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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)**

### CLARIFICATION ANNOUNCEMENT

Reference is made to the circular of Amax Holdings Limited (the “Company”) dated 8 March 2013 in relation to the Proposed Change of Auditors, Proposed Share Consolidation and Proposed Removal of Directors (the “Circular”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Circular.

This announcement is intended to clarify various issues raised in a letter (the “Letter”) addressed to the Hong Kong Stock Exchange from Dr. Dingjie Wu and Mr. Li Li Tang, who are the independent non-executive directors (the “Two INEDs”) of the Company. The letter alleged that:

1. The Two INEDs objected to the proposed issue of new shares to Mr. Albino for settlement of the debt due by a subsidiary of the Company (the “Transaction”), and they requested the management and the executive directors (the “Management and Executive Directors”) to conduct relevant investigation and to obtain investigation report. It was further alleged that the Board of Directors (the “Board”) had approved the Transaction without considering the objection from the Two INEDs. The Two INEDs enquired about the progress of the Transaction but no explanation was provided.
2. The Board had discussed about the possible criminal implication in respect of the views expressed concerning the further investment to Nanning Inter-joy Lotto Information Service Company Limited (the “LE Guangxi”). The Management and Executive Directors discussed the Two INEDs’ said concern and no further explanation on the progress was given.
3. The members of the Board had received certain accusation from Mr. Chen Qing and the Two INEDs had made enquiry but the Management and Executive Directors disregard the Two INEDs’ enquiry and no further explanation it was given on progress.
4. The members of the Board had received an anonymous email alleging that the personnel seconded from the consultant of the Company had been adjudicated bankrupt. The Two INEDs expressed concern as to whether the engagement violates the law of the Hong

Kong Special Administration Region (“HKSAR”). The Management and Executive Directors disregard the Two INEDs’ enquiry and no further explanation on this issue was given.

5. In many other issues discussed in the Board meetings, the supervisory role of the Two INEDs have not been respected and their supervisory rights have been disregarded.
6. Mr. Ng Man Sun had requested the Two INEDs over the phone to tender their resignation. The chief financial officer (the “CFO”) of the Company had made insulting remarks on Mr. Li Li Tang in requesting him to resign.

In respect of the above allegations, the Directors wish to state that:

1. The views of the directors (including the Two INEDs) were duly considered and the Company engaged legal and financial advisers to consider and advise the Board on the Transaction. The legal adviser rendered two legal opinions to the Board on 20 November 2012 and 11 December 2012 respectively and a report from the financial adviser was obtained on 26 November 2012 which reports were passed to the Board for consideration. The Two INEDs made no subsequent enquiry (verbal or written) on the Transaction. In any event, the negotiations on the Transaction were terminated and the Transactions did not proceed and the Two INEDs were duly informed.
2. On 12 September 2012, the Board, including the Two INEDs unanimously approved by written resolution the further investment to LE Guangxi (the “Further Investment”) and a legal binding agreement was signed in relation to the Further Investment. On 14 November 2012, the management of the Company proposed to the Board to cancel the Further Investment, but the Two INEDs and Dr. Chow Ho Wan, Owen voted against it. Legal opinion dated 23 November 2012 on PRC law (the “PRC legal opinion”), a legal opinion dated on 20 November 2012 from HK lawyer and a report in relation to the Further Investment were provided to the Board for discussion. On 27 November 2012, the CFO met the Two INEDs in Guangzhou to express the thoughts of the management of the Company in regard to the Transaction and the termination of the Further Investment. On the same day, the directors of a wholly owned subsidiary of the Company, including Mr. Chen Qing, transferred HK\$7 million of funds from the Company to LE Guangxi without prior knowledge of the management of the Company and the Board. The management of the Company considered that it was misappropriation of the Company’s funds. The Company sought legal advice and the legal advisor advised that as the fund was transferred to a subsidiary of the Company, it did not prima facie, constitute misappropriation of fund. Furthermore, according to the PRC legal opinion, the agreement for the Further Investment was a legal binding agreement and the Company had the obligation to make the Further Investment. Having considered the PRC legal opinion and the negotiations with Mr. Chen Qing, the management suggested a compromise proposal to the Board which would reduce the amount for the Further Investment from HK\$7 million to HK\$2.5 million (the “Compromise Proposal”). But on this occasion, the Two INEDs and Dr. Chow Ho Wan, Owen voted against the Compromise Proposal. There was no verbal or written enquiry from the Two INEDs regarding to the progress of the Further Investment.
3. The Company instructed legal advisor to issue letters to rebut Mr. Chen Qing’s allegations, after which, there was no further correspondence. As Mr. Chen Qing was willing to compromise with the Compromise Proposal suggested by the Company, the

management of the Company is of the view that the dispute between the Company and Mr. Chen Qing was settled. There was no verbal or written enquiry from the Two INEDs regarding this issue.

4. The engagement of the consultant for the Company and the secondment of personnel by the consultant complies with the law of the HKSAR. The issue was first raised by Dr. Dingjie Wu in the board meeting held on 7 March 2013, and the management of the Company responded that the financial position of personnel seconded by the consultant had no relevance to the engagement of the consultant. There was no further enquiry made from the Two INEDs.
5. Adequate time was given to each of the board members to express their views on the resolutions on the agenda during Board meetings. The Company confirmed that all notice, agenda and meeting materials were provided in advance to the directors in accordance with the requirements determined by the former Board.
6. The Company was given to understand that the Chairman called the Two INEDs to discuss on ways of improving communications and to resolve the difference in style and perspective between management and the Two INEDs but to no avail. The Company confirmed that the CFO has never insulted Mr. Li Li Tang as alleged or at all.

The Company is of the view that the allegations of the Two INEDs are groundless. The Company is of the view that although it is in the ordinary course of business for board members to hold different views, the Two INEDs have acted in an inconsistent manner (as in the case of the Further Investment) and resorting to make serious allegations of misconduct without supporting evidence when their views were out voted by the majority of the Board.

Following an article which was published in the *Apple Daily* (蘋果日報) on 11 March 2013 (the "Article") mentioning the alleged differences within the Board on the Further Investment and the proposed consolidation of the shares of the Company, management of the Company suspected that there was a possible breach of confidentiality and fiduciary duties by the members of the Board. Thus, the Company sent confirmations to each member of the Board to seek their confirmations that they have not disclosed confidential information of the Company in relation to the publish of the Article. The Two INEDs did not give their confirmation.

The Company wishes to confirm that all material information relevant to the Proposed Removal of Directors has been disclosed in the Circular. The Company considers that the information in the Circular is correct and accurate and there is no material omission which will warrant the issuance of a supplemental circular.

Shareholders and investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 24 March 2013

*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 Dr. Dingjie Wu, Mr. Li Li Tang, Ms. Yeung Pui Han, Regina, Mr. Li Chi Fai and Ms. Sie Nien Che, Celia are the independent non-executive directors of the Company.*