

INTERIM REPORT 2004 - 2005



A-MAX



A-MAX HOLDINGS LIMITED

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

The board of directors (the “Directors”) of A-Max Holdings Limited (the “Company”) is pleased to report the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

The Directors are pleased to report a strong growth of 27.5% in our turnover. The growth is mainly the result of the launch of a series of advanced electronic toys for a leading Japanese brand during the period under review. The demands for these new products are promising and substantial, and are expected to continue to grow.

Efforts in the R&D and capital investments in plant and machinery have been paid off through having secured more OEM manufacturing orders. Orders for several new models of electronic products are in negotiations, and are expected to conclude in the near future.

The Group will continue to step up its efforts to re-allocate resources to products of higher margin, with a view to strengthen the growth and profitability potentials. The Group will also seek to reduce manufacturing costs through implementing a series of effective cost control measures, and secure a more stable and lower-cost supply of parts and materials. The global economic recovery has contributed to management’s optimistic view of the Group’s overall performance over the periods to come.

On 30 November 2004, the Company entered into a subscription agreement with Greek Mythology (Macau) Entertainment Group Limited (“Greek Mythology”) for the subscription of shares in Greek Mythology by the issue of convertible notes by the Company. The aggregate consideration amounted to HK\$1,280,000,000.

The Directors have been proactively identifying suitable investment opportunities to develop the Group’s business. Given the prospects of Macau’s gaming industry and the market position enjoyed by Greek Mythology, the Directors consider Greek Mythology a good target that matches the business development strategy of the Group in diversifying its businesses. By investing in Greek Mythology, the Group’s earning potential and recurrent income base could be strengthened which would have a positive impact on the Group’s earning base. Greek Mythology is a viable investment target with leading market position in the industry.

Liquidity and Financial Resources

As at 30 September 2004, the gearing ratio of the Group, calculated as a ratio of total interest-bearing borrowings to total assets, was approximately 18.9% (31 March 2004: 21.0%). Further, the Group had total cash on hand amounted to HK\$10,369,000 as at 30 September 2004.

The management believes that the existing financial resources are sufficient for its current expansion plan. If the Group requires additional funding to capture business opportunities that may arise in the future, the management believes that the Group is able to obtain financing at favourable terms.

Convertible Notes

During the period under review, the amount of HK\$1,400,000 convertible notes were converted into shares. The capital base of the Company was thus further strengthened.

Interim Dividend

The Directors do not recommend any interim dividend for the six months ended 30 September 2004 (2003: Nil).

Investments

The Group had no significant investments held as at 30 September 2004.

Employees and Remuneration Policy

As at 30 September 2004, the Group employed a total of approximately 1,200 employees in Hong Kong and the PRC. They were remunerated according to the nature of jobs and market conditions. Other employee benefits available for eligible employees included period-end payment, staff canteen, mandatory provident fund, 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 30 September 2004, the Company had no significant contingent liabilities.

DIRECTORS' INTERESTS IN SHARES

As at 30 September 2004, none of the Directors and the chief executive of the Company have interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under the provisions of the SFO) or which were recorded in the register required to be kept by the Company under section 352 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

No options had been granted to any of the Directors during the period and at no time during the period was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Company's Directors, their respective spouses, or children under 18 years of age to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2004, so far as are known to the Directors, the following parties were recorded in the register kept by the Company under Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company:

Name	Number of shares held	Approximate percentage of issued share capital
Yiu Fuk Kei	56,141,750	27.9%
Yield Empire International Limited	18,750,000	9.3%

The interest stated above represents long position. At 30 September 2004, no short position was recorded in the register kept by the Company under Section 336 of the SFO.

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

There was no purchase, redemption or sale by the Company or any of its subsidiaries of the Company's listed securities on The Stock Exchange of Hong Kong Limited during the period under review.

AUDIT COMMITTEE

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

The interim results of the Group for the period under review had been reviewed by the audit committee.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange throughout the six months ended 30 September 2004, save and except that the non-executive directors of the Company are not appointed for specific terms but they are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

On behalf of the Board

Ng Wai Fong

Chairperson

Hong Kong, 30 December 2004

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the period ended 30 September 2004

	Notes	Unaudited Six months ended 30 September	
		2004 HK\$'000	2003 HK\$'000
TURNOVER	2, 3	54,419	42,693
Cost of sales		(50,966)	(39,625)
Gross profit		3,453	3,068
Other revenue		137	832
Write back of overprovision		1,750	–
Selling and distribution costs		(1,083)	(1,589)
General and administrative expenses		(6,288)	(5,608)
LOSS FROM OPERATING ACTIVITIES		(2,031)	(3,297)
Finance costs	5	(698)	(247)
LOSS BEFORE TAXATION	4	(2,729)	(3,544)
Taxation	6	–	–
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS	2	(2,729)	(3,544)
LOSS PER SHARE	7		(Restated)
Basic		1.5 cent	3.6 cent
Diluted		0.05 cent	3.6 cent

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2004

	Notes	Unaudited Six months ended 30 September	
		2004 HK\$'000	2003 HK\$'000
At 1 April		136,634	114,499
Net loss for the period		(2,729)	(3,544)
Issue of new shares, net of out-goings		–	10,030
Shares issued for conversion of convertible notes	10, 11	1,400	20,500
At 30 September		135,305	141,485

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2004

		30 September 2004 (Unaudited) HK\$'000	31 March 2004 (Audited) HK\$'000
	<i>Notes</i>		
ASSETS			
Non-current assets			
Fixed assets		157,760	155,800
Current assets			
Inventories		13,212	10,920
Trade receivables	8	17,927	11,899
Prepayments and other receivables		762	665
Bank and cash balances		10,369	23,705
		42,270	47,189
Current liabilities			
Trade and other payables	9	26,950	22,063
Provision for losses		-	1,600
		26,950	23,663
Net current assets		15,320	23,526
Non-current liabilities			
Long term borrowings		24,575	28,092
Convertible notes	10	13,200	14,600
		37,775	42,692
NET ASSETS		135,305	136,634
CAPITAL AND RESERVES			
Share capital	11	201	71
Reserves		135,104	136,563
SHAREHOLDERS' FUNDS		135,305	136,634

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2004

	Unaudited Six months ended 30 September	
	2004 HK\$'000	2003 HK\$'000
Net cash outflow from operating activities	(4,165)	(15,607)
Net cash outflow from investing activities	(5,654)	(13,893)
Net cash outflow before financing	(9,819)	(29,500)
Net cash (outflow)/inflow from financing	(3,517)	22,492
Decrease in cash and cash equivalents	(13,336)	(7,008)
Cash and cash equivalents at beginning of the period	23,705	10,789
Cash and cash equivalents at end of the period represented by cash and bank balances	10,369	3,781

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 September 2004

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim results for the six months ended 30 September 2004 have been prepared in accordance with SSAP No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Listing Rules.

The accounting policies adopted and methods of computation used in the preparation of the interim report are consistent with those used in the Group's annual financial statements for the year ended 31 March 2004.

2. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the LCD products segment consisted of the manufacture and sale of LCD and LCD modules; and
- (b) the LCD consumer products segment consists of the manufacture and sale of electronic consumer products.

In determining the Group's geographical segment, turnover and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on their locations.

(a) Business segments

The following tables present turnover, results, asset and liability information for the Group's business segments.

Group	LCD products		LCD consumer products		Consolidated	
	Unaudited		Unaudited		Unaudited	
	Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment turnover	<u>35,537</u>	<u>37,704</u>	<u>18,882</u>	<u>4,989</u>	<u>54,419</u>	<u>42,693</u>
Segment results	<u>(3,117)</u>	<u>(3,230)</u>	<u>(801)</u>	<u>(899)</u>	<u>(3,918)</u>	<u>(4,129)</u>
Other revenue					137	832
Write back of overprovision					<u>1,750</u>	<u>-</u>
Loss from operating activities					<u>(2,031)</u>	<u>(3,297)</u>
Finance costs					<u>(698)</u>	<u>(247)</u>
Loss before taxation					<u>(2,729)</u>	<u>(3,544)</u>
Taxation					<u>-</u>	<u>-</u>
Loss attributable to shareholders					<u>(2,729)</u>	<u>(3,544)</u>

Group	LCD products		LCD consumer products		Eliminations		Consolidated	
	30 September	31 March	30 September	31 March	30 September	31 March	30 September	31 March
	2004	2004	2004	2004	2004	2004	2004	2004
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment assets	<u>133,743</u>	<u>128,683</u>	<u>66,251</u>	<u>60,084</u>	<u>(383)</u>	<u>(383)</u>	<u>199,611</u>	<u>188,384</u>
Unallocated corporate assets							<u>419</u>	<u>14,605</u>
Consolidated total assets							<u>200,030</u>	<u>202,989</u>
Segment liabilities	<u>26,858</u>	<u>29,100</u>	<u>21,150</u>	<u>16,895</u>	<u>(383)</u>	<u>(383)</u>	<u>47,625</u>	<u>45,612</u>
Unallocated corporate liabilities							<u>17,100</u>	<u>20,743</u>
Consolidated total liabilities							<u>64,725</u>	<u>66,355</u>

(b) Geographical segments

No geographical segmental information was disclosed as the Group's turnover and results are attributable mainly from Asia based customers, while the assets and capital expenditures are mainly in the PRC.

3. TURNOVER

Turnover represents the invoiced value of goods sold during the period and net of trade discounts and returns.

4. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Unaudited	
	Six months ended	
	30 September	
	2004	2003
	HK\$'000	HK\$'000
Cost of sales	50,966	39,625
Depreciation	3,694	2,128
Operating lease rentals in respect of land and buildings	784	752
Staff costs	3,250	3,272

5. FINANCE COSTS

	Unaudited	
	Six months ended	
	30 September	
	2004	2003
	HK\$'000	HK\$'000
Interests	698	247

6. TAXATION

No provision for Hong Kong profits tax and overseas tax have been made as the Group did not have any assessable profits for the period.

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the Group's unaudited net loss attributable to shareholders for the six months ended 30 September 2004 of HK\$2,729,000 (2003: net loss of HK\$3,544,000) and the weighted average number of 176,735,221 shares (2003: 98,577,142 shares adjusted to reflect the bonus issue of shares during the period).

The calculation of the diluted loss per share is based on the Group's unaudited net loss attributable to shareholders for the six months ended 30 September 2004 of HK\$2,729,000 (2003: net loss of HK\$3,544,000) and the weighted average number of 5,006,207,551 shares (2003: 99,407,060 shares adjusted to reflect the bonus issue of shares during the period).

8. TRADE RECEIVABLES

The Group allows an average credit period of 30 days to 60 days to its trade customers. An aged analysis of trade receivables is as follows:

	30 September 2004 (Unaudited) HK\$'000	31 March 2004 (Audited) HK\$'000
Trade receivables		
Current – 30 days	9,975	6,145
31 – 60 days	3,248	3,878
61 – 90 days	3,105	550
Over 90 days	1,599	1,326
	17,927	11,899

9. TRADE AND OTHER PAYABLES

An aged analysis of trade payables is as follows:

	30 September 2004 (Unaudited) HK\$'000	31 March 2004 (Audited) HK\$'000
Trade payables		
Current – 30 days	11,623	4,712
31 – 60 days	1,134	4,125
61 – 90 days	3,049	547
Over 90 days	2,750	3,573
	18,556	12,957
Other payables	8,394	9,106
	26,950	22,063

10. CONVERTIBLE NOTES

During the period under review, the amount of HK\$1,400,000 convertible notes were converted into shares.

11. SHARE CAPITAL

	<i>Notes</i>	Number of shares	Amount HK\$
AUTHORISED			
Ordinary shares of HK\$0.001 each			
at 30 September 2004 and			
31 March 2004		<u>40,000,000,000</u>	<u>40,000,000</u>
ISSUED AND FULLY PAID			
At 1 April 2004			
Ordinary shares of HK\$0.001 each		71,409,600	71,410
Conversion of the convertible notes	10	29,070,875	29,071
Issue of bonus shares		<u>100,480,475</u>	<u>100,480</u>
At 30 September 2004			
Ordinary shares of HK\$0.001 each		<u>200,960,950</u>	<u>200,961</u>

During the period, the following movements in share capital were recorded:

(i) Conversion of the convertible notes

29,070,875 shares of HK\$0.001 each were issued pursuant to the conversion of the balance of HK\$1,400,000 convertible notes.

(ii) Issue of bonus shares

100,480,475 shares of HK\$0.001 each were issued on the basis of one bonus share for every one existing share then held by the shareholders.

12. EVENTS AFTER THE BALANCE SHEET DATE

On 30 November 2004, the Company entered into a subscription agreement with Greek Mythology (Macau) Entertainment Group Limited (“Greek Mythology”) for the subscription of shares in Greek Mythology representing 8% of the existing issued share capital or 7.41% of the issued share capital of Greek Mythology (as enlarged thereby) at a consideration of HK\$640,000,000, which shall be satisfied by the issue of convertible notes by the Company.

On the other hand, Greek Mythology will grant to the Company and the Company will grant to Greek Mythology option to require Greek Mythology to issue or the Company to subscribe additional shares in Greek Mythology representing 8% of the existing issued share capital or 6.9% of the issued share capital of Greek Mythology (as enlarged thereby) at a consideration of HK\$640,000,000, which shall be satisfied by the issue of convertible notes by the Company.

The aggregate consideration for the subscription shares and the option shares is HK\$1,280,000,000.