



A-Max Holdings Limited

(Incorporated in Bermuda with limited liability)



Strive for Growth

Interim Report 2005/06

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 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

As at 30 September 2005, the Group had total assets and net assets of approximately HK\$1,469.0 million (31 March 2005: HK\$1,471.2 million) and HK\$1,399.4 million (31 March 2005: HK\$1,408.5 million) respectively. Consolidated shareholders’ equity as at the period end was approximately HK\$1,399.4 million (31 March 2005: HK\$1,408.5 million). The Directors believe that the existing financial resources are sufficient with the supports from our suppliers and lenders.

The LCD and electronic consumer products business reported an approximately 10% drop in turnover to approximately HK\$49.0 million (2004: HK\$54.4 million) due to keen market competition. On the other hand, 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\$10.4 million (2004: HK\$2.7 million).

As keen market competition has rendered selling 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.

In a bid to reduce fixed manufacturing-related operating costs, the Directors had been considering appropriate cost-reduction measures, including the disposal of certain factory assets and the increased engagement of outsourcing capabilities though the Company has no present plan or in any discussion or negotiation for the disposal of any factory assets.

The Company participates in entertainment business in Macau through its interest in Greek Mythology (Macau) Entertainment Group Corporation Limited (“Greek Mythology”), which saw the opening of its Greek Mythology Casino in Taipa, Macau, in December 2004.

As announced on 8 November 2005, the Company entered into an agreement with Mr. Ng Man Sun, pursuant to which the Company has conditionally agreed to purchase additional 30% interest in Greek Mythology for HK\$2,056,572,380. Such consideration will be satisfied (i) as to HK\$601,850,273 by the issue of 1,074,732,630 shares, at the issue price of HK\$0.56 per share, and (ii) as to the balance of HK\$1,454,722,107 by the issue of a 10-year zero-interest promissory note by the Company. Upon completion of the acquisition, the Company’s interest in Greek Mythology would be increased to approximately 49.9% from 19.9%. As such, Greek Mythology will be accounted for as an associated company, and the Company will be able to share its profits for the first time. Its value will be reflected in our financial statements. However, the acquisition would be subject to the approval of the shareholders.

The integrated casino and entertainment project is being developed in phases. The first phase, which has a total gross floor area of 160,000 square feet and called for an investment of around MOP600 million was completed in December 2004. It has 228 gaming tables and a range of ancillary entertainment and childcare facilities. It also saw significant increase in traffic to over 30,000 visitors daily by the end of the second quarter of 2005. The casino’s business development plan envisages further expansion to 500 gaming tables on an area of 300,000 square feet in the second phase, and a new 38-floor hotel wing will be built to house another 500 gaming tables in the third phase. 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 phases 2 and 3 in 2006 and 2007 respectively.

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.

Liquidity and Financial Resources

During the period under review, the Group had maintained a stable financial position. The Group had total assets and net assets of approximately HK\$1,469.0 million (31 March 2005: HK\$1,471.2 million) and HK\$1,399.4 million (31 March 2005: HK\$1,408.5 million) respectively as at 30 September 2005. Consolidated shareholders' equity as at the period end was approximately HK\$1,399.4 million (31 March 2005: HK\$1,408.5 million).

The gearing ratio as at 30 September 2005, calculated as a ratio of borrowings to shareholders' funds, was approximately 2.6% (31 March 2005: 2.1%).

The Directors believe that existing financial resources are sufficient to cover its existing businesses. As at 30 September 2005, the Group had facilities up to HK\$26 million.

Interim Dividend

The Directors do not recommend any interim dividend for the six months ended 30 September 2005 (2004: Nil).

Employees and Remuneration Policy

As at 30 September 2005, the Group employed a total of approximately 1,100 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, retirement schemes, share option and medical insurance scheme. For the period under review, contributions payable to the retirement schemes amounted to approximately HK\$113,000.

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 low.

Contingent Liabilities

As at 30 September 2005, the Company had no significant contingent liabilities.

DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 September 2005, according to the register of interest kept by the Company under Section 336 of the Securities and Futures Ordinance (the “SFO”) and so far as was known to the Directors, none of the Directors and chief executive of the Company held any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be 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 and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), to be notified to the Company and the Stock Exchange.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate and neither the Directors nor any of their spouses or children under 18 years of age, had any right to subscribe for shares or debt securities of the Company, or had exercised any such rights during the period under review.

SUBSTANTIAL SHAREHOLDER

Save as disclosed below, as at 30 September, 2005, according to the register of interest kept by the Company under Section 336 of the SFO and so far as was known to the Directors, no other person or companies had an interest or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part

XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group:

| Name of shareholder | Capacity | Number of shares held <i>(Note)</i> | Percentage of the issued share capital |
|------------------------------|-------------------------------------|---|---|
| East Legend Holdings Limited | Beneficial owner | 362,946,710 (L) | 9.68% |
| Mr. Ng Man Sun | Interests of controlled corporation | 362,946,710 (L) | 9.68% |

Note: The letter "L" denotes the person's long position in such securities. East Legend Holdings Limited, a company incorporated in the BVI, is ultimately and beneficially owned by Mr. Ng Man Sun.

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

There was no purchase, redemption or sale by the Company nor any of its subsidiaries of the Company's listed securities during the period ended 30 September 2005.

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.

REMUNERATION COMMITTEE

The Company established a remuneration committee with written terms of reference on 24 August 2005 in accordance with the requirements of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The remuneration committee comprises two independent non-executive Directors and one executive Director.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors of the Company have confirmed their compliance with the required standard set out in the Model Code during the period under review.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2005, save and except that the non-executive directors of the Company are not appointed for specific terms but subject to retirement by rotation at the annual general meeting of the Company in accordance with the Bye-laws of the Company. As such, the Directors consider that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less than exacting than those in the Code.

On behalf of the Board
Chan King Ming
Chairman

Hong Kong, 29 December 2005

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT*For the period ended 30 September 2005*

| | | Unaudited | |
|--|--------------|-------------------------|-----------------|
| | | Six months ended | |
| | | 30 September | |
| | | 2005 | 2004 |
| | <i>Notes</i> | HK\$'000 | <i>HK\$'000</i> |
| TURNOVER | 2, 3 | 49,027 | 54,419 |
| Cost of sales | | (52,870) | (50,966) |
| Gross (loss)/profit | | (3,843) | 3,453 |
| Other revenue | | 1,386 | 137 |
| Write back of overprovision | | 1,600 | 1,750 |
| Selling and distribution costs | | (1,631) | (1,083) |
| General and administrative expenses | | (7,225) | (6,288) |
| LOSS FROM OPERATING ACTIVITIES | | (9,713) | (2,031) |
| Finance costs | 5 | (662) | (698) |
| LOSS BEFORE TAXATION | 4 | (10,375) | (2,729) |
| Taxation | 6 | - | - |
| NET LOSS ATTRIBUTABLE TO SHAREHOLDERS | 2 | (10,375) | (2,729) |
| LOSS PER SHARE | 7 | | |
| Basic | | 0.3 cent | 1.5 cent |
| Diluted | | 0.12 cent | 0.05 cent |

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2005

| | Notes | 30 September 2005 (Unaudited) HK\$'000 | 31 March 2005 (Audited) HK\$'000 |
|-----------------------------------|-------|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 148,903 | 151,431 |
| Leasehold land | | 4,591 | 4,644 |
| Long term investment | 9 | 1,281,296 | 1,280,986 |
| | | 1,434,790 | 1,437,061 |
| Current assets | | | |
| Inventories | | 13,168 | 13,919 |
| Trade receivables | 8 | 15,287 | 13,011 |
| Prepayments and other receivables | | 1,087 | 1,105 |
| Bank and cash balances | | 4,675 | 6,072 |
| | | 34,217 | 34,107 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 10 | 30,967 | 28,326 |
| Non-current liabilities | | | |
| Long term borrowings | | 35,850 | 30,131 |
| Convertible notes | 11 | 2,800 | 4,200 |
| | | 38,650 | 34,331 |
| NET ASSETS | | 1,399,390 | 1,408,511 |
| CAPITAL AND RESERVES | | | |
| Share capital | 12 | 3,750 | 2,665 |
| Reserves | | 1,395,640 | 1,405,846 |
| SHAREHOLDERS' FUNDS | | 1,399,390 | 1,408,511 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2005

| | | Unaudited | |
|---|---------------|-------------------------|-----------------|
| | | Six months ended | |
| | | 30 September | |
| | | 2005 | 2004 |
| | <i>Notes</i> | HK\$'000 | <i>HK\$'000</i> |
| As at 1 April | | 1,408,511 | 136,634 |
| Net loss for the period | | (10,375) | (2,729) |
| Shares issued for conversion of convertible notes | <i>11, 12</i> | 1,254 | 1,400 |
| As at 30 September | | 1,399,390 | 135,305 |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 September 2005*

| | Unaudited | |
|---|-------------------------|-----------------|
| | Six months ended | |
| | 30 September | |
| | 2005 | 2004 |
| | HK\$'000 | HK\$'000 |
| Net cash outflow from operating activities | (3,345) | (4,165) |
| Net cash outflow from investing activities | (1,515) | (5,654) |
| Net cash outflow before financing | (4,860) | (9,819) |
| Net cash inflow/(outflow) from financing | 3,463 | (3,517) |
| Decrease in cash and cash equivalents | (1,397) | (13,336) |
| Cash and cash equivalents as at 1 April | 6,072 | 23,705 |
| Cash and cash equivalents as at 30 September represented by cash and bank balances | 4,675 | 10,369 |

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 September 2005

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim accounts have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” and other relevant HKASs and Interpretations, the Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable requirements of Appendix 16 of the Listing Rules.

The condensed interim accounts should be read in conjunction with the annual report for the year ended 31 March 2005.

The accounting policies and methods of computation used in the preparation of the condensed interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2005 except that the Group has changed certain of its accounting policies following its adoption of new or revised HKFRSs and HKASs which are effective for accounting periods beginning on or after 1 January 2005.

The adoption of these new or revised HKFRSs and HKASs however has had no material effect on the Group’s accounting policies except for certain presentation and disclosure of the accounts.

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 | |
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Segment turnover | 33,821 | 35,537 | 15,206 | 18,882 | 49,027 | 54,419 |
| Segment results | (5,974) | (3,117) | (6,725) | (801) | (12,699) | (3,918) |
| Other revenue | | | | | 1,386 | 137 |
| Write back of overprovision | | | | | 1,600 | 1,750 |
| Loss from operating activities | | | | | (9,713) | (2,031) |
| Finance costs | | | | | (662) | (698) |
| Loss before taxation | | | | | (10,375) | (2,729) |
| Taxation | | | | | - | - |
| Loss attributable to shareholders | | | | | (10,375) | (2,729) |

| Group | LCD products | | LCD consumer products | | Consolidated | |
|-----------------------------------|----------------|-----------|-----------------------|-----------|------------------|-----------|
| | 30 September | 31 March | 30 September | 31 March | 30 September | 31 March |
| | 2005 | 2005 | 2005 | 2005 | 2005 | 2005 |
| | (Unaudited) | (Audited) | (Unaudited) | (Audited) | (Unaudited) | (Audited) |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| ASSETS | | | | | | |
| Segment assets | 133,819 | 131,564 | 53,827 | 58,232 | 187,646 | 189,796 |
| Long term investment | | | | | 1,281,296 | 1,280,986 |
| Unallocated corporate assets | | | | | 65 | 386 |
| Consolidated total assets | | | | | 1,469,007 | 1,471,168 |
| LIABILITIES | | | | | | |
| Segment liabilities | 37,710 | 31,971 | 24,894 | 20,037 | 62,604 | 52,008 |
| Unallocated corporate liabilities | | | | | 7,013 | 10,649 |
| Consolidated total liabilities | | | | | 69,617 | 62,657 |

(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 | |
|---|--|-----------------|
| | 2005 | 2004 |
| | HK\$'000 | HK\$'000 |
| Cost of sales | 52,870 | 50,966 |
| Depreciation | 4,096 | 3,694 |
| Operating lease rentals in respect of land and buildings | 691 | 784 |
| Staff costs | 4,485 | 3,250 |
| | <hr/> | <hr/> |

5. FINANCE COSTS

| | Unaudited Six months ended 30 September | |
|-----------|--|-----------------|
| | 2005 | 2004 |
| | HK\$'000 | HK\$'000 |
| Interests | 662 | 698 |
| | <hr/> | <hr/> |

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 2005 of HK\$10,375,000 (2004: HK\$2,729,000) and the weighted average number of 3,727,534,300 shares (2004: 176,735,221 shares).

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 2005 of HK\$10,375,000 (2004: HK\$2,729,000) and the weighted average number of 8,455,143,066 shares (2004: 5,006,207,551 shares).

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 2005 (Unaudited) HK\$'000 | 31 March 2005 (Audited) HK\$'000 |
|-------------------|---|---|
| Current – 30 days | 7,909 | 6,187 |
| 31 – 60 days | 3,404 | 2,104 |
| 61 – 90 days | 1,507 | 1,060 |
| Over 90 days | 2,467 | 3,660 |
| | <u>15,287</u> | <u>13,011</u> |

9. LONG TERM INVESTMENT

| | 30 September 2005 (Unaudited) HK\$'000 | 31 March 2005 (Audited) HK\$'000 |
|---|---|---|
| Investment in Greek Mythology, unlisted | <u>1,281,296</u> | <u>1,280,986</u> |

As at 30 September 2005, the Company's holding in Greek Mythology exceeded 10% of the total assets of the Company.

| Name | Place of incorporation/ operation | Class of shares | Attributable equity interest held by the Company | Principal activities |
|---|--|----------------------------|---|---------------------------------|
| Greek Mythology (Macau) Entertainment Group Corporation Limited | Macau | Ordinary | 19.9% | Gaming and entertainment |

10. TRADE AND OTHER PAYABLES

An aged analysis of trade payables is as follows:

| | 30 September 2005 (Unaudited) HK\$'000 | 31 March 2005 (Audited) HK\$'000 |
|-------------------|---|---|
| Trade payables | | |
| Current – 30 days | 5,463 | 4,016 |
| 31 – 60 days | 7,389 | 5,374 |
| 61 – 90 days | 4,918 | 4,035 |
| Over 90 days | <u>8,249</u> | <u>6,711</u> |
| | 26,019 | 20,136 |
| Other payables | <u>4,948</u> | <u>8,190</u> |
| | <u>30,967</u> | <u>28,326</u> |

11. CONVERTIBLE NOTES

During the period under review, a total of HK\$1,400,000 convertible notes were converted into shares. As at 30 September, 2005, convertible notes amounted to HK\$2,800,000 were outstanding.

12. SHARE CAPITAL

| | <i>Note</i> | Number of shares | Amount HK\$'000 |
|--|-------------|-----------------------------|----------------------------|
| AUTHORISED | | | |
| Ordinary shares of HK\$0.001 each | | | |
| As at 31 March 2005 and 30 September 2005 | | 40,000,000,000 | 40,000 |
| ISSUED AND FULLY PAID | | | |
| As at 1 April 2005 | | 2,664,838,010 | 2,665 |
| Conversion of the convertible notes | 11 | 1,084,856,676 | 1,085 |
| As at 30 September 2005 | | 3,749,694,686 | 3,750 |

13. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date, the Company announced on 8 November 2005 that it had entered into an agreement with Mr. Ng Man Sun, pursuant to which the Company has conditionally agreed to purchase additional 30% interest in Greek Mythology for HK\$2,056,572,380. Such consideration will be satisfied (i) as to HK\$601,850,273 by the issue of 1,074,732,630 shares, at the issue price of HK\$0.56 per share, and (ii) as to the balance of HK\$1,454,722,107 by the issue of a 10-year zero-interest promissory note by the Company. Upon completion of the acquisition, the Company's interest in Greek Mythology would be increased to approximately 49.9% from 19.9%. However, the acquisition would be subject to the approval of the shareholders.