

An issuer's financial statements in an annual report should provide a true and fair view of the issuer's state of affairs and of the results of its operations and its cash flow. A disclaimer of opinion deprives the shareholders and investing public of the right to quality information relating to the issuer to appraise the issuer's position and to make informed investment decisions, which in turn destroys transparency, trust and confidence in the market.

Directors are responsible for the issuer's financial statements. They must exercise such degree of skill, care and diligence as may be reasonably expected under Rule 3.08(f) of the Exchange Listing Rules including in respect of the issuer's financial reporting obligations. Directors must take substantive steps in a timely manner towards resolving the issues that have given rise to the disclaimer of opinion in the issuer's financial statement. Failure to do so by a director demonstrates a lack of proactivity and diligence on his part in procuring compliance with the issuer's financial reporting obligations, and may amount to a breach of the director's duties.

For the avoidance of doubt, the Exchange confirms that the sanctions detailed in this news release apply only to the Directors (defined below), and not to any other past or present members of the board of directors (the **"Board"**) of the Company. The Listing Committee is not making a finding of any Rule breach against the Company in this action. The Company is named as a party to this action in order to give effect to the directions made by the Listing Committee.

The Listing Committee of The Stock Exchange of Hong Kong Limited (the "Listing Committee")

CENSURES:

- (1) **Mr Ng Man Sun ("Mr Ng")**, executive director ("**ED**") of **Amax International Holdings Limited** (the "**Company**") (Stock Code: 959);
- (2) **Ms Ng Wai Yee ("Ms Ng")**, ED of the Company;
- (3) **Ms Yeung Pui Han Regina ("Ms Yeung")**, independent non-executive director ("**INED**") of the Company;

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- (4) **Mr Li Chi Fai** (“**Mr Li**”), INED of the Company; and
- (5) **Ms Sie Nien Che** (“**Ms Sie**”), INED of the Company,
- (collectively, the “**Directors**”)

for:

- (a) failing to apply such degree of skill, care and diligence reasonably expected of them with respect to the matters referred to herein, in breach of Rule 3.08(f) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Exchange Listing Rules**”); and
- (b) failing to comply to the best of their ability with the Exchange Listing Rules (the “**Best Ability Undertaking**”), in breach of their obligations under the Declaration and Undertaking with regard to Directors given to the Exchange in the form set out in Appendix 5B to the Exchange Listing Rules (the “**Director’s Undertaking**”).

On 23 January 2019, the Listing Committee conducted a hearing into the conduct of the Directors in relation to their obligations under the Exchange Listing Rules and the Directors’ Undertakings (the “**Disciplinary Hearing**”).

On 28 May 2019, the Listing Committee conducted a disciplinary (review) hearing (the “**Review Committee**”) on the application by, among others, Mr Li for a review of the finding of breach by Mr Li (the “**Disciplinary (Review) Hearing**”). Save for Mr Li, all of the other Directors withdrew their application for review prior to the Disciplinary (Review) Hearing.

KEY FACTS

The Company originally owned 49.9 per cent equity interest in Greek Mythology (Macau) Entertainment Group Corporation Limited (“**Greek**”), a company incorporated in Macau. Greek operated a casino business in a hotel in Macau. On 30 October 2010, Greek held an extraordinary general meeting (the “**EGM**”) and approved a capitalisation of certain shareholders’ loan due to a major shareholder and director (the “**Capitalisation**”) resulting in the Company’s equity interest in Greek being diluted to 24.8 per cent. Two EDs of the Company at that time attended the EGM as representatives of the Company and voted in favour of the Capitalisation without reporting it to the Company. They later became uncontactable. As a result of the dilution effect of the Capitalisation, Greek became an associate company of the Company. The Company has had no representative on Greek’s board since then. Thereafter, there was a gradual and complete change in the composition of the Board. The Directors all joined the Board on either 12 September 2012 or 22 February 2013.

The Group had made advances to Greek totalling \$63,567,401 (the “**Advances**”) for its daily operation before the Directors were appointed to the Board. In addition, pursuant to two agreements (namely, the Gaming Table Rights Agreement and the Slot Machines Rights Agreement both dated 15 February 2011, collectively, the “**Licence Agreements**”) between the Company’s subsidiaries and Greek, Greek was required to repay \$4,568,045.63 plus a monthly payment of \$400,000 to the Company for the rights to operate and manage the gaming tables and slot machines since 1 October 2010 until they are terminated by those subsidiaries. Greek only repaid \$4.3 million under the Licence Agreements during 2011 to 2012. The outstanding accruing amount due (including the Advances, the interest thereon and the income/fees payable under the Licence Agreements) from Greek is collectively referred to herein as the **Indebtedness**, which was as follows as at the end of the relevant financial years:

<u>Financial Year</u>	<u>Indebtedness amount</u> <u>(\$'000)</u>
2011/12	65,967
2012/13	70,365
2013/14	75,165
2014/15	79,965
2015/16	84,765
2016/17	84,867 (before impairment)
2017/18	26,100

Company’s financial statements in annual reports (the “**Report(s)**”) for financial years ended 31 March 2011 (the “**FY2010/11**”) to 31 March 2018 (the “**FY2017/18**”) subject to disclaimer of opinion

Since the FY2010/11 to the FY2017/18, the Company’s annual financial results contained a disclaimer of opinion (the “**Disclaimer**”) issued by its auditors, which was due to, among other issues, the fact that the Company had been unable to (a) access the financial information of its associate company (ie Greek) for the auditors to complete the audit, and (b) demonstrate the recoverability of the amount due from Greek (i.e. the Indebtedness). As at each of the financial years ended 31 March 2015 (the “**FY2014/15**”), 31 March 2016 (the “**FY2015/16**”), 31 March 2017 (the “**FY2016/17**”) and the FY2017/18, the Group’s total interest in Greek represented between approximately 64.85 per cent to 88.35 per cent of the Group’s total assets.

The Company’s auditors at the material times were:

- (a) FY2010/11: CCIF CPA Limited (“**CCIF CPA**”);
- (b) FY2011/12: Baker Tilly Hong Kong Limited (“**Baker Tilly**”);
- (c) FY2012/13 and FY2013/14: CCIF CPA; and

(d) FY2014/15 to FY2017/18: Elite Partners CPA Limited (“**Elite Partners**”).

Company’s announcements concerning Greek in July 2016, January and June 2017

On 22 July 2016, the Company announced that the Macau Government Tourism Office (the “**Tourism Office**”) had decided temporarily to close the hotel where the casino operated by Greek was located for six months as the hotel had continuously failed to rectify its administrative irregularities, including failing to carry out essential fire safety measures and failing to address illegal construction issues notwithstanding various sanctions, penalties and demands for improvement.

On 13 January 2017, the Company further announced that the hotel operator decided to return the hotel licence to the Tourism Office.

On 26 June 2017, the Company announced that it had applied to the Macau Court on 19 June 2017 to appoint Mr Ng as the administrator of Greek in order to access Greek’s financial information and participate in Greek’s management (the “**Administrator Appointment Application**”).

FY2016/17 Report (published on 27 July 2017)

Although the Company recognised in the FY2016/17 Report a partial impairment loss of about \$837.64 million on the Group’s interest in Greek (leaving a carrying balance of \$353.57 million on the accounts), and a partial impairment of about \$63.47 million on the Indebtedness (leaving a carrying balance of \$21.3 million on the accounts), the auditors (Elite Partners) nevertheless issued a Disclaimer on the FY2016/17 financial statements due to the partial impairments, the carrying balances and the carrying amount of the gaming licences rented to Greek (\$6.1 million).

Further disclosure by the Company on 4 September 2017

On 4 September 2017, the Company made a supplemental announcement in respect of the FY2016/17 Report, providing additional information in relation to the Disclaimer and the reasons and basis of the partial impairments. It announced, among other things, that: (a) the result of the Administrator Appointment Application was still pending; (b) as it would normally take 9 to 12 months for the Macau Court to deal with the application, it was uncertain as to when it could have direct access to Greek’s books and records, and when the Disclaimer could be removed, but in any circumstances the timing would not be less than one year; (c) it would only consider other contingent plans for removing the Disclaimer if it receives a negative result on the Administrator Appointment Application; (d) if the Macau Court rejects the application, it may consider filing an appeal or taking other legal action; and (e) if all possible alternative actions are exhausted, it would consider a voluntary winding up of Greek, or disposing of its interest in Greek to remove the Disclaimer. The Company also set out in that announcement the steps it proposed to perform to reveal Greek’s documents to address the Disclaimer if the Administrator Appointment Application is successful.

FY2017/18 Report (published on 30 July 2018)

The Company stated in its FY2017/18 Report that the Administrator Appointment Application was pending and that it had been advised that, depending on the development of the application, a further 8 to 18 months would be required to complete the necessary legal proceedings to allow the Company to get direct access to the financial information of Greek.

Actions taken regarding the outstanding financial information

According to the Company's submissions (endorsed by the Directors):

- (a) The Directors had consulted Hong Kong and Macau legal advisers on a number of occasions before they took court action in Macau against Greek to seek to obtain Greek's accounts for the financial year ended 31 December 2012 ("FY2012") in February 2014. A month later, the Company immediately instructed its legal advisers to issue a demand for the accounts for the financial year of ended 31 December 2013 ("FY2013").
- (b) After the Macau Court ordered Greek to provide its FY2012 accounts in May 2014, the Company consulted and received advice from its Macau legal advisers and took similar court action the following month in respect of the FY2013 accounts.
- (c) The Company understood that the application to the Macau Court for production of annual accounts would include the underlying supporting documents to the accounts. However, it only realised after it had clarified with the Macau Court in September 2014 that provision of the supporting documents was not covered by the court order. Greek chose only to give a minimum disclosure without the supporting documents for the FY2012 and FY2013 accounts.
- (d) After taking the two court actions against Greek referred to in (a) and (b) above, the Company realised that the Disclaimer could not be resolved without the supporting documents to the accounts. The Directors considered that taking legal proceedings against Greek in the Macau Court in respect of the accounts every year was too costly. The Company therefore decided to issue demand letters to Greek for the accounts for FY2014 and onwards to reserve its rights.
- (e) In December 2015, Greek closed the casino allegedly for renovation. Since then, it has never re-opened. Previous legal advice obtained by the Company was that under Macanese law, a shareholder of a Macau company has no right to nominate directors to the company. However, in view of the closure of Greek's operations and the apparent abandonment of management by Greek's management, in January 2017 the Company's legal advisers advised the Company to apply to the Macau Court to appoint one of its directors as administrator of Greek. The legal advisers also advised the Company that it was unnecessary to follow up on the outstanding accounts with Greek in view of the intended Administrator Appointment Application. After further consultations with the legal advisers, on 19 June 2017 the Company filed the Administrator Appointment Application.

Actions taken regarding the Indebtedness and reasons for not taking other actions

According to the Company:

- (a) Since 23 June 2011, the Company had issued seven demand letters and reminders to Greek for repayment of the Indebtedness. The last reminder was issued in November 2016. The demands were not made more frequently because the Company had focused on obtaining the outstanding financial information and supporting documents from Greek.
- (b) The Company did not issue further demands and/or take legal proceedings as this would possibly lead to the winding up of Greek. Given the Company is one of its two shareholders, taking winding up proceedings against Greek would likely affect the Company's interest and such a step had to be taken with caution.
- (c) Greek is a sub-licensee from Sociedade de Jogos de Macau S.A. to operate the casino, and the winding up of Greek would lead to termination of the sub-licence and total loss of all the Company's investment in Greek. As such, the Company would not be able to recover possession of the gaming tables and/or slot machines as Greek is the sub-licensee.
- (d) Termination of the Licence Agreements with Greek would not put the Company's interest in a better position but would result in the loss of the Company's monthly income under the agreements.

Actions taken by the Directors

The Directors submitted that:

- (a) they had instructed the Company's chief financial officer (the "CFO") to take all necessary actions (including engaging legal advisers, compliance advisers and financial advisers) to address the issues which gave rise to the Disclaimer. The CFO reported from time to time to the Directors on the progress;
- (b) they had considered the relevant legal advice and reviewed the letters before despatching them to Greek; and
- (c) they had also considered, discussed and approved the relevant announcements and the FY2012/13 to FY2016/17 Reports.

The Directors deny breaching Rule 3.08(f) and the Director's Undertakings

The Directors further deny breaching Rule 3.08(f) and their Best Ability Undertakings.

Exchange Listing Rule Requirements

Rule 3.08 states that the board of directors of an issuer is collectively responsible for its management and operations, and the Exchange expects directors, both collectively and individually, to fulfil fiduciary duties and duties of skill, care and diligence to a standard at least commensurate with the standard established by Hong Kong law, including the duty to apply such degree of skill, care and diligence as may reasonably be expected of a person of his knowledge and experience and holding his office within the issuer (Rule 3.08(f)).

The note to Rule 3.08 refers to “A Guide on Directors’ Duties” issued by the Companies Registry which states under Principle 11 that “A director of a company must take all reasonable steps to secure that the company keeps accounting records that are sufficient to show and explain the company’s transactions and disclose with reasonable accuracy the company’s financial position and financial performance”.

Paragraph 2 of Appendix 16 to the Exchange Listing Rules requires financial statements presented in an annual report to provide a true and fair view of the state of affairs of the issuer and of the results of its operations and its cashflows.

The Directors had acknowledged responsibility for preparing the Group’s financial statements in each of the Company’s Corporate Governance Reports for FY2012/13 to FY2017/18.

LISTING COMMITTEE’S FINDINGS OF BREACH

The Listing Committee considered the written and oral submissions of the Listing Department (the “**Department**”), the Company and the Directors, and concluded as follows:

Directors’ breach of Rule 3.08(f)

The Group’s interest in Greek represented a significant part of the Group’s total assets. Notwithstanding Greek’s financial significance to the Group, the Company published financial statements for eight consecutive years (FY2010/11 to FY2017/18) that were subject to the Disclaimer relating to insufficient audit evidence on Greek’s financial information and the Indebtedness. It was noted that the amounts payable under the Licence Agreements continued to accrue for many years without payment or the prospect of payment.

The Directors were appointed onto the Board in either September 2012 or February 2013, and were aware, or should reasonably have been aware, of the Disclaimer in the FY2011/12 Report on or shortly after they became directors of the Company.

Actions taken regarding the outstanding financial information

After their appointments to the Board, the Directors initially procured the Company to issue demands to Greek, followed by some reminders, to (a) produce the relevant accounts, (b) convene a general meeting for the purpose of appointing a representative of the Company to Greek's board, and (c) repay the Indebtedness. Greek never met any of those demands. There were significant time gaps in following up on the matter after Greek failed to respond to the Company's demand letters and/or accede to the Company's demands after expiry of the deadlines imposed. It was only about a year later (in February and June 2014) that the Directors procured the Company to apply to the Macau Court to order Greek to produce its FY2012 and FY2013 accounts respectively. Had the Directors discharged their duties under Rule 3.08(f) diligently and proactively, they should have taken the court action in Macau against Greek for production of its FY2012 and FY2013 accounts earlier than they did in February and June 2014, and should have realised Greek's position and the limitation in the court action far earlier.

The Macau Court ordered Greek to produce its FY2012 and FY2013 accounts to the Company in May and September 2014; however, the court orders did not cover the provision of supporting documents for those accounts. Some attempts were made to obtain those supporting documents but to no avail. The Directors realised or should reasonably have realised, by April 2015, that the Company would not be able to obtain the supporting documents for Greek's FY2012 and FY2013 accounts which were essential for the auditors to verify the relevant accounts for audit purposes, and the subsequent annual accounts, without a court order.

With their experience in dealing with Greek from 2013 onwards, the Directors should have known that merely issuing demands would not yield any effective results. They should have diligently and proactively consulted the Company's legal advisers and auditors, and considered other alternatives including, in particular, the possibility of appointing an administrator for Greek and/or the appropriateness of making full or partial impairments in respect of its interest in Greek and the Indebtedness to resolve the Disclaimer. However, from April 2015 to May 2016 all that was done was just to procure the Company to continue issuing demand letters to Greek before the FY2015/16 results were published as a result of which the FY2015/16 results remained subject to the Disclaimer.

The Directors made no other efforts until November 2016 (over one and half years later) to consult the Company's Macau legal advisers on possible action to address the Disclaimer. The Directors eventually procured the Company make the Administrator Appointment Application on 19 June 2017. While a partial impairment was recognised on the Company's interest in Greek and the Indebtedness in the FY2016/17 results which were published shortly after the Administrator Appointment Application was made, the annual results nevertheless remained subject to the Disclaimer due to the remaining carrying amount. The Administrator Appointment Application was still pending as at the end of FY2017/18, and the financial statements for that year remained subject to the Disclaimer.

The Company's previous auditors (CCIF CPA) had informed the Company for every financial year from FY2012/13 to FY2013/14 before carrying out the audits and when reporting to the Company's audit committee (the "AC") what documents and information were required in order to perform their audit procedures, and explained to the Company the consequences of the unavailability of the audit evidence and satisfactory alternative audit procedures. The Company's response had all along been that legal action was being taken against Greek and provided supporting documents to the auditors to substantiate its explanation. According to the relevant AC meeting minutes, Elite Partners, the Company's auditors for FY2014/15 to FY2016/17 had raised the issues giving rise to the Disclaimer to the AC's attention every year after they had conducted the annual audit. It was only from 9 May 2017 that the AC meeting minutes recorded more detailed discussions between the auditors (Elite Partners) and the INEDs about other alternatives to resolve the Disclaimer, including appointing Mr Ng as Greek's administrator and writing off the Company's investment in Greek.

Actions taken regarding the Indebtedness

The Listing Committee took the view that there is no reason why actions by the Company for recovery of the Indebtedness and for provision of Greek's accounts and supporting documents could not be taken at the same time. Although the Company claimed that it was concerned about the possibility of Greek being wound up if legal proceedings against Greek were pursued, the Directors should have realised, based on their experience in dealing with Greek since 2012, that the recoverability of the Indebtedness was very remote. The Listing Committee considered it was therefore neither in the interest of the Company and/or its shareholders as a whole for the Directors to allow (a) continuation of the Licence Agreements and further accumulation of the Indebtedness, with no reasonable prospects of repayment by Greek in the foreseeable future, and (b) continuation of the Disclaimer in the Company's annual reports which was partly due to the Indebtedness, resulting in its financial statements being unable to provide a true and fair view of its financial position.

At the Disciplinary Hearing, Ms Ng informed the Listing Committee that the Directors had not sought to meet with Greek during the relevant period (of many years) to try to resolve the situation.

Although the Directors submitted that they had instructed the CFO to take all necessary action to address the Disclaimer, Rule 3.08 clearly says that such delegation would not absolve them from their responsibilities or from applying the required levels of skill, care and diligence.

In view of the circumstances, and by reason of the Directors' conduct, knowledge, experience and position in the Company, the Directors' overall dilatory conduct set out above demonstrated a lack of proactivity and diligence on their part in procuring the Company's financial reporting obligations to provide a true and fair view of the state of affairs of the Company and of the results of its operations and its cash flow under the Exchange Listing Rules. This is inconsistent with the discharge of duties of skill, care and, in particular, diligence as may be reasonably expected under Rule 3.08(f).

Directors' breach of the Best Ability Undertakings

The Listing Committee concluded that, with their breach of Rule 3.08(f) as concluded above, the Directors also breached their Best Ability Undertakings.

At the Disciplinary (Review) Hearing, the Review Committee upheld the decision of the Listing Committee at first instance in respect of Mr Li. The Review Committee was not satisfied that the actions taken by Mr Li were sufficient to discharge him from his obligations as an INED and the Chairman of the AC. Further, the Review Committee noted that, subsequent to the Disciplinary Hearing, the disposal of the Company's interest in Greek had been completed and full impairment losses had already been made by the Company in its interest in Greek and the Indebtedness.

REGULATORY CONCERN

The Listing Committee regards the breaches in this matter as serious:

- (a) Directors are responsible for preparing the company's financial statements. Code Provision C.1.3 of the Corporate Governance Code, Appendix 14 to the Exchange Listing Rules requires directors to acknowledge the responsibility in the issuer's Corporate Governance Report which the Directors did so in the FY2012/13 to FY2017/18 Reports. They should therefore adopt a proactive approach and take action in a timely manner to address any issues giving rise to a disclaimer of opinion by auditors but this was not the case in respect of the Directors.
- (b) An issuer's financial statements in an annual report should provide a true and fair view of the issuer's state of affairs and of the results of its operations and its cash flow. A disclaimer of opinion by auditors on an issuer's financial statements deprives the shareholders and investing public of the right to quality information relating to the issuer to appraise the issuer's position and to make informed investment decisions, and in turn destroys transparency, trust and confidence in the market. The market impact is significant given that the Company's shares were actively traded on the Exchange during this prolonged period.
- (c) The Company and the Directors have already had more than sufficient time to resolve the Disclaimer but to no avail. The Company's announcement of 4 September 2017 and the FY2017/18 Report (published on 30 July 2018) suggest that the Disclaimer will carry on for at least another year and without a definite end for the time being. In the circumstances, the Listing Committee considered that directions should be made to ensure that (i) the Directors discharge their duties under Rule 3.08(f) diligently in respect of the Company's financial reporting obligations, (ii) the Company's financial statements in its annual reports will not be subject to the Disclaimer for any further prolonged period; and the integrity of the market is protected.

SANCTIONS AND DIRECTIONS

In light of the seriousness of the breaches and the circumstances of this matter, the Listing Committee at first instance, in exercising its powers to impose sanctions and directions under the Exchange Listing Rules, hereby:

(1) Censures the Directors for breach of Rule 3.08(f) and their Best Ability Undertakings;

and Directs:

- (2) Each of the Directors to (a) attend 20 hours of training on Exchange Listing Rule compliance and director's duties, of which not less than four hours of training on the requirements under the Exchange Listing Rules in respect of director's duties and corporate governance (the "**Training**"), to be provided by institutions such as the Hong Kong Institute of Chartered Secretaries, the Hong Kong Institute of Directors or other course providers approved by the Department. The Training is to be completed within 90 days from the publication of this news release; and (b) provide the Department with the Training provider's written certification of full compliance within two weeks after Training completion;
- (3) The Company to publish an announcement to confirm that the direction in paragraph (2) above has been fully complied with within two weeks after the fulfillment of that direction;
- (4) The Company to submit in draft form the announcement referred to in paragraph (2) above for the Department's comment and the Company may only publish such announcement after the Department has confirmed it has no further comment on the same; and
- (5) Following the publication of this news release, any changes necessary and any administrative matters which may emerge in the management and operation of any of the directions set out in paragraphs (2) to (4) above are to be directed to the Department for consideration and approval. The Department should refer any matters of concern to the Listing Committee for determination.

The Review Committee on application for review by Mr Li decided to endorse the above sanction and directions imposed on Mr Li by the Listing Committee at first instance.

Hong Kong, 29 July 2019