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AMAX
Holdings Limited
Amax Holdings Limited
奧瑪仕控股有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 959)

PRICE SENSITIVE INFORMATION
AND
RESUMPTION OF TRADING

Reference is made to the Results Announcement and the Holding Announcement.

The Company has been informed that the Capitalisation was completed on 8 November 2010. The Company was initially holding 49.90% in the share capital of the Associate and since the Capitalisation has been completed, the Company's shareholding in the Associate has been diluted to 24.82%. The Board has resolved to establish and has constituted the IBC comprising all of the independent non-executive Directors to investigate into the matters relating to the Capitalisation.

The Board, including the IBC, considers that the voting and the resolution passed at the EGM regarding the Capitalisation were invalid as Mr. Lau and Ms. Li were not authorised to vote on behalf of the Company at the EGM, therefore the Company was holding 49.90% in the Associate as at 31 March 2011 and is holding such percentage of shareholding as at the date of this announcement (despite the Capitalisation has been completed).

The IBC has instructed a firm of lawyers advising on Macau laws to advise on (i) the validity of the resolution passed at the EGM approving the Capitalisation; (ii) whether the Capitalisation has been legally completed; (iii) whether the Capitalisation can be challenged, legally revoked and cancelled; and (iv) whether commercial negotiations are feasible at this stage. The Macau lawyers have preliminarily advised that: (i) as the Company has neither received notice from the Associate convening the EGM nor received details of the Capitalisation for consideration and discussion at the EGM prior to the EGM, the EGM has not been properly convened by the Associate and the Company was not regularly summoned to vote on the Capitalisation at the EGM as required under the relevant provisions of the Macau Commercial Code and the Associate's articles of association, therefore the EGM and the resolutions passed thereat may not be valid; (ii) based on searches conducted by the Macau lawyers with the Commercial Registry of Macau, the Capitalisation was completed and registered with the Macau Commercial Registry on 8 November 2010; (iii) as the EGM and the resolutions passed thereat may not be valid, the Capitalisation may also be subject to challenge by the Company in Macau courts; and (iv) commercial negotiations may be a first resort in attempting to settle this issue and could be further leveraged to the Company's benefit with the possibility of legal proceedings.

The Board (i) has conducted discussions with ACL and the Macau lawyers on the financial impact and legal implications, respectively, of taking legal proceedings and conducting commercial negotiations with the Associate, and thereafter (ii) has taken into account the advice/discussions from ACL and the Macau lawyers and determined that it may be in the interest of the Company as a whole to conduct commercial negotiations with the Associate. In this regard, Mr. Cheung, on behalf of the Company, is in the progress of conducting preliminary negotiation with the Associate as to the Capitalisation. The Company will issue further announcement to inform the shareholders of the Company on the progress of the negotiation with the Associate as and when appropriate.

Investors and shareholders of the Company shall note that it is uncertain as to whether the validity of the EGM and the Capitalisation can be successfully challenged and the ongoing commercial negotiations with the Associate may or may not be successful.

GENERAL

The Board has confirmed that, save for the information disclosed in this announcement, the Company is not aware of any matter or development discloseable under Rule 13.09 and 13.23 of the Listing Rules that is or may be relevant to the unusual price and volume movements of the Shares happened on 22 June 2011. The closing price of the Shares was HK\$0.117 on 22 June 2011 with the highest price of HK\$0.124 and the lowest price of HK\$0.103 and a trading volume of 83,520,500 Shares. The Board is not aware of any reason for such unusual price and volume movements of the Shares.

The Company will publish further announcement(s) to update the shareholders of the Company and the investing public on the matters disclosed in this announcement as and when the Board considers appropriate.

SUSPENSION AND RESUMPTION OF TRADING

Trading of the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:00 a.m. on 23 June 2011 pending the release of this announcement. The Company has applied for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 22 August 2011.

Investors and shareholders of the Company are advised to exercise caution when dealing in the Shares.

Reference is made to the Results Announcement and the Holding Announcement.

DILUTION IN THE COMPANY'S SHAREHOLDING IN THE ASSOCIATE AS A RESULT OF THE CAPITALISATION

The Board has been informed that the Capitalisation was completed on 8 November 2010. The Company was initially holding 49.90% of the share capital of the Associate, with the other two shareholders of the Associate (or through their respective nominees), holding 40.10% and 10.00% respectively of the share capital of the Associate. Since the Capitalisation was completed on 8 November 2010, the Company's shareholding in the Associate has been diluted to 24.82%, with the respective shareholding of the two other shareholders (or through their respective nominees) in the Associate being changed to 70.21% and 4.97% respectively. According to the coordinator of Macau related matters of the Company, Ms. Irene Tam, a vice

president, accounts and finance of the Company, the Associate is making preparatory work with the view to seeking the Proposed IPO and the Capitalisation may form part of the reorganisation for the purpose of the Proposed IPO.

The Board has resolved to establish and has constituted the IBC comprising all of the independent non-executive Directors to investigate into the matters relating to the Capitalisation. The investigation has been focusing and will continue to focus on the facts and circumstances leading to a purported voting in favour by Mr. Lau and Ms. Li, two executive Directors who acted as representatives of the Company, of the Capitalisation at the EGM, as well as the effect and impact of the Capitalisation.

The Board, including the IBC, considers that the voting and the resolution passed at the EGM regarding the Capitalisation were invalid as Mr. Lau and Ms. Li were not authorised to vote on behalf of the Company at the EGM, therefore the Company was holding 49.90% in the Associate as at 31 March 2011 and is still holding such percentage of shareholding as at the date of this announcement (despite the Capitalisation has been completed). In terms of financial reporting going forward, the Board has decided to continue to treat the Company as holding 49.90% in the Associate. The Company will inform the shareholders of the Company if there is any change to such decision of the Board.

On 17 August 2011, the Company received certain letters dated 4 August 2011 from the Associate, in which the Associate alleged that, among other things, the Associate had obtained legal advice from its Macau legal advisers that resolutions passed at the EGM approving the Capitalisation are legally valid, and in full force and effect, and denied the Company's view that such resolutions were not legally and validly passed. The Board is considering those letters and the Company will in due course inform the shareholders of the Company on any further updates by way of announcement(s) as and when appropriate.

As disclosed in the Results Announcement, CCIF identified that the issued share capital of the Associate has been increased on 30 October 2010 and the equity interest of the Group in the Associate was diluted to 24.8%. However, CCIF are not able to obtain satisfactory audit evidence to confirm that the Company is holding 49.90% in the Associate and therefore gave a disclaimer opinion in their auditor's report to the Company for the year ended 31 March 2011.

As disclosed in the 2010 Annual Report of the Company, Mr. Lau was an executive director of New Century Hotel and Head of the Associate. However, as confirmed by Mr. Lau, he currently holds no position in the Associate. Save as disclosed, each of Mr. Lau and Ms. Li has confirmed that he or she had no relationship and was not in any way connected with the Associate at the date of the EGM. As a matter of fact, the Board has confirmed with each of Mr. Lau and Ms. Li that he or she has voted for and signed the minutes of the EGM approving the Capitalisation. However, the majority of the Board, including all members of the IBC, considers that no authority has been granted by the Board to any of Mr. Lau and Ms. Li to act for and on behalf of the Company for the purported voting in favour of the Capitalisation based on the following facts:

- (i) the Board has not conferred any general authority to either Mr. Lau or Ms. Li to vote on anything at the EGM and the Board has only appointed Mr. Lau and Ms. Li to attend the EGM on behalf of the Company for discussions. As recorded in the minutes of a meeting among all the then three executive Directors held on 29 October 2010, Mr. Lau and Ms. Li were only appointed to attend the EGM as representatives of the Company, but no express authority was granted to any of them to vote on behalf of the Company on any resolution proposed at the EGM;

- (ii) the Board has neither received any written notice convening the EGM nor agenda on the matters which would be discussed during the EGM; and
- (iii) at the time when the Board resolved to appoint Mr. Lau and Ms. Li to attend the EGM on behalf of the Company, the Board had no knowledge as to the Capitalisation (and indeed any matters) to be discussed at the EGM. Accordingly, the Board was naturally unable to grant any specific authority to Mr. Lau and Ms. Li to approve or vote on behalf of the Company at the EGM in relation to the Capitalisation.

Notwithstanding the aforementioned, the Board is of the view that the Proposed IPO would be beneficial to the Company as a whole. Since early-April 2011 after the Company was informed of the Capitalisation, the senior management of the Company has held certain communication with the Associate in order to obtain further details about the Capitalisation and the Board has held various discussions regarding the effect of the Proposed IPO. At a Board meeting held on 9 May 2011, the senior management of the Company reported to the Board details of the Capitalisation which they had obtained from the Associate and it was suggested and resolved at such Board meeting that negotiations should be held between the Company and the Associate to set out certain conditions (for the purpose of protecting the Company's interests in the Associate) for the Company's consent to the Proposed IPO and the Capitalisation, while the Proposed IPO and the Capitalisation were to be proceeded with. At another Board meeting held on 30 May 2011, when the Board was still unsure as to whether the Capitalisation had been completed or not, it was resolved that further negotiations should be held between the Company and the Associate to put down such conditions for the Company's consent to the Proposed IPO and the Capitalisation in writing in the MOU mentioned below.

After the said Board meeting held on 30 May 2011, the Company has been liaising with the Associate to obtain updates on the progress of the Proposed IPO and negotiating on the terms of the MOU. A draft MOU was circulated by Mr. Ng to all other Board members on 31 May 2011 for Mr. Lau to forward the same to the Associate. On one occasion, the MOU was signed on 7 June 2011 by the Associate, (which was expressed to be non-legally binding), the salient terms of which are as follows:

- (i) the Associate shall cancel the minutes of the EGM and the agreement between the Associate and a shareholder of the Associate regarding the Capitalisation; and
- (ii) the Capitalisation shall be legally valid only after all the conditions as set out in the MOU have been fulfilled, including but not limited to, that:
 - (a) the Proposed IPO will be completed within one year after the signing of a formal agreement on the terms of the MOU; and
 - (b) the market value of the Company's shareholding in the Associate upon the Proposed IPO shall not be less than HK\$0.8 billion, when the subscription price of the Proposed IPO is fixed.

As of the date of this announcement, the Board has not signed the MOU. The Board will consider the overall results of the investigations conducted by the IBC as described below and then decide on whether to execute the MOU or other agreement with the Associate in respect of the Capitalisation.

POTENTIAL IMPACT OF THE CAPITALISATION ON THE GROUP

The Capitalisation has the following potential impact on the Company's financial and business position:

According to the Company's internal assessment and discussion and pursuant to the review conducted by the audit committee of the Board, subject to the following key assumptions and limitation(s), a decrease of 65% in the net profit of the Group for the year ended 31 March 2011 and 54% in net assets of the Group as at 31 March 2011 may be derived from the Capitalisation:

- (i) The dilution in the Company's shareholding in the Associate took place on 8 November 2010.
- (ii) The decrease in net profit and net assets stated above was derived from the comparison between the non-diluted scenario of 49.9% shareholding till 31 March 2011 and the diluted scenario of 49.9% from 1 April 2010 to 31 October 2010 and 24.82% from 1 November 2010 to 31 March 2011.
- (iii) For the profit estimation of October 2010 (i.e. the month just after the end of the financial period covered by the Company's interim report for the period ended 30 September 2010 and before the dilution took place) at the profit & loss account and interest in the Associate at the balance sheet, pro-rata calculation of the profit and change in intangible assets valuation for second half of the fiscal year were used. As monthly management accounts of the Associate were not available, the Company used the share of profit from the Associate and the intangible assets valuation for the Associate from the management accounts of the Associate as at 30 September 2010 (being the interim results) and 31 March 2011 (being the annual results) to calculate the difference for the portion of profit share and intangible assets valuation for the second half of the fiscal year 2010/11. Without monthly financial data of the Associate, even distribution for the six months in the second half of the fiscal year 2010/11 was the only way that could be used in the estimation.
- (iv) One critical restriction is the absence of valuation report on 31 October 2010. The reversal of impairment from revaluation was approximately HK\$179 million and HK\$959 million for the first half year and full year ended 31 March 2011 respectively. As the new business model happened in October 2010, the valuation on 31 October 2010 was reasonably expected to be of a large increment. However, in order to have a prudent and simple estimation, a pro-rata (evenly for each month from October 2010 to March 2011) basis is now adopted. The evenly distribution in the second half of fiscal year 2010/11 was resulted due to the constraint mentioned in the assumption (iii) as above.
- (v) For the simulation of diluted scenario of the net assets of the Associate, the investment in the Associate as at October 2010 was re-stated to 24.82% which resulted in a loss of dilution in equity interest putting through the profit & loss account. After that, profit share and intangible assets valuation from November 2010 to March 2011 at 24.82% was added to derive at the diluted investment in the Associate as at 31 March 2011.

The respective amount of net profit of the Group for the year ended 31 March 2011 and the net assets of the Group as at 31 March 2011 before and after completion of the Capitalisation are set out below for your reference:

	Before completion of the Capitalisation (HKD' Million)	After completion of the Capitalisation (HKD' Million)
Net Profit of the Group for the year ended 31 March 2011	1,166	409
Net Assets of the Group as at 31 March 2011	1,507	694

Investors and shareholders of the Company should note that although the Board has requested CCIF to review and comment on the abovementioned financial impact of the Capitalisation on the Company, together with the key assumptions and limitation(s), these information have not been reviewed by CCIF.

INVESTIGATIONS CONDUCTED BY THE IBC

The investigations conducted by the IBC and the results obtained so far are as follows:

- (a) seeking legal advices from professional legal advisers in relation to the laws of Bermuda (i.e. the place of incorporation of the Company) and Macau (i.e. the place of incorporation of the Associate) and seeking other legal advices on the legal implications of the Capitalisation and other related matters as necessary:
- the IBC has instructed a firm of lawyers advising on Bermuda laws to advice on legal requirements for the Company to approve the Capitalisation. The Bermuda lawyers have confirmed that no shareholders' approval is required under Bermuda laws for the Company to approve the Capitalisation.
 - the IBC has instructed a firm of lawyers advising on Macau laws to advise on (i) the validity of the resolution passed at the EGM approving the Capitalisation; (ii) whether the Capitalisation has been legally completed; (iii) whether the Capitalisation can be challenged, legally revoked and cancelled; and (iv) whether commercial negotiations are feasible at this stage. The Macau lawyers have preliminarily advised that: (i) as the Company has neither received notice from the Associate convening the EGM nor received details of the Capitalisation for consideration and discussion at the EGM prior to the EGM, the EGM has not been properly convened by the Associate and the Company was not regularly summoned to vote on the Capitalisation at the EGM as required under the relevant provisions of the Macau Commercial Code and the Associate's articles of association, therefore the EGM and the resolutions passed thereat may not be valid; (ii) based on searches conducted by the Macau lawyers with the Commercial Registry of Macau, the Capitalisation was completed and registered with the Macau Commercial Registry on 8 November 2010; (iii) as the EGM and the resolutions passed thereat may not be valid, the Capitalisation may also be subject to challenge by the Company in Macau courts; and (iv) commercial negotiations may be a first resort in attempting to settle this issue and could be further leveraged to the Company's benefit with the possibility of legal proceedings.

- (b) conducting interviews with the relevant Directors and the then senior management of the Company with a view to understanding the relevant factual details and circumstances in relation to the EGM:
- interviews have been conducted with three executive Directors, namely Mr. Lau, Ms. Li and Mr. Ng, and the Chief Executive Officer of the Company, namely Mr. Wong, in relation to the facts happened around the time of the EGM;
 - subsequent to the interview with Mr. Wong, Mr. Wong has confirmed that other than being the Chief Executive Officer of the Company (as disclosed in the announcement issued by the Company on 8 August 2011, the Board has suspended Mr. Wong's role as the Chief Executive Officer of the Company since 18 July 2011), which is a shareholder of the Associate, he has no relationship with the Associate and its associates (as defined in the Listing Rules); and
 - according to Mr. Wong, he has never participated in the discussion nor negotiation for (and he was never informed of) the Capitalisation before the EGM, but he started to participate in the discussions and negotiations with the Associate on possible settlement solution(s) (including the MOU signed by the Associate) for the Capitalisation only after the Company was informed of the Capitalisation by the Associate in early-April 2011 and the issue of an objection letter by the Company to the Associate in around mid-April 2011. The Board is of the view that Mr. Wong has been duly authorised to act for and on behalf of the Company in the aforementioned discussions and negotiations with the Associate as (i) it is within the general authority and duty of the Chief Executive Officer of the Company to clarify with the Associate on the details of the Capitalisation, which is a matter imposing a potential impact on the Company's interest in the Associate, and (ii) the Board has resolved during the Board meeting held on 9 May 2011 that negotiations should be held between the Company and the Associate in respect of the Capitalisation.
- (c) liaising with the Associate as to actions taken for and progress of the Proposed IPO and matters relating to the Capitalisation:
- the IBC has recommended ACL to the Board and the Company subsequently appointed ACL as its financial adviser on 13 July 2011 to provide professional advice and analysis to assist the IBC in its communication with the Associate in relation to the Proposed IPO and the Capitalisation; and
 - the Board (i) has conducted discussions with ACL and the Macau lawyers on the financial impact and legal implications, respectively, of taking legal proceedings and conducting commercial negotiations with the Associate, and thereafter (ii) has taken into account the advice/discussions from ACL and the Macau lawyers and determined that it may be in the interest of the Company as a whole to conduct commercial negotiations with the Associate. In this regard, Mr. Cheung, on behalf of the Company, is in the progress of conducting preliminary negotiations with the Associate as to the Capitalisation. The Company will issue further announcement to inform the shareholders of the Company on the progress of the negotiations with the Associate as and when appropriate.

- (d) reviewing the internal corporate governance procedures, with the support and advice of independent professional consultants and conducting further independent investigation on matters relating to the Capitalisation:
- the IBC has appointed Wardell (i) on 5 July 2011 as a corporate governance consultant to conduct reviews on the Company's corporate governance and provide suggestions on improving the same; and (ii) on 14 July 2011 to conduct further independent investigation on matters relating to the approval of the Capitalisation, and the Board and the IBC will continue to assess the issue on authority after considering the findings of such investigation to be conducted by Wardell. As of the date of this announcement, Wardell has not commenced any work as the corporate governance consultant. Wardell had a meeting with Mr. Cheung and will commence to work with Mr. Cheung on conducting reviews on the Company's corporate governance and investigation on matters relating to the Capitalisation. The Company will inform the shareholders of the Company on the progress of the work performed by Wardell as and when appropriate.

Investors and shareholders of the Company should note that it is uncertain as to whether the validity of the EGM and the Capitalisation could be successfully challenged and the ongoing commercial negotiations with the Associate may or may not be successful.

GENERAL

The Board has confirmed that, save for the information disclosed in this announcement, the Company is not aware of any matter or development discloseable under Rule 13.09 and 13.23 of the Listing Rules that is or may be relevant to the unusual price and volume movements of the Shares happened on 22 June 2011. The closing price of the Shares was HK\$0.117 on 22 June 2011 with the highest price of HK\$0.124 and the lowest price of HK\$0.103 and a trading volume of 83,520,500 Shares. The Board is not aware of any reason for such unusual price and volume movements of the Shares.

The Company will publish further announcement(s) to update the shareholders of the Company and the investing public on the matters disclosed in this announcement as and when the Board considers appropriate.

SUSPENSION AND RESUMPTION OF TRADING

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Investors and shareholders of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

The following words used in this announcement have the following meaning:

- “ACL” : Athens Capital Limited, a company licensed under the Securities and Futures Commission to conduct regulated activity type 6 (advising on corporate finance)
- “Associate” : Greek Mythology (Macau) Entertainment Group Corporation Limited, an associate (as defined under the Listing Rules) of the Company
- “Board” : the board of Directors
- “Capitalisation” : the capitalisation of a shareholder’s loan owed by the Associate to a shareholder by issuing new shares to that shareholder
- “CCIF” : CCIF, the auditors of the Company
- “Company” : Amax Holdings Limited, a company incorporated in Bermuda with limited liability and whose Shares are listed on the Main Board of the Stock Exchange (Stock Code: 959)
- “Director(s)” : director(s) of the Company
- “EGM” : a shareholders’ meeting of the Associate held on 30 October 2010, during which the Capitalisation was purportedly approved
- “Group” : the Company together with its subsidiaries from time to time
- “Holding Announcement” : an announcement issued by the Company on 7 July 2011 on general disclosure under Rule 13.09 of the Listing Rules
- “IBC” : an independent committee of the Board
- “Listing Rules” : the Rules Governing the Listing of Securities on the Stock Exchange
- “Mr. Cheung” : Mr. Cheung Nam Chung, an executive Director and the acting Chief Executive Officer of the Company
- “Mr. Lau” : Mr. Lau Dicky, an executive Director
- “Ms. Li” : Ms. Li Wing Sze, an executive Director
- “Mr. Ng” : Mr. Ng Chi Keung, an executive Director
- “Mr. Wong” : Mr. Corey Wong Lee Ping, the Chief Executive Officer of the Company, whose duties have been suspended since 18 July 2011
- “MOU” : a memorandum of understanding proposed to be entered into between the Company, a shareholder of the Associate and the Associate in relation to the Proposed IPO and the Capitalisation

- “Proposed IPO” : a proposed listing of the shares of the Associate on the Stock Exchange
- “Results Announcement” : the announcement on the audited consolidated financial results of the Group for the year ended 31 March 2011 issued by the Company on 30 June 2011
- “Shares” : the ordinary shares of HK\$0.01 each of the Company
- “Stock Exchange” : The Stock Exchange of Hong Kong Limited
- “Wardell” : Wardell & Associates Ltd. (formerly known as Horwath Corporate Advisory Services Ltd.)
- “%” : per cent.

By Order of the Board
Amax Holdings Limited
Ng Chi Keung
Company Secretary

Hong Kong, 19 August 2011

As at the date of this announcement, the Board comprises Mr. Cheung Nam Chung, Ms. Li Wing Sze, Mr. Lau Dicky and Mr. Ng Chi Keung being the executive Directors and Ms. Deng Xiaomei, 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*