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# AMAX

## Holdings Limited

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### 奧瑪仕控股有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 959)**

**DISCLOSEABLE TRANSACTION:  
PROPOSED ACQUISITION OF 60% EQUITY INTEREST OF  
A LOTTERY DISTRIBUTION NETWORK & RELATED SERVICES  
SUPPORT PROJECT IN GUANGXI, THE PRC**

The Company is pleased to announce that after arm's length negotiations between the relevant parties, on 30 September 2010, the Purchaser, a wholly owned subsidiary of the Company, entered into the Agreement with the Vendor in relation to the Possible Acquisition.

Upon completion of the Reorganisation, the Target will, with the Original Project Holder, establish the PRC Company in Guangxi, the PRC and the PRC Company will carry out the Project in Guangxi, the PRC. The Project is a high-end social welfare lottery distribution network and related service provision project involving the provision of software, hardware, transmission network and distribution marketing service to Guangxi Welfare Lottery Authority.

The entering into of the Agreement constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

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## **THE AGREEMENT**

**Date:** 30 September 2010

**Parties:** (i) the Purchaser, a company incorporated in Hong Kong and a wholly owned subsidiary of the Company, as the purchaser of the Sale Shares

(ii) the Vendor, a Hong Kong citizen and a merchant

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendor and the Original Project Holder and their respective ultimate beneficial owners (if applicable) are Independent Third Parties and as at the date of this announcement, each of the Vendor and the Original Project Holder and their respective associates do not hold any Shares or other securities in the Company.

The Purchaser is a wholly owned subsidiary of the Company and an investment holding company.

The Vendor intends to hold the Consideration Shares for investment purpose and has no right or intention to nominate or appoint any director to the Board. The Agreement does not confer any rights to the Vendor to nominate or appoint directors to the Board.

### **Assets to be acquired**

Pursuant to the Agreement, the Purchaser shall acquire and the Vendor shall sell the Sale Share. The Sale Share represents the entire issued share capital of the Target.

As at the date of this announcement, the Target does not have any shareholders' loan due and owing to the Vendor. The Vendor shall assign the Sale Loan (if any) owed by the Target to the Vendor in favour of the Purchaser upon Completion.

Upon completion of the Reorganisation, the Target will hold 60% of the registered capital of the PRC Company which will carry out the Project in Guangxi Province, the PRC.

### **Consideration**

The total consideration for the Possible Acquisition is HK\$42,000,000 and shall be settled by the Purchaser in the following manner (or such other manner as the parties to the Agreement may agree):

(i) HK\$8,000,000 will be settled, at the discretion of the Vendor: (i) in cash by the Purchaser; (ii) by the Purchaser procuring the Company to issue and allot up to 51,480,000 Consideration Shares (First Tranche) to the Vendor (or to whom he may direct); and (iii) by the Purchaser in any combination of the above provided that the cash and the value of the Consideration Shares (First Tranche) based on Issue Price (First Tranche) shall be equivalent to HK\$8,000,000 upon Completion provided that the Vendor shall inform the manner of payment 7 working days before Completion; and

- (ii) the remaining balance of HK\$34,000,000 shall be satisfied by the Purchaser procuring the Company to issue and allot up to 257,186,000 Consideration Shares (Second Tranche) at the Issue Price (Second Tranche) to the Vendor (or to whom he may direct) subject to completion of the conditions set out below.

If the following conditions are fulfilled within three years of the Agreement, the Purchaser shall, within 14 days thereafter, procure the Company to issue and allot 257,186,000 Consideration Shares (Second Tranche):

- (a) the obtaining of the approval by Guangxi Welfare Lottery Authority to approve the Project, such approval shall not expire earlier than an agreed date stipulated in the Agreement; and
- (b) the average of the closing prices of the Shares for any five consecutive trading days shall be HK\$0.216 per Share or higher;

Within 5 working days upon fulfillment of the conditions (a) and (b) above, the Vendor shall issue a written request to the Purchaser requesting for the issue and allotment of the Consideration Shares (Second Tranche).

The Vendor further undertakes that he will inform the Original Project Holder prior to making such request to the Purchaser for the issue and allotment of the Consideration Shares (Second Tranche).

The consideration for the Sale Share and the Sale Loan was determined after arm's length negotiations between the Vendor and the Purchaser after considering various factors, including but not limited to the prospects of the Project. The funding for the cash consideration will be from the internal resources of the Group.

### **Conditions precedent**

Completion is subject to the following conditions having been fulfilled or waived (as the case may be):

1. all necessary consents and approvals required to be obtained on the part of the Vendor and the Purchaser in respect of the Agreement and the transactions contemplated thereunder having been obtained;
2. there being no event, fact or situation that will cause the breaches or the possible breaches of warranties or terms of the Agreement by the Vendor and/or the Original Project Holder;
3. the Stock Exchange granting listing of and permission to deal in the Consideration Shares;
4. if necessary, the passing by the Shareholders of (an) ordinary resolution(s) approving the transactions contemplated under the Agreement, including but not limited to the allotment and issue of the Consideration Shares;

5. the obtaining of a PRC legal opinion (in form and substance satisfactory to the Purchaser) from a PRC legal adviser appointed by the Purchaser in relation to the legality and the validity in respect to the establishment and subsistence of the PRC Company and the transactions contemplated under the Agreement;
6. the completion of the Reorganisation;
7. the obtaining of the approval by Guangxi Welfare Lottery Authority to approve the operation of the Project by the PRC Company, such approval shall not expire earlier than 5 May 2013; and
8. the Purchaser being satisfied with the results of the due diligence to be conducted on the assets, liabilities, operations and affairs of the Target and the PRC Company.

None of the above conditions can be waived by the parties to the Agreement. If the conditions are not fulfilled within 90 days from the date of the Agreement (or such later date as the parties to the Agreement may agree), the Agreement shall cease and terminate and thereafter, neither party to the Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches thereof.

### **Completion**

Completion shall take place on the date within 3 working days after all the conditions of the Agreement have been fulfilled or such later date as may be agreed between the parties thereto.

### **The Reorganisation**

The Reorganisation shall involve: (i) the establishment of the PRC Company which will be owned as to 60% of its registered capital by the Target and as to 40% of its registered capital by the Original Project Holder; (ii) the transfer by the Original Project Holder of all assets and contracts of its Guangxi subsidiary to the PRC Company; and (iii) the obtaining of all necessary approvals for the PRC Company to operate the Project (including but not limited to the approval by Guangxi Welfare Lottery Authority).

The Guangxi subsidiary of the Original Project Holder will act as the agent of the PRC Company in relation to the Project from 24 September 2010 to the date of completion of the Reorganisation.

### **Undertakings by Original Project Holder**

Under the Agreement, the Vendor shall procure the Original Project Holder to give the following undertakings in favour of the PRC Company:

- (i) provision of technical support in respect of software used in the Project, provided that the Original Project Holder shall be entitled to a fee of not more than 1% of the sales of lottery tickets at relevant terminals operated under the Project;

- (ii) in the event that there will be difficulties in the provision of technical support, provision of the relevant source code to the PRC Company for maintenance purpose; and
- (iii) provision of exclusive licences in respect of the use of relevant software in Guangxi Province, the PRC.

Under the Agreement, the Vendor will also procure the Original Project Holder to give a non-competition undertaking in respect of the business of the PRC Company in Guangxi Province, the PRC.

## **THE CONSIDERATION SHARES**

The Consideration Shares will be issued at the Issue Price (First Tranche) and Issue Price (Second Tranche) and credited as fully paid.

The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the relevant Consideration Shares including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

The Issue Price (First Tranche) of HK\$0.1554 represents:

- (i) a premium of approximately 0.91% over the closing price of HK\$0.154 per Share as quoted on the Stock Exchange on 30 September 2010, being the last trading day immediately prior to the entering into of the Agreement; and
- (ii) the average of the closing prices of approximately HK\$0.1554 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 29 September 2010, being the last trading day immediately preceding to the date of the Agreement.

The Issue Price (Second Tranche) of HK\$0.1322 per Share represents:

- (i) a discount of approximately 14.16% to the closing price of HK\$0.154 per Share as quoted on the Stock Exchange on 30 September 2010, being the last trading day immediately prior to the entering into of the Agreement; and
- (ii) a discount of approximately 14.93% to the average of the closing prices of approximately HK\$0.1554 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 29 September 2010, being the last trading day immediately preceding to the date of the Agreement.

The Consideration Shares will be allotted and issued pursuant to the General Mandate.

The General Mandate was granted to the Directors pursuant to an ordinary resolution of the Company passed at its annual general meeting on 20 September 2010 to allot and issue up to 20% of the aggregate nominal amount of the share capital of the Company in issue on that date.

The Consideration Shares to be allotted and issued will utilise approximately 40.55% of the General Mandate. The General Mandate has not been previously utilised prior to the Agreement.

The Consideration Shares represent: (i) approximately 8.11% of the existing issued share capital of the Company; and (ii) approximately 7.50% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Issue Price was determined by the Board after taking into consideration of various factors including the market price of the Shares and the liquidity of the Shares. The Directors (including the independent non-executive Directors) consider that the Issue Price is fair and reasonable.

### **Application for listing**

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

### **INFORMATION OF THE TARGET, THE PRC COMPANY AND THE PROJECT**

The Target is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holdings.

The PRC Company is established in the PRC with a registered capital of HK\$1,930,000 and is principally engaged in the technology development and sales of computer hardware and software, computer system integration and computer information consultancy. After completion of the Possible Acquisition, the Purchaser shall be interested in the entire issued share capital of the Target, which in turn will hold 60% of the registered capital of the PRC Company. The remaining 40% of the registered capital of the PRC Company will be held by the Original Project Holder.

The board of the PRC Company will comprise the chairman and two directors. The Original Project Holder shall have the right to nominate the chairman and the legal representative of the PRC Company subject to the confirmation of both the Original Project Holder and the Purchaser. One director shall be appointed by the Original Project Holder and the Purchaser shall be entitled to appoint one director.

The Original Project Holder shall have the right of first refusal if the Target intends to dispose of the shareholding in the PRC Company in future.

The PRC Company will carry out the Project in Guangxi Province, the PRC, which is a high-end social welfare lottery distribution network and related service provision project involving the provision of software, hardware, transmission network and distribution marketing service to Guangxi Welfare Lottery Authority with target distribution network including hotels and entertainment places in Guangxi Province. The PRC Company will be entitled to a fee at a fixed percentage based on the sales of lottery tickets at relevant terminals operated under the Project and such fee shall be payable by Guangxi Welfare Lottery Authority to the PRC Company.

Set out below is the financial information of the PRC Company prepared under the general accepted accounting principles in the PRC:

	<b>From 17 September 2010 (Date of establishment) to 24 September 2010 <i>HK\$'000</i> (Unaudited)</b>
Loss before taxation	28
Loss after taxation	28
Net asset value	1,902

Set out below is the financial information of the Target:

	<b>From 31 August 2009 (Date of establishment) to 24 September 2010 <i>HK\$'000</i> (Unaudited)</b>
Loss before taxation	0
Loss after taxation	0
Net asset value	1,158

After completion of the Possible Acquisition, it is expected that the Target will be treated as a subsidiary and its results will be consolidated in the consolidated financial statements of the Group but the results of the PRC Company will not be consolidated in the consolidated financial statements of the Group.

## **REASONS FOR THE POSSIBLE ACQUISITION**

The Group is principally engaged in investment holding and investments in gaming and entertainment related business.

The Board has been actively seeking appropriate opportunities to expand the business development of the Group and considers that the Possible Acquisition represents an opportunity for the Group to tap into the PRC lottery technical support projects. In light of the future growth of lottery market in the PRC, the Board considers that the Project, which involves the provision of computer lottery terminal equipments and hardware and software to provincial welfare lottery issuance authorities in the PRC, represents an extension of the existing gaming and entertainment related business of the Group and the Project is expected to bring long term benefits to the Group.



In light of the growing business potential of the Target and the PRC Company, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Possible Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATION**

The Possible Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Agreement”	the formal agreement for the Possible Acquisition dated 30 September 2010 entered into between the Purchaser and the Vendor
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Company”	Amax Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the Possible Acquisition pursuant to the terms and conditions of the Agreement
“connected persons”	has the meaning ascribed to this term under the Listing Rules
“Consideration Shares”	together the Consideration Shares (First Tranche) and the Consideration Shares (Second Tranche)
“Consideration Shares (First Tranche)”	up to 51,480,000 new Shares to be allotted and issued by the Company at the Issue Price (First Tranche) to the Vendor (or to whom he may direct) in accordance with the terms of the Agreement as part of the consideration for the Possible Acquisition
“Consideration Shares (Second Tranche)”	up to 257,186,000 new Shares to be allotted and issued by the Company at the Issue Price (Second Tranche) to the Vendor (to whom he may direct) in accordance with the terms of the Agreement as part of the consideration for the Possible Acquisition
“Director(s)”	director(s) of the Company



“General Mandate”	the general mandate granted to the Directors at the annual general meeting of the Company held on 20 September 2010 to allot and issue up to 20% of the aggregate nominal amount of the share capital of the Company in issue on that date
“Group”	the Company and its subsidiaries
“Guangxi Welfare Lottery Authority”	廣西福利彩票發行中心 (Guangxi Public Welfare Lottery Issue Centre), the government authority in Guangxi in relation to the public welfare lottery
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Issue Price (First Tranche)”	HK\$0.1554 per Consideration Share (First Tranche)
“Issue Price (Second Tranche)”	HK\$0.1322 per Consideration Share (Second Tranche)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Original Project Holder”	深圳市樂彩互動信息技術有限公司 Shenzhen INTER-JOY LOTTO Information Technology Co., Ltd., a company established in the PRC and the original holder of the Project prior to the completion of the Reorganisation
“Possible Acquisition”	the possible acquisition of the Sale Share and the Sale Loan and the transactions contemplated thereunder
“PRC”	the People’s Republic of China
“Project”	the high-end social welfare lottery distribution network and related service provision project to be carried out by the PRC Company involving the provision of software, hardware, transmission network and distribution marketing service to Guangxi Welfare Lottery Authority with target distribution network including hotels and entertainment places in Guangxi Province
“Purchaser”	LE Rainbow International Limited, a wholly owned subsidiary of the Company

“Reorganisation”	the reorganisation to be conducted by the Target in relation to (i) the establishment of the PRC Company which will be owned as to 60% of its registered capital by the Target and as to 40% of its registered capital by the Original Project Holder; (ii) the transfer by the Original Project Holder of all assets and contracts of its Guangxi subsidiary to the PRC Company; and (iii) the obtaining of all necessary approvals for the PRC Company to operate the Project (including but not limited to the approval by Guangxi Welfare Lottery Authority)
“Sale Loan”	all obligation, indebtedness and liabilities (if any) due, owing or incurred by the Target to the Vendor as at Completion
“Sale Share”	one ordinary share of HK\$1.00 in the share capital of the Target, representing the entire issued share capital of the Target
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	冠評有限公司, a company incorporated in Hong Kong and is wholly and beneficially owned by the Vendor
“Vendor”	張永輝, the vendor of the Sale Share
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

By order of the Board  
**Amax Holdings Limited**  
**Dicky Lau**  
*Executive Director*

Hong Kong, 30 September 2010

*As at the date of this announcement, the board of Directors comprises Ms. Li Wing Sze, Mr. Lau Dicky and Mr. Ng Chi Keung being the executive Directors and Mr. Cheng Kai Tai, Allen, Mr. Fang Ang Zhen, Mr. Yoshida Tsuyoshi and Dr. Dingjie Wu being the independent non-executive Directors.*

\* *for identification purposes only*