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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)**

**CONNECTED TRANSACTION  
DEED OF SETTLEMENT  
INVOLVING ISSUE OF CONVERTIBLE BONDS UNDER  
SPECIFIC MANDATE**

**THE SECOND DEED**

On 1 March 2018 (after trading hours of the Stock Exchange), the Company entered into the Second Deed with Mr. Ng, pursuant to which the Outstanding Amount will be settled by issuing the Second Convertible Bonds by the Company to Mr. Ng.

**IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Mr. Ng is the Chairman and Chief Executive Officer of the Company and hence a connected person of the Company. As the Company shall issue and deliver the Second Convertible Bonds in favour of Mr. Ng or such other person or entity as Mr. Ng shall nominate, the Second Deed constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and therefore will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed pursuant to the Listing Rules to advise the Independent Shareholders on the Second Deed and the transactions contemplated thereunder. In this connection, an independent financial adviser will be appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders as to whether the Second Deed and the transactions contemplated thereunder are fair and reasonable, and to make recommendation(s) on voting.

## **THE SGM**

The SGM will be convened for the Shareholders to consider and, if thought fit, to approve, among other things, (i) the Second Deed and the transactions contemplated thereunder; and (ii) the grant of the specific mandate. A circular containing, among other things, (i) further information on the Second Deed including the grant of the specific mandate; and (ii) a notice of the SGM and a form of proxy will be despatched to the Shareholders on or around 3 April 2018.

## **WARNING**

**The Shareholders and potential investors should be aware that the Second Deed and the transactions contemplated thereunder are subject to the fulfilment of the conditions precedent under the Second Deed. Accordingly, completion of the settlement under the Second Deed may or may not proceed. SHAREHOLDERS AND POTENTIAL INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SHARES.**

Reference is made to the Announcements of Amax International Holdings Limited dated 29 December 2017, 22 January 2018, 24 January 2018 and 28 February 2018 (the “**Announcements**”) in relation to the entering into of the Deed. Unless otherwise stated, terms defined in the Announcements shall have the same meanings when used herein.

Pursuant to the terms and conditions of the Deed and upon Completion, part of the outstanding amount under PN#27 and PN#32 in the aggregate amount of HK\$85,500,000 will be settled with Ms. Lee and Mr. Wu in accordance with the settlement proposal under the Deed while the remaining outstanding amount under PN#27 and PN#32 in the aggregate sum of HK\$104,500,000 (the “**Outstanding Amount**”) will be due and owing by the Company to Mr. Ng. The total outstanding amount under PN#27 and PN#32 is HK\$190,000,000.

The Company has been negotiating with Mr. Ng for a settlement proposal in respect of the Outstanding Amount concerned. On 1 March 2018 (after trading hours of the Stock Exchange), the Company entered into a deed of settlement (the “**Second Deed**”) with Mr. Ng, pursuant to which the Outstanding Amount will be settled by issuing the convertible bonds (the “**Second Convertible Bonds**”) by the Company to Mr. Ng. Details of the Second Deed and the Second Convertible Bonds are as follow:

## **THE SECOND DEED**

### **Date**

1 March 2018 (after trading hours of the Stock Exchange)

### **Parties**

- (i) the Company; and
- (ii) Mr. Ng

### **Conditions precedent under the Second Deed**

The Second Deed is subject to and conditional upon:

- (a) all necessary resolutions of the Company having been passed at a special general meeting of Company to approve the Second Deed and the transactions contemplated hereunder, including the issue of the Second Convertible Bonds and the allotment and issue of the conversion shares upon conversion of the Second Convertible Bonds (the “**Second Conversion Shares**”);
- (b) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Second Conversion Shares; and
- (c) the Deed having completed.

None of the above conditions is waivable. If the conditions (a), (b) and (c) are not fulfilled within a period of nine (9) months from the date of the Second Deed or such other date as may be agreed by the Company and Mr. Ng in writing, the Second Deed shall be void and of no further effect and the Company shall further negotiate with Mr. Ng on the repayment of the Outstanding Amount.

### **Completion**

Completion shall take place on the seventh (7) Business Day following the fulfillment of all conditions precedent set out above.

## PRINCIPAL TERMS OF THE SECOND CONVERTIBLE BONDS

- Issuer : the Company
- Principal amount : HK\$104,500,000
- Maturity date : the last Business Day of the period of twelve calendar months from the date of issue of the Second Convertible Bonds (the “**Maturity Date**”)
- Interest : the Second Convertible Bonds will be interest free
- Second conversion price : the price per Share shall be the closing market price per Share quoted on the Stock Exchange on the execution date of the Second Deed and discounted at a rate of not more than 15% (the “**Second Conversion Price**”)
- Second Conversion Shares : a maximum of 348,333,333 Second Conversion Shares to be issued under the specific mandate of the Company
- Conversion period : the period commencing on the date of issue of the Second Convertible Bonds and expiring on the Maturity Date (the “**Conversion Period**”)
- Conversion rights : holder(s) of the Second Convertible Bonds (the “**Second Bonds Holder(s)**”) will have the right to convert the Second Convertible Bonds in whole or in part (in an integral multiple of HK\$500,000) of the outstanding principal amount of the Second Convertible Bonds on any Business Day during the Conversion Period.

Conversion right of the Second Convertible Bonds shall not be exercised by the Second Bonds Holder(s) if:

- i. the Second Bonds Holder(s) and parties acting in concert with it will directly or indirectly control or be interested in such percentage of voting rights of the Company which the Second Bonds Holder(s) would be obliged to make a general offer under the Takeovers Code;
- ii. the Company will be unable to meet the public float requirements under the Listing Rules; or
- iii. the Second Bonds Holder(s) or the Company will as a result of the issue of the relevant Second Conversion Shares be in breach of the Listing Rules, the Takeovers Code or applicable laws or regulations.

- Transferability : the Second Convertible Bonds will be freely transferable to third party and any transfer of the Second Convertible Bonds may be effected in denominations of HK\$500,000. Unless fully comply with relevant requirements under the Listing Rules, the Second Convertible Bonds cannot be transferred to a connected person (as defined in the Listing Rules) if necessary
- Voting rights : Second Bonds Holder(s) are not entitled to vote at any general meetings of the Company by reason only of it being a holder of such Second Convertible Bonds
- Listing : no listing will be sought for the Second Convertible Bonds on the Stock Exchange or any other stock exchange. However, an application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in, the Second Conversion Shares
- Ranking : the Second Conversion Shares shall rank *pari passu* with the Shares in issue on the conversion date, except that they shall not be entitled to receive any dividend, distribution or entitlement declared, paid or made by reference to a record date prior to the conversion date
- Early redemption : the Company is not entitled to redeem all or part of the Second Convertible Bonds before the Maturity Date
- Anti-dilution : the conversion price of the Second Convertible Bonds shall from time to time be adjusted upon the occurrence of following events in relation to the Company:
- i. consolidation or sub-division;
  - ii. capitalization of profits or reserves;
  - iii. capital distributions;
  - iv. rights issue of Shares or options over Shares etc;
  - v. rights issue of other securities of the Company; and
  - vi. issue at a price of less than 80% of the prevailing market price

## **The Second Conversion Price**

As at the date of the Second Deed, the closing market price per share of the Company at the Stock Exchange is HK\$0.325, thus, the proposed Second Conversion Price is HK\$0.30. The Second Conversion Price per Second Conversion Share was arrived at after arm's length negotiation between the Company and Mr. Ng with reference to, among other things, (i) the audited consolidated net asset value per share of the Company as at 31 March 2017 (being approximately HK\$0.408); and (ii) weak performance of trading price in the Shares that the closing price of the Shares as at the execution date of the Second Deed being HK\$0.325 per Share represents a drop of over 40% when comparing to that of the 52 week high being HK\$0.58 per Share.

The Second Conversion Price of HK\$0.30 per Second Conversion Share represents:

- (i) a discount of approximately 7.69% to the closing price of HK\$0.325 per Share as quoted on the Stock Exchange as at the date of the Second Deed;
- (ii) a discount of approximately 9.64% to the average closing price of approximately HK\$0.332 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the preceding date of the Second Deed; and
- (iii) a discount of approximately 26.47% to the audited net asset value of approximately HK\$0.408 per Share as at 31 March 2017 (based on the audited consolidated net assets of the Group attributable to its Shareholders of approximately HK\$332.9 million as at 31 March 2017 as shown in the Company's annual report for the year ended 31 March 2017 and 815,530,039 Shares in issue as at the date of this announcement).

## **The Second Conversion Shares**

As at the date of the Second Deed, assuming full conversion of the Second Convertible Bonds at the Second Conversion Price of HK\$0.30 per Second Conversion Share, the Second Convertible Bonds will be convertible into a maximum of 348,333,333 Second Conversion Shares. The Second Conversion Shares represent: (i) approximately 42.71% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 29.93% of the issued share capital of the Company as enlarged by the allotment and issue of the Second Conversion Shares assuming the conversion rights attaching to the Second Convertible Bonds are exercised in full.

The Second Conversion Shares will be allotted and issued under a specific mandate to be sought for approval from the Independent Shareholders at a special general meeting of the Company (the "SGM").

## REASONS FOR AND BENEFITS OF THE DEED OF SETTLEMENT

According to the annual report of the Company for the year ended 31 March 2017, the Group recorded revenue of approximately HK\$11,401,000 and loss for the period was approximately HK\$989 million. As at 31 March 2017, the Group had approximately HK\$1,175,000 cash and bank balances and approximately HK\$207 million total liabilities and the Promissory Notes, which were already due on 22 March 2016 and 18 September 2016 respectively, alone accounted for over 91.7%.

The Group's estimated general working capital requirements for the next 12 months amount to around HK\$47,000,000. Given the tight financial position of the Group, the Group is unable to borrow funds from banks and other financial institutions. There is no underwriter willing to conduct any fund raising exercises for the Group. Further, the Group understands that rights issues and open offers are under the scrutiny of SFC and the Stock Exchange, the Directors expect that the procedures for conducting such fund raising exercises will be more time consuming and burdensome. As such, similar fund raising exercises will be unable to fulfill the Group's imminent needs for repayment of the Outstanding Amount. The Directors also considered utilizing the existing general mandate of 77,906,007 Shares. Nevertheless, the recent weak trading performance of the Shares and the possible proceeds from utilizing the available general mandate is insufficient to settle the Outstanding Amount. Furthermore, the Second Deed is subject to Independent Shareholders' approval at the SGM which will allow the Independent Shareholders to participate in the Company's affairs. Therefore, the Directors are of the view that the Second Deed is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### Fund raising activities in the past twelve months

The following table summaries the capital raising activity of the Company for the twelve months immediately before the date of this announcement:

<b>Date of initial announcement</b>	<b>Description</b>	<b>Net proceeds</b>	<b>Intended use of proceeds</b>
24 May 2017	Placing of existing Shares and top-up subscription of new Shares	HK\$6.80 million	General working capital and investment

**Actual use of proceeds as at the date of this announcement:**

<b>Items</b>	<b>HK\$ (million)</b>
Staff salaries and Directors fees	1.43
Rental and operating expenses	2.72
Legal and professional fees	0.97
Investment in Vanuatu gaming business	<u>1.68</u>
<b>Total</b>	<b><u><u>6.80</u></u></b>

<b>Date of initial announcement</b>	<b>Description</b>	<b>Net proceeds</b>	<b>Intended use of proceeds</b>
6 September 2017	Placing of existing Shares and top-up subscription of new Shares	HK\$5.31 million	General working capital and investment

**Actual use of proceeds as at the date of this announcement:**

<b>Items</b>	<b>HK\$ (million)</b>
Staff salaries and Directors fees	0.72
Rental and operating expenses	1.30
Legal and professional fees	0.77
Investment in Vanuatu gaming business	<u>2.52</u>
<b>Total</b>	<b><u><u>5.31</u></u></b>

<b>Date of initial announcement</b>	<b>Description</b>	<b>Net proceeds</b>	<b>Intended use of proceeds</b>
28 September 2017	Placing of existing Shares and top-up subscription of new Shares	HK\$10.30 million	General working capital and investment



**Actual use of proceeds as at the date of this announcement:**

<b>Items</b>	<b>HK\$</b> <i>(million)</i>
Settlement of payables	1.50
Staff salaries and Directors fees	2.14
Rental and operating expenses	3.01
Legal and professional fees	2.25
Investment in Vanuatu gaming business	<u>1.40</u>
<b>Total</b>	<u><u>10.30</u></u>

**CHANGE OF SHAREHOLDING STRUCTURE**

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the shareholding structure of the Company (for illustration purpose only) as at (i) the date of this announcement; (ii) after the allotment and issue of the Second Conversion Shares upon full conversion of the Second Convertible Bonds are set out below (assume there is no other change in the share capital of the Company):

	<b>As at the date of this announcement</b>		<b>Immediately after issue and full conversion of Second Convertible Bonds into Second Conversion Shares</b>	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Mr. Ng Man Sun ( <i>Note 1</i> )	57,468,626	7.05	405,801,959	34.87
				<i>(Note 2)</i>
Mr. Huang Wei Qiang	86,900,000	10.66	86,900,000	7.47
Ms. Cheng Wai Man	75,000,000	9.20	75,000,000	6.44
Mr. Wong Kam Wah	61,000,000	7.48	61,000,000	5.24
Public	<u>535,161,413</u>	<u>65.61</u>	<u>535,161,413</u>	<u>45.98</u>
	<u><u>815,530,039</u></u>	<u><u>100.00</u></u>	<u><u>1,163,863,372</u></u>	<u><u>100.00</u></u>

*Note:*

1. Mr. Ng Man Sun is the substantial shareholder, chairman, chief executive officer and executive Director of the Company.

2. The above shareholding effect of Mr. Ng is for illustration purpose only and does not indicate or imply any intention or decision on the part of Mr. Ng as to the timing or extent of conversion of the Second Convertible Bonds. The relevant parties will observe and comply with the terms and conditions of the Second Convertible Bonds, in particular, restriction provisions on conversion rights of the Second Convertible Bonds, in connection with the conversion of the Second Convertible Bonds if and when it takes place.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Mr. Ng is the Chairman and Chief Executive Officer of the Company and hence a connected person of the Company. As the Company shall issue and deliver the Second Convertible Bonds in favour of Mr. Ng or such other person or entity as Mr. Ng shall nominate, the Second Deed constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and therefore will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed pursuant to the Listing Rules to advise the Independent Shareholders on the Second Deed and the transactions contemplated thereunder. In this connection, an independent financial adviser will be appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders as to whether the Second Deed and the transactions contemplated thereunder are fair and reasonable, and to make recommendation(s) on voting.

## **THE SGM**

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*In this announcement, unless the context otherwise requires, the terms “associate(s)”, “close associate(s)”, “connected person(s)”, “connected transaction(s)”, “controlling shareholder(s)”, “subsidiary(ies)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.*

*Certain amounts and percentage figures set out in this announcement have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables and the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.*

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

Hong Kong, 1 March 2018

*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.*