated as equity. The liability components include host debt component (being the Company’s obligation to pay the principal amount of the CB1 on maturity date if the CB1 is not converted or redeemed).

On initial recognition of the CB1, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The value of the early redemption option embedded in the CB1 other than the equity component (i.e. the conversion option) is included in the liability component. Accordingly, on initial recognition, the Group first determines the carrying amount of the liability component by measuring the fair value of a similar liability that does not have an associated equity component. The carrying amount of the equity instrument is then determined by deducting the fair value of the financial liability from the fair value of the CB1 as a whole. The fair value of the liability component was calculated using a discounted cash flow approach. The key unobservable input of the valuation is the discount rate adopted of 14.34%. At subsequent reporting dates, the liability component (that does not include the early redemption option) is carried at amortised cost with an effective interest rate of 14.34%.

Movements of the carrying amount of the liability component of the CB1 are as follows:

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
At the beginning of the period/year	24,237	–
Measured at fair value on initial recognition	–	36,415
Less: equity component (being the conversion option)	–	(14,320)
	<hr/>	<hr/>
The liability component	24,237	22,095
Interest expense (base on effective interest)	1,684	2,142
	<hr/>	<hr/>
At the end of the period/year	<u>25,921</u>	<u>24,237</u>

CB2

The principal amount of CB2 is HK\$104,500,000. The holder of the CB2 will be able to convert the outstanding principal amount in whole or in part (in multiples of HK\$1,000,000) into ordinary shares of the Company at a conversion price of HK\$0.3 per conversion share (subject to be customary anti-dilutive adjustments) until the maturity date (i.e. 23 July 2019). The Company has an option to early redeem the CB2 at an amount equal to 100% of the principal amount any time since the issue date but before the maturity date. The CB2 is not interest bearing.

The CB2 is determined to be a compound financial instrument with a conversion option, that will or may be settled by an exchange of a fixed number of ordinary shares of the Company for a fixed amount of cash, being treated as equity. The liability components include host debt component (being the Company's obligation to pay the principal amount of the CB2 on maturity date if the CB2 is not converted or redeemed).

On initial recognition of the CB2, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The value of the early redemption option embedded in the CB2 other than the equity component (i.e. the conversion option) is included in the liability component. Accordingly, on initial recognition, the Group first determines the carrying amount of the liability component by measuring the fair value of a similar liability that does not have an associated equity component. The carrying amount of the equity instrument is then determined by deducting the fair value of the financial liability from the fair value of the CB2 as a whole. The fair value of the liability component was calculated using a discounted cash flow approach. The key unobservable input of the valuation is the discount rate adopted of 13.84%. At subsequent reporting dates, the liability component (that does not include the early redemption option) is carried at amortised cost with an effective interest rate of 13.84%.

Movements of the carrying amount of the liability component of the CB2 are as follows:

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
At the beginning of the period/year	14,410	–
Measured at fair value on initial recognition	–	116,067
Less: equity component (being the conversion option)	–	(24,267)
	<hr/>	<hr/>
The liability component without the early redemption option	14,410	91,800
Interest expense (based on effective interest)	590	7,124
Conversion	(15,000)	(84,514)
	<hr/>	<hr/>
At the end of the period/year	–	14,410
	<hr/> <hr/>	<hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “Board”) of directors (the “Directors”) of Amax International Holdings Limited (“Amax” or the “Company”; stock code: 959) report the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2019 (the “Period under Review”) (the “2019 Interim Results”). The 2019 Interim Results have been reviewed by the audit committee of the Company.

FINANCIAL REVIEW

The principal activities of the Group are investment holdings, operating the gaming business in Vanuatu and the VIP room in Cambodia, and the development of innovative intellectual properties and technological solutions in connection with AR/VR applications to clients. For the Period under Review, the gaming business in Cambodia continued to be the main revenue driver for the Group.

The Group recorded a revenue of approximately HK\$28.5 million for the Period under Review, decreasing 54.3% as compared to approximately HK\$62.3 million in the corresponding period last year. The decrease in revenue was mainly attributable to the decrease in revenue derived from the VIP Room business in Cambodia which was the result of the prudent approach taken by the Group to assess and manage the non-profitable portfolio of this operation and fine-tune its business strategy during the Period under Review. Net loss for the Period under Review was approximately HK\$13.5 million, decreasing 37.2% as compared to approximately HK\$21.5 million for the corresponding period last year. The decrease in loss was mainly due to the decrease in general and administrative expenses and the loss on settlement of promissory notes.

Capital Structure

As at 30 September 2019, the Company’s total number of issued shares was 1,282,475,614 (31 March 2019: 1,232,475,614) at HK\$0.20 each. The Group’s consolidated net assets totalled approximately HK\$88.8 million, representing an increase of approximately HK\$1.5 million as compared to that of approximately HK\$87.3 million as at 31 March 2019.

On 23 July 2018, the Group had finally resolved the dispute regarding the outstanding promissory notes of the aggregate sum of HK\$190,000,000 (the “PNs”) in accordance with the terms and conditions of the deeds of settlement entered among Ms. Lee Bing and Mr. Wu Weide (collectively the “Holders”), Mr. Ng Man Sun (“Mr. Ng”) and the Company. Further details of the abovementioned matters are set out in the circular of the Company dated 31 May 2018 and the announcement of the Company dated 23 July 2018.

Meanwhile, on 12 July 2019, the Company received a formal request from Mr. Ng to transfer the Second Convertible Bonds (as defined in the circular of the Company dated 31 May 2018) in the total principal amount of HK\$15,000,000 to Mr. Chan Wai Man (“Mr. Chan”) who is not a connected person as defined in the Listing Rules.

On 17 July 2019, the Company received a conversion notice from Mr. Chan in relation to the exercise of the conversion rights attached to the Second Convertible Bonds, to convert the Second Convertible Bonds in the principal amount of HK\$15,000,000 at the conversion price of HK\$0.30 per share. As a result of this conversion, the Company allotted and issued a total of 50,000,000 Second Conversion Shares (as defined in the circular of the Company dated 31 May 2018) on 26 July 2019. This conversion of convertible bonds had allowed the Company to improve the gearing ratio and also the financial position of the Company, equipping the Company for future development of its business.

Liquidity and Financial Resources

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

As at 30 September 2019, the Group had total assets and net assets of approximately HK\$204.7 million (31 March 2019: approximately HK\$201.3 million) and approximately HK\$88.8 million (31 March 2019: approximately HK\$87.3 million) respectively, comprising non-current assets of approximately HK\$155.8 million (31 March 2019: approximately HK\$157.4 million) and current assets of approximately HK\$49.0 million (31 March 2019: approximately HK\$43.9 million) which were financed by shareholders’ funds of approximately HK\$88.8 million (31 March 2019: approximately HK\$87.3 million). The Group also had non-controlling interests of approximately HK\$54.1 million (31 March 2019: approximately HK\$53.0 million), current liabilities of approximately HK\$85.0 million (31 March 2019: approximately HK\$60.3 million) and non-current liabilities of approximately HK\$31.0 million (31 March 2019: approximately HK\$53.7 million).

The Group’s gearing ratio, calculated as a ratio of debt to shareholders’ equity, was approximately 131% (31 March 2019: approximately 130%).

BUSINESS REVIEW

Charting a new course of development

During the Period under Review, the Group continued to restructure its business segments and strategically re-pilot its focus to gaming business in Asia Pacific and IT solutions businesses in which Amax has extensive knowledge and rich experiences, as well as where we can adventure to potentials. With the Group’s proposal to change English name of the Group from “Amax International Holdings Limited” to “Century Entertainment International Holdings Limited”, together with the newly proposed assignment of gaming

table business rights in Cambodia after the Period under Review, we aim to refresh the corporate image and mark the Group's new milestone of transformation for its future developments.

Augmented reality (“AR”)/Virtual reality (“VR”) entertainment and mobile games solutions

Explicitly Grand Investments Limited (“Explicitly Grand”), a wholly-owned subsidiary of the Group, and its subsidiaries (collectively the “Explicitly Grand Group”) specialize in the AR/VR entertainment developments and apps on mobile devices platforms and also provide customized IT and design solutions for its customers from a great variety of industries in China. During the Period under Review, the Explicitly Grand Group contributed a revenue of approximately HK\$2.0 million to the Group, attributable to the development of mobile apps and provision of IT solutions consultancy services.

Gaming business in Cambodia

The Group has been operating a VIP Room with 13 baccarat tables in Cambodia via Victor Mind Global Limited (“VMG”), a wholly-owned subsidiary of the Company, since 1 December 2017. The operation of the VIP Room was outsourced to an independent operator appointed by VMG. During the Period under Review, the operation of the VIP room contributed a net gaming win of approximately HK\$26.2 million to the Group.

Discontinued businesses and potential disposal of businesses

With determination to strengthen the Group's financial position for future business development, the Group made a few moves to further simplified its business operations, including disposal of the mobile game apps and the potential disposal of Forenzia Enterprises Limited.

Disposal of the Mobile Game Apps

During the Period under Review, the Group proposed to dispose of the mobile game apps, which comprise of 30 offline mobile game apps which cover (i) leisure and entertainment; (ii) education and intellectual; (iii) sport; and (iv) adventures, at a consideration of HK\$30 million.

Post the Period under Review, with a series of consideration which include (i) the business direction to place more focus in exploring gaming business opportunities within Asia Pacific regions and IT solutions businesses; (ii) the disposal represents a good opportunity for the company to divest its investment in the mobile game apps; and (iii) capital liquidity to support the Group's future development in gaming and IT solutions businesses, the disposal was completed on 11 October 2019. The Group is also in the view that subsequent to this disposal, it will allow further capital flexibility for the longer term strategies to be carried out.

Potential disposal of Forenzia Enterprises Limited

The Group acquired 60% equity interests in Forenzia Enterprises Limited in 2014, which principally operates gaming business in Vanuatu under an interactive gaming license valid for a period of 15 years from February 2014. After the Period under Review, Victor Mind Global Limited (“VMG”), a wholly-owned subsidiary of the Company and Lion King Entertainment Company Limited (“Lion King”) entered into an assignment agreement on 28 October 2019, pursuant to which Lion King has conditionally agreed to assign and VMG has conditionally agreed to accept the assignment of the gaming table business rights, partially by way of disposing of 60% of the total issued and paid up capital of Forenzia Enterprises Limited upon the commencement of the assignment. As the transactions involved constitute a major transaction of the Company, they are subjected to independent shareholders’ approval and therefore a special general meeting will be convened. The Group believes this prudent stance should be taken for the Group’s business advancement, which shall be more in line with the overall developmental strategies.

OUTLOOK AND PROSPECT

Along with the trade war between USA and China, more and more Chinese enterprises are, together with a significantly growing number of labour force from China, moving towards ASEAN countries. Meanwhile, visitation and spending in Asia Pacific have also been growing in the past few years. These two factors created increasing demands towards basic necessities and auxiliary elements, especially entertainments, thus provide an opportunity to the domestic gaming industry development. With the Group’s comprehensive knowledge and in-depth experience in gaming industry in Asia Pacific, the Group decided to shift its key focus to explore business opportunity in Cambodia where we see potential to develop its gaming business, in particular, at Shihanoukville Municipal where there has been experiencing obvious growth in terms of tourism and foreign investment.

Century Entertainment, a casino in Sunshine Bay Hotel located at Shihanoukville Municipal of Cambodia, is one of the largest casinos (in terms of number of gaming tables) in Shihanoukville with 80 gaming tables and a total gross floor area of 8,100 sq.m. The casino has obtained a valid casino license issued by Ministry of Economy and Finance of Cambodia and commenced operation on 9 October 2019. Specifically, VMG and Lion King entered into a lease agreement regarding the lease of a total number of 4 gaming tables at Century Entertainment, commencing from 1 November 2019 and ending on 30 September 2020. The rent of HK\$1,200,000 shall be payable monthly by VMG to Lion King during the lease term. In addition, VMG and Lion King have also entered into an assignment agreement, stating that VMG will be granted the rights to operate and manage the aforementioned gaming tables for a period of five years at a consideration of HK\$120 million. With two years of profit guarantee provided by Lion King and Mr. Ng Man Sun, the Group sees attractive potential in the gaming market in Shihanoukville and is confident to the thriving development of this business.

In addition to striving to transform its business with an improved focus on the gaming business for the future, the Group will continue to streamline the scope of its operations, as demonstrated by the disposal of the mobile game apps and potential disposal of Forenzia Enterprises Limited, in order to maintain the Group at a healthy financial position for new development, charting a brighter note for the Group's business amid uncertainties arising from the global macro-economic atmosphere.

With the consolidated financial support and new development direction, the Group believes that the proposed change of company name, Century Entertainment International Holdings Limited, will refresh the brand image and mark the historical moment of the Group's long term future development.

Appreciation

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

INTERIM DIVIDEND

The Directors did not recommend the payment of an interim dividend for the six months ended 30 September 2019 (2018: Nil).

FOREIGN EXCHANGE AND CURRENCY RISKS

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

EMPLOYEES AND REMUNERATION POLICY

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

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 September 2019.

CORPORATE GOVERNANCE

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

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

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

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

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

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

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

Due to other business commitments, Mr. Ng Man Sun, being the Chairman of the Board, was unable to attend the AGM of the Company held on 29 August 2019. He had arranged Ms. Ng Wai Yee, another executive director of the Company and who is very familiar with the Group's business and operations, to attend and chair the AGM.

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

Due to other business commitments, Ms. Sie Nien Che, Celia, being an INED of the Company, did not attend the AGM of the Company held on 29 August 2019.

REVIEW OF RESULTS

The Group's unaudited condensed consolidated interim financial statements for the six months ended 30 September 2019 and the accounting principles and practices adopted by the Group have been reviewed by the audit committee of the Company.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct for securities transactions by the Directors and has adopted written guidelines no less exacting than the Model Code for the relevant employees in respect of their dealings in the Company's securities.

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

By Order of the Board
Amax International Holdings Limited
Ng Man Sun
Chairman and Chief Executive Officer

Hong Kong, 28 November 2019

As at the date hereof, Mr. Ng Man Sun (Chairman and Chief Executive Officer) and Ms. Ng Wai Yee are the executive Directors of the Company; and Ms. Yeung Pui Han, Regina, Mr. Li Chi Fai and Ms. Sie Nien Che, Celia are the independent non-executive Directors of the Company.