

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



**Sinomax Group Limited**

**盛諾集團有限公司**

*(Incorporated under the laws of the Cayman Islands with limited liability)*

**(Stock Code: 1418)**

## **CONTINUING CONNECTED TRANSACTION**

### **THE PROCUREMENT AGREEMENT IN RELATION TO SALE OF POLYURETHANE FOAMS**

Reference is made to the Prospectus. As disclosed in the Prospectus, Haining Sinomax and Gu Jia Household had on 2 December 2013 entered into the Previous Procurement Agreement in relation to the sale of polyurethane foams by Haining Sinomax to Gu Jia Household. The Previous Procurement Agreement expired in accordance with its terms on 31 December 2014. In order to continue the sale of polyurethane foams to, *inter alia*, Gu Jia Household, Haining Sinomax as the supplier and Gu Jia Household and Gu Jia Meilin as the purchasers have entered into a new Procurement Agreement on 6 February 2015 to govern the sale and purchase of polyurethane foams between Haining Sinomax and the Purchasers after the expiry of the Previous Procurement Agreement.

Gu Jia Household holds 40% equity interest in Sinomax Kuka, which is an indirect non-wholly owned subsidiary of the Company. As a substantial shareholder of a subsidiary of the Company, Gu Jia Household is a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Gu Jia Meilin, being the direct wholly-owned subsidiary of Gu Jia Household, is an associate of Gu Jia Household pursuant to Rule 14A.13(1) of the Listing Rules and hence a connected person of the Company under Rule 14A.07(4) of the Listing Rules. Hence, the transactions contemplated under the Procurement Agreement constitute continuing connected transactions of the Company.

While one or more of the applicable percentage ratios (other than the profit ratio) as defined under the Listing Rules in respect of the Annual Cap exceed 5%, the Directors, having made all reasonable enquiries, confirmed that each of Gu Jia Household and Gu Jia Meilin is a connected person of the Company only because of its connection with a subsidiary of the Company. Hence, each of Gu Jia Household and Gu Jia Meilin is a connected person at the subsidiary level of the Company under Rule 14A.06(9) of the Listing Rules. Pursuant to Rule 14A.101 of the Listing Rules, such transactions are only subject to reporting, annual review and announcement requirements and are exempt from the circular and independent shareholders' approval requirements.

## INTRODUCTION

Reference is made to the Prospectus. As disclosed in the Prospectus, Haining Sinomax and Gu Jia Household had on 2 December 2013 entered into a procurement agreement (the “**Previous Procurement Agreement**”) in relation to the sale of polyurethane foams by Haining Sinomax to Gu Jia Household. The Previous Procurement Agreement expired in accordance with its terms on 31 December 2014.

In order to continue the sale of polyurethane foams to, *inter alia*, Gu Jia Household, Haining Sinomax as the supplier and Gu Jia Household and Gu Jia Meilin as the purchasers (the “**Purchasers**” and each a “**Purchaser**”) have entered into a new Procurement Agreement on 6 February 2015 to govern the sale and purchase of polyurethane foams between Haining Sinomax and the Purchasers after the expiry of the Previous Procurement Agreement. Details of the Procurement Agreement are set out below.

## THE PROCUREMENT AGREEMENT

### *Date*

6 February 2015

### *Parties*

- (1) Haining Sinomax as supplier; and
- (2) Gu Jia Household and Gu Jia Meilin as Purchasers

### *Term*

The Procurement Agreement shall retrospectively take effect since 1 January 2015 and shall expire on 31 December 2015

### *Sale and purchase of polyurethane foams*

Pursuant to the terms of the Procurement Agreement, each Purchaser will purchase from Haining Sinomax polyurethane foams for its production of, *inter alia*, sofas, mattresses and dining tables by issuing purchase orders (the “**Purchase Orders**”) from time to time to Haining Sinomax.

### *Pricing policies*

Parties to the Procurement Agreement will agree from time to time a price list (the “**Price List**”) setting out the price, specifications and delivery schedule in respect of each type of polyurethane foams, upon which the Purchase Orders must adhere to.

The price of each type of polyurethane foams specified in the Price List will be determined with reference to (i) the prevailing market price of such product and (ii) the price of such product supplied by Haining Sinomax to independent third parties. If there is no market price available for a particular product, the price of such product will be determined on a cost-plus basis with reference to the cost incurred by Haining Sinomax for the supply of such product (including all costs and expenses relating to raw material procurement, production, transportation, marketing, operation and management).

*Payment term*

Each Purchaser shall pay the purchase price of products supplied by Haining Sinomax by the end of the month subsequent to the delivery of such products.

*Historical transaction amounts*

As disclosed in the Prospectus, Haining Sinomax was established in the PRC on 27 December 2012. Prior to its establishment, the Group sold polyurethane foams to Gu Jia Household and Zhejiang Gu Jia Craft and Sofa Production Co., Ltd\* (浙江顧家工藝沙發製造有限公司) (“**Gu Jia Craft**”), a fellow subsidiary of Gu Jia Household, through Sinomax Kuka, which is the sole shareholder of Haining Sinomax.

For the years ended 31 December 2011 and 2012, the aggregate consideration paid by Gu Jia Household and Gu Jia Craft to Sinomax Kuka for the purchase of polyurethane foams and the aggregate quantity of such purchase are as follows:

<b>Year ended 31 December</b>	<b>Consideration paid</b> <i>RMB million</i> <i>(HK\$ million)</i>	<b>Quantity</b> <i>million kg</i>
<b>2011</b>	108.73 (135.91)	5.87
<b>2012</b>	101.99 (127.49)	5.76

For the years ended 31 December 2013 and 2014, the aggregate consideration paid by Gu Jia Household to Sinomax Kuka and Haining Sinomax for the purchase of polyurethane foams and the aggregate quantity of such purchase are as follows:

<b>Year ended 31 December</b>	<b>Consideration paid</b> <i>RMB million</i> <i>(HK\$ million)</i>	<b>Quantity</b> <i>million kg</i>
<b>2013</b>	107.76 (134.70)	6.36
<b>2014</b>	108.94 (136.18)	6.40

### *Annual Cap and basis of determination*

The Annual Cap for the amount of purchases (excluding all applicable tax) payable by the Purchasers to Haining Sinomax under the Procurement Agreement for the year ending 31 December 2015 is RMB154 million (equivalent to approximately HK\$192.5 million).

The Annual Cap is determined after taking into account:

- (i) the historical purchases made by Gu Jia Household and/or Gu Jia Craft for the years ended 31 December 2011, 2012, 2013 and 2014;
- (ii) the annual cap of RMB140 million (equivalent to approximately HK\$175 million) in respect of the Previous Procurement Agreement for the year ended 31 December 2014;
- (iii) the anticipated demand that may be derived from the possible future business growth of the Gu Jia Group; and
- (iv) the Directors envisage that there will be an increase in the demand from the Gu Jia Group as (1) the Gu Jia Group has recently established a new factory in Hangzhou, the PRC, which is only approximately 20 kilometres from the Group's factory in Zhejiang, the PRC. Trial production has already commenced in the said new factory; and (2) the Gu Jia Group has run trial production of mattresses for more than a year and is ready for large-scale production. Through its established POS, it is expected that the sale of mattresses will increase rapidly in the future and hence the demand for polyurethane foams.

The Directors, having reviewed the Procurement Agreement and taking into consideration (i) the market price of the types of polyurethane foams to be provided by Haining Sinomax under the Procurement Agreement; (ii) the substantial quantity of polyurethane foams previously purchased by Gu Jia Household and Gu Jia Craft and expected to be ordered by the Purchasers; and (iii) substantial reduction in the Group's marketing costs and sales expenses in relation to foam sales when dealing the Purchasers, consider that the transactions under the Procurement Agreement have been and will be entered into in the ordinary and usual course of business, on normal commercial terms and that the terms of the Procurement Agreement and the Annual Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **IMPLICATIONS UNDER THE LISTING RULES**

Gu Jia Household holds 40% equity interest in Sinomax Kuka, which is an indirect non-wholly owned subsidiary of the Company. As a substantial shareholder of a subsidiary of the Company, Gu Jia Household is a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Gu Jia Meilin, being the direct wholly-owned subsidiary of Gu Jia Household, is an associate of Gu Jia Household pursuant to Rule 14A.13(1) of the Listing Rules and hence a connected person of the Company under Rule 14A.07(4) of the Listing Rules. Hence, the transactions contemplated under the Procurement Agreement constitute continuing connected transactions of the Company.

While one or more of the applicable percentage ratios (other than the profit ratio) as defined under the Listing Rules in respect of the Annual Cap exceed 5%, the Directors, having made all reasonable enquiries, confirmed that each of Gu Jia Household and Gu Jia Meilin is a connected person of the Company only because of its connection with a subsidiary of the Company. Hence, each of Gu Jia Household and Gu Jia Meilin is a connected person at the subsidiary level of the Company under Rule 14A.06(9) of the Listing Rules. Pursuant to Rule 14A.101 of the Listing Rules, such transactions are only subject to reporting, annual review and announcement requirements and are exempt from the circular and independent shareholders' approval requirements. In this connection, the Board has approved the transactions contemplated under the Procurement Agreement and the independent non-executive Directors have confirmed that the terms of the transactions contemplated thereunder are fair and reasonable; the transaction is on normal commercial terms or better, in the ordinary and usual course of business of the Group, and in the interest of the Company and its Shareholders as a whole.

None of the Directors (including the independent non-executive Directors) has any material interests in the transactions contemplated under the Procurement Agreement and hence none of the Directors (including the independent non-executive Directors) had abstained from voting on the board resolutions approving the transactions contemplated under the Procurement Agreement and the Annual Cap.

## **INFORMATION OF THE GROUP, HAINING SINOMAX AND THE PURCHASERS**

### **The Group**

The Company is incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the business of manufacture and sale of health and household products and polyurethane foam. Health and household products mainly represent quality visco-elastic pillows, mattress toppers and mattresses.

### **Haining Sinomax**

Haining Sinomax is a company established in the PRC with limited liability, which is principally engaged in the sale of polyurethane foams to furniture manufacturers.

### **Gu Jia Household and Gu Jia Meilin**

Each of Gu Jia Household and Gu Jia Meilin is a company established in the PRC with limited liability, which is principally engaged in manufacturing sofa and furniture. Gu Jia Meilin is a direct wholly-owned subsidiary of Gu Jia Household.

## DEFINITIONS

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

“Annual Cap”	the annual maximum aggregate value for the transactions contemplated under the Procurement Agreement for the year ending 31 December 2015
“Board”	the board of Directors
“Company”	Sinomax Group Limited, a company incorporated under the laws of the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected person(s) at the subsidiary level”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“Gu Jia Group”	Gu Jia Household and its subsidiaries from time to time
“Gu Jia Household”	Gu Jia Household Co., Limited* (顧家家居股份有限公司), formerly known as Hangzhou Zhuangsheng Furniture Manufacturing Co., Limited* (杭州莊盛家具製造有限公司), a company established in the PRC with limited liability
“Gu Jia Meilin”	Zhejiang Gu Jia Meilin Household Co., Limited* (浙江顧家梅林家居有限公司), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of Gu Jia Household
“Haining Sinomax”	Haining Sinomax Trading Co., Ltd.* (海寧聖諾盟貿易有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“kg”	Kilogram
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“POS”	points of sale
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Procurement Agreement”	the procurement agreement dated 6 February 2015 entered into amongst Haining Sinomax, Gu Jia Household and Gu Jia Meilin in relation to the supply of polyurethane foams by Haining Sinomax to each of Gu Jia Household and Gu Jia Meilin
“Prospectus”	the prospectus of the Company dated 30 June 2014
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the holder(s) of the ordinary share(s) in the capital of the Company
“Sinomax Kuka”	Sinomax Kuka (Zhejiang) Foam Co. Limited* (浙江聖諾盟顧家海綿有限公司), a company established in the PRC with limited liability as a wholly foreign-owned enterprise and subsequently transformed into a Sino-foreign joint venture, which is an indirect non-wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules

By Order of the Board  
**Sinomax Group Limited**  
**Lam Chi Fan**  
*Chairman*

Hong Kong, 6 February 2015

*As at the date of this announcement, the executive Directors are Mr. Lam Chi Fan (Chairman of the Board), Mr. Cheung Tung (President), Mr. Chen Feng, Mr. Lam Kam Cheung (Chief Financial Officer and Company Secretary) and Ms. Lam Fei Man; the independent non-executive Directors are Mr. Wong Chi Keung, Professor Lam Sing Kwong, Simon, Mr. Fan Chun Wah, Andrew, Mr. Zhang Hwo Jie and Mr. Wu Tak Lung.*

*In the event of any inconsistency between the English and Chinese versions of this announcement, the English version of this announcement shall prevail over the Chinese version of this announcement.*

*In this announcement, the conversions of RMB into HK\$ has been made at an exchange rate of RMB1:HK\$1.25. Such conversions should not be construed as a representation that any amount has been, could have been or may be, exchanged at these or any other rates.*

*If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese which are marked with “\*” is for identification purposes only.*