AMAX INTERNATIONAL HOLDINGS LIMITED
奧瑪仕國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 959)

FURTHER INFORMATION AND SUPPLEMENTAL AGREEMENT REGARDING THE ACQUISITION OF 100% EQUITY INTERESTS INEXPLICABLY GRAND INVESTMENTS LIMITED INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

Reference is made to the announcement (the "**Previous Announcement**") of Amax International Holdings Limited (the "**Company**") dated 18 July 2017 in relation to the Sale and Purchase Agreement on the Acquisition. Terms defined in the Previous Announcement shall have the same meanings when used herein unless the context requires otherwise.

THE SUPPLEMENTAL AGREEMENT

Upon further arm's length negotiations, the Board announces that on 15 August 2017 (after trading hours of the Stock Exchange), the Purchaser, the Vendors and the Target Company entered into a supplemental agreement (the "**Supplemental Agreement**") to amend certain terms and conditions of the Sale and Purchase Agreement. Principal terms of the Supplemental Agreement are summarised as follows:

Net Profit Guarantee

Pursuant to the Supplemental Agreement, the Vendors undertakes and guarantees to the Company that the net profit after taxation of the Target Group and excluding extra-ordinary items, one-off item, any amounts received or written back for debt or any other provisions for the year ending 31 March 2018 (the "**FY2018 Net Profit**") will be no less than HK$4.91 million in accordance with generally accepted accounting principles in Hong Kong. In the event that the FY2018 Net Profit is less than HK$4.91 million, the Vendor shall indemnify to the Purchaser a compensation amount (the "**2018 Compensation Amount**"), which shall be calculated in the following manner:

Z = (A-B)/A x HK$14,500,000
Z = the 2018 Compensation Amount;
A = HK$4.91 million; and
B = FY2018 Net Profit.

For the avoidance of doubt, if the Target Company records consolidated net loss, the FY2018 Net Profit shall be deemed to be zero (0).

The 2018 Compensation Amount shall be settled in cash and shall be compensated by each of the Vendors as to 50% by Gorgeous Smart and 50% by New Sphere within six months after the production of the audited financial statement of the Target Group for the year ending 31 March 2018.

The FY2018 Net Profit shall be determined according to the audited consolidated financial statements of the Target Group audited by the Company's auditor within two (2) months after the guaranteed period or any other date as mutually agreed.

Performance Guarantee

Pursuant to the Supplemental Agreement, the Vendors undertakes and guarantees to the Company that the aggregate value of the legally-binding contracts the Target Group entered into during the period from 1 April 2018 to 31 March 2019 will not be less than HK$6 million which shall be verified by the Company's legal advisor. In the event that the value of the contracts the Target Group entered into during the period from 1 April 2018 to 31 March 2019 is less than HK$6 million, the Vendor shall indemnify to the Purchaser a compensation amount (the "**2019 Compensation Amount**") to the Purchaser, which shall be calculated in the following manner:

Z = (A-B)/A x HK$6,000,000
Z = the 2019 Compensation Amount;
A = HK$6 million; and
B = value of the contracts the Target Group entered into during the period from 1 April 2018 to 31 March 2019

The 2019 Compensation Amount shall be settled in cash and shall be compensated by each of the Vendors as to 50% by Gorgeous smart and 50% by New Sphere within six months after the production of the audited financial statement of the Target Group for the year ending 31 March 2019.

Save as expressly modified in the Supplemental Agreement, all other terms and conditions of the Sales and Purchase Agreement remain unchanged and in full force and effect.

The Company will by way of formal announcement and in the upcoming annual reports updates the Shareholders and potential investors (i) whether the 2018 Guaranteed Profit and the 2019 Guaranteed Performance has been met; (ii) the business performance of the Target Group; and (iii) where either the 2018 Guaranteed Profit and/or the 2019 Guaranteed Performance are not met, how the Company would enforce the obligations of the Vendors under the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement).

Upon further negotiations between the Group and the Vendors after the entering into of the Sale and Purchase Agreement, the Vendors are willing to provide the (i) the 2018 Guaranteed Profit; and (ii) the 2019 Guaranteed Performance, which is not a mandatory term for the Acquisition nor a term the parties took into account when entering into the Sale and Purchase Agreement and is the best possible term the Vendors are willing to offer to the Company without the Company incurring any extra costs. As the Company is not required to incur any extra costs in view of the guarantees provided by the Vendors, such as adjustments to the Consideration and payment terms in favour of the Vendors, the Company accepted the offer from the Vendors and entered into the Supplemental Agreement.

FURTHER INFORMATION REGARDING THE ACQUISITION OF 100% EQUITY INTERESTS IN EXPLICITLY GRAND INVESTMENTS LIMITED

On 8 August 2017, the Company received a letter from the legal representative of Shen Nan (Macao) Investment Co., Ltd. (申楠(澳門)投資有限公司), a substantial Shareholder holding 67,743,000 Shares, representing approximately 11% of the total issued share capital of the Company as at the date of this announcement, raising certain concerns (the "**Concerns**") regarding the Acquisition and request for further information in connection of the Acquisition. The Concerns are summarized as below:

1. No apparent commercial reasons for the Acquisition;

2. Legitimacy on the operations of casino gambling with AR/VR technology; and

3. Limited Information available for Shareholders to make an informed assessment on the Acquisition

The Board would like to clarify and supplement that:

1. No apparent commercial reasons for the Acquisition

The Acquisition is highly speculative as it is an investment in an infant business without a proven track record

Set out below is the summary of the key financial data of the Target Group based on the unaudited consolidated financial statements of the Target Group for the financial years ended 31 March 2016 and 31 March 2017 and for the three months ended 30 June 2017 which were prepared in accordance with generally accepted accounting principles in Hong Kong as provided by the management of the Target Group:

HK$'000	**For the year ended 31 March 2016** (unaudited)	**For the year ended 31 March 2017** (unaudited)	**For the three months ended 30 June 2017** (unaudited)
Revenues	53.5	1,405.6	2,246.5
Net (loss)/profit before taxation	(1,132.6)	(66.7)	1,785.5
Net (loss)/profit after taxation	(1,132.6)	(66.7)	1,490.9

For the past two years, the Target Group was at the early stage of development to formulate business strategy and identify target customers. Majority of the expenses was incurred to (i) research and analyses on the trend of the mobile apps industry; (ii) develop demos of mobile applications; and (iii) marketing expenses to promote Mostcore into the industry. Upon numerous negotiations and communications with potential clients, testing and modification of IT resolutions to potential clients, the Target Group started to successfully obtained contracts from certain targeted clients including certain famous clients such as SHK Properties, Maxim's Group and Haier Electronics.

As at the date of this announcement, the Target Group has 12 staff. As advised by the management of the Target Group, revenue and client orders are experiencing high growth in the recent year as the VR/AR technology and related applications are growing rapidly as indicated by a number of third-party market research institutions, revenue of the Target Group has jumped enormously from approximately HK$53,500 for the year ended 31 March 2016 to approximately HK$1.41 million for the year ended 31 March 2017. Since July 2016 up to and including the date of this announcement, the Target Group has entered into (i) 10 service contracts with 9 customers (the "**Secured Engagements**") with total contact sum of over HK$7 million; and (ii) 2 letters of intent with 2 potential customers with potential contract sum of HK$1.6 million. Among the Secured Engagements, (i) 7 of which had been completed as at the date of this announcement with recognized revenue of approximately HK$2.2 million; and (ii) 3 of which are under development and progress revenue of approximately HK$1.10 million was recognized as at the date of this announcement. Outstanding contract sum to be completed amounted to over HK$4 million.

Despite the limited track record of the Target Group, the Directors have balanced against the fact that:

(a) majority of the technology companies tend to incur losses during their initial stage of development before generating any profit as they focus on building up their market shares and developing new sources of revenue, as it was the case with the Target Group that majority of expenses incurred were related to research and development since commencement of operations;

(b) it is the intention of the Company to retain senior management of the Target Group to oversee the operation and management of the Target Group after the Completion;

(c) The financial performance of the Target Group has improved for the 3 months ended 30 June 2017. According to the management accounts of the Target Group for the three months ended 30 June 2017, the Target Group recorded (i) revenue of approximately HK$2.3 million; and (ii) net profit after taxation of approximately HK$1.5 million; and

(d) the provision of the 2018 Guaranteed Profit, the 2019 Guaranteed Performance and the 5-year undertakings by the Vendors and key personnels of the Target Group showing a sign of confidence from them towards the Target Group's business prospects and the willingness to work with the Company in the long run.

In addition, the Acquisition does not require immediate material cash outlay as the Consideration is to be satisfied by the allotment and issue of the Consideration Shares and the Promissory Notes.

Based on the above factors, *inter alia*, (i) the Secured Engagements; (ii) the provision of the 2018 Guaranteed Profit, the 2019 Guaranteed Performance and the 5-years undertakings by the Vendors and/or key personnels; (iii) the positive earnings recorded for the three months ended 30 June 2017, the Board is of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

The Consideration of HK$63,500,000 for a loss-making and speculative investment is unjustifiable and the Valuation model of the Target Group is highly aggressive and questionable

The Consideration was arrived at after arm's length negotiations between the parties to the Sale and Purchase Agreement after taking into account, among others, (i) the growing popularity of virtual reality ("**VR**") and augmented reality ("**AR**"); (ii) the future business prospects of mobile and digital industries; and (iii) the valuation (the "**Valuation**") of the Target Group of HK$64,400,000 as at 30 April 2017 prepared by the Independent Valuer adopting market approach.

The management of the Company understands that the Independent Valuer has considered but did not adopt other valuation methods such as discounted cash flow method and asset-based method. As revenue derived from the Target Group is in general on project basis and non-recurring in nature, adopting discounted cash flow method is subject to limitation on the application of assumptions, cash flow projection and discount rate; while the value of the Target Group is not heavily asset-based and its operation has been generating positive earnings, hence asset-based valuation approach is not appropriate. On the other hand, given (i) the Target Group has secured several legal binding contracts with a total contract sum of over HK$7 million with customers; (ii) the Vendors have provided the 2018 Guaranteed Profit; (iii) the Target Group recorded profit after taxation of approximately HK$1.5 million for the three months ended 30 June 2017; (iv) the Board considered that it is justifiable for Mostcore to achieve a profit of HK$4.91 million for the year ending 31 March 2018; and (v) the Independent Valuer had adopted a 25% lack of marketability discount to account for the fact that the Target Group are private companies, the Board is of the view that conducting valuation by referencing to the price-earnings multiples of the comparables as a whole would provide a general reference to the valuation multiples of listed companies in similar business, and thus the management considered that to be fair and reasonable reference in this regard.

After discussed with the Independent Valuer, the Board was given to understand that the reason of Hong Kong public companies being selected as comparables is mainly due to (i) the location of principal business of the Target Group; and (ii) the location of stock exchange on which the acquirer is listed. First and foremost, the Target Group's location of business is Hong Kong and so does the comparable companies; secondly since the Company is listed in Hong Kong, it should exhibit similar investing preference or sharing the same investment habitat which could be reflected in their respective P/E multiples; as such the multiple of public companies listed on the Stock Exchange would be a relatively preferable proxy for this pricing exercise. The selection criteria of comparable companies, as such, would be to firstly locate all stocks listed on the Stock

Exchange and to locate the industry sector i.e. Application software sector (the "**Application Software Sector**") which matches with the Target Group's business sector and since slight differences would be exhibited among companies in the same sector, there would be a further screening according to the business nature of various business lines of the Target Group.

The selected data would inevitably tend to relatively "large-sized" companies since those large-sized players worth market's attention and are closely monitored by equity analysts, therefore forecasted earnings could be available. The Board concurs with the Independent Valuer that if taking out the extreme comparable due to its distortion for this analysis of hypothesis and for this purpose only, the hypothesis that there would be a relationship between market capitalization and P/E value is even more unestablished. In terms of data and its statistics of the final data set, the range of forward P/E in the Application software Sector has a minimum of 11 and maximum of 39.7, the mean is 22.04 while the median is 17.5. If taken out the extreme's data which has the largest market capitalization, the median P/E would be 17 and the difference might probably be immaterial in most cases. Furthermore, the resulting forward P/E, i.e. 17.5 is in effective lying between the first quartile (14.758) and its mean (22.04). After deducting the 25% Discount of Lack of Marketability (DLOM), the final P/E is indeed lower than the 1st quartile of the data in concern of the public companies. Therefore, the Board is of the view that it is justifiable to use comparable which are substantially larger than the Target Group.

2. Legitimacy on the operations of casino gambling with AR/VR technology

Upon Completion, the Company nor the Target Group has intention or plan to launch any VR/AR casino games through any land-based casino or online casino.

The Group is principally engaged in investment holdings and investments in high-end niche gaming and entertainment related businesses. The Directors have been continuously evaluating the current business strategies of the Group with an aim to achieve the best use of its resources and improve its overall performance and diversify investment. The Directors believes that the Acquisition would enable the Group to equip with the latest AR/VR technologies and research capabilities upon Completion and in the long run, as part of its strategy to leverage on its expertise in the casino and entertainment business, to seize the opportunity to expand the Group's entertainment business in the AR/VR apps and entertainment platforms. In addition, the Acquisition enables the Company to expand its business to the simulation casino gambling with AR/VR technology. Upon Completion, the Company will be able to obtain synergy and leverage on its expertise in the gaming and entertainment-related businesses to diversify the business of the Company to capture the enormous potentials under the mobile age.

Notwithstanding the Group's intention to explore the new business opportunities, the Group with continue to focus on its existing business.

3. Limited Information available for shareholders to make an informed assessment on the Acquisition

Upon Completion, each of Gorgeous Smart and New Sphere will be interested in 75,000,000 Shares, representing approximately 9.80% of the total issued share capital of the Company as enlarged by the Consideration Shares. As such, none of the Vendors will become a substantial Shareholder after Completion.

To allow Shareholders to have extra information on the Acquisition to make an informed assessment, copies of the following documents are available for inspection during normal business hours at the head office and principal place of business of the Company from the date of the circular (the "**Circular**") in connection with the Aquisition to be despatched up to and including the date of the SGM:

a. the memorandum of association and Bye Laws of the Company;

b. the annual reports of the Company for the three years ended 31 March 2017;

c. audited reports of Mostcore, being the sole operating subsidiary of the Target Group for the two years ended 31 March 2016 and 31 March 2017;

d. unaudited consolidated financial statements of the Target Company for the two years ended 31 March 2016 and 31 March 2017 and for the three months ended 30 June 2017;

e. the valuation report prepared by the Independent Valuer to be set out in the appendix to the Circular; and

f. the Circular.

Based on the above, the Board is of the opinion that the Concerns have been fully addressed and is of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

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

Hong Kong, 15 August 2017

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.