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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Sinomax Group Limited (the “Company”), you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**SINOMAX**

**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)**

**DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO THE ACQUISITION OF 100% EQUITY INTEREST IN  
SHANGHAI LUEN TAI POLYURETHANE CO. LTD.;  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders

**Beijing Securities**  
Beijing Securities Limited  
北京證券有限公司

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” of this circular.

A letter from the Board is set out on pages 5 to 13 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 14 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders are set out on pages 15 and 25 of this circular.

A notice convening the EGM to be held at Taishan Room, Level 5, Island Shangri-La, Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong at 2:30 p.m. on Friday, 6 March 2015 is set out on pages 30 to 31 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to read the notice and to complete and return the accompanying form of proxy, in accordance with the instructions printed thereon, to the Hong Kong share registrar of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

13 February 2015

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following terms shall have the following meanings:*

“Acquisition”	the acquisition of 100% equity interest in Shanghai Luen Tai by Sinomax Zhejiang from Mil-ton and Chori pursuant to the Acquisition Agreement
“Acquisition Agreement”	the equity transfer agreement dated 23 January 2015 entered into among Sinomax Zhejiang (as purchaser), Mil-ton and Chori (as vendors) in relation to the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing Securities” or “Independent Financial Adviser”	Beijing Securities Limited, a licensed corporation to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Board”	the board of Directors
“Business Day”	a day on which clearing banks in Hong Kong and the PRC are open for general banking business (excluding Saturdays and Sundays)
“Chori”	Chori Co., Ltd. (蝶理株式會社), a company incorporated in Japan with limited liability whose shares are listed on the Tokyo Stock Exchange
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“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
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company

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## DEFINITIONS

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“EGM”	an extraordinary general meeting of the Company to be convened and held at 2:30 p.m. on Friday, 6 March 2015 at Taishan Room, Level 5, Island Shangri-La, Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee, comprising all the independent non-executive Directors, established for the purpose of considering and advising the Independent Shareholders in connection with the Acquisition Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders other than those who are required by the Listing Rules to abstain from voting on the resolution approving the Acquisition Agreement and the transactions contemplated thereunder
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), 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
“Land”	a parcel of land with a total site area of 37,357 sq.m. located in Songjiang District, Shanghai, the PRC
“Latest Practicable Date”	10 February 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Lease Agreement”	the lease agreement to be entered into between Shanghai Luen Tai and Modern Time in relation to the leasing of the Land and the Premises

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mil-ton”	Mil-ton Company Limited (萬東有限公司), a company incorporated in Hong Kong with limited liability
“Modern Time”	Modern Time Industrial Limited (時代實業有限公司), a company incorporated in Hong Kong with limited liability
“Mr. Kwok”	Mr. Kwok Tat Kwong, the brother-in-law of Mr. Lam
“Mr. Lam”	Mr. Lam Chi Fan, the Chairman of the Board and executive Director of the Company
“Ms. Janet Kwok”	Ms. Kwok Janet Ka-hay, the daughter of Mr. Kwok
“Ms. Lin”	Ms. Lin Lu Lin, the sister of Mr. Lam and the wife of Mr. Kwok
“Post-IPO Share Option Scheme”	the post-IPO share option scheme adopted by the Company on 4 March 2014
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by the Company on 13 December 2013
“Premises”	Building Nos. 1 to 22, No. 609 Zhongku Road, Maogang Town (Wuku), Songjiang District, Shanghai, the PRC, with a total gross floor area of 15,829 sq.m. erected on the Land
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Luen Tai”	Shanghai Luen Tai Polyurethane Co. Ltd.* (上海聯大海綿有限公司), a company established in the PRC with limited liability

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## DEFINITIONS

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“Share(s)”	the ordinary share(s) in the capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Sinomax Enterprises”	Sinomax Enterprises Limited, a company incorporated with limited liability under the laws of the British Virgin Islands
“Sinomax Zhejiang”	Sinomax (Zhejiang) Polyurethane Household Products Limited* (聖諾盟(浙江)聚氨酯家居用品有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“SLT Consideration”	the aggregate consideration of RMB35,000,000 (equivalent to approximately HK\$43,750,000) payable to Mil-ton and Chori, subject to deduction of any related tax expenses (if applicable), pursuant to the Acquisition Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	US dollars, the lawful currency of the United States of America
“sq.m.”	square meter(s)
“%”	per cent.

*For the purpose of this circular, unless otherwise states, the conversion of RMB into HK\$ has been made at an exchange rate of RMB1:HK\$1.25 and the conversion of US\$ into HK\$ has been made at an exchange rate of US\$1:HK\$7.76. 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.*

\* for identification purpose only

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LETTER FROM THE BOARD

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**SINOMAX**

**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)**

*Executive Directors:*

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)*

Ms. Lam Fei Man

*Independent non-executive Directors:*

Mr. Wong Chi Keung

Professor Lam Sing Kwong, Simon

Mr. Fan Chun Wah, Andrew

Mr. Zhang Hwo Jie

Mr. Wu Tak Lung

*Registered office:*

P.O. Box 309

Ugland House

Grand Cayman KY1-1104

Cayman Islands

*Principal place of business in*

*Hong Kong:*

Units 2005-2007

Level 20 Tower 1

MegaBox Enterprise Square Five

38 Wang Chiu Road

Kowloon Bay

Hong Kong

13 February 2015

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO THE ACQUISITION OF 100% EQUITY INTEREST IN  
SHANGHAI LUEN TAI POLYURETHANE CO. LTD.**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 23 January 2015.

On 23 January 2015 (after trading hours), Sinomax Zhejiang, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with Mil-ton and Chori, pursuant to which Sinomax Zhejiang conditionally agreed to acquire, and Mil-ton and Chori conditionally agreed to sell 60% and 40% equity interests in Shanghai Luen Tai, respectively, at an aggregate consideration of RMB35,000,000 (equivalent to approximately HK\$43,750,000).

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, (i) details of the Acquisition; (ii) a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders; (iii) a letter from Beijing Securities containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM, in order to enable you to make an informed decision on whether to vote for or against the resolution to be proposed at the EGM.

### THE ACQUISITION AGREEMENT

**Date:** 23 January 2015

**Parties:**

Purchaser: Sinomax Zhejiang

Vendors: Mil-ton and Chori

Mil-ton is an investment holding company incorporated in Hong Kong with limited liability, which is wholly-owned by Ms. Janet Kwok, the daughter of Mr. Kwok. Mr. Kwok is the brother-in-law of Mr. Lam, the Chairman of the Board and executive Director of the Company, and therefore each of Mr. Kwok, Ms. Janet Kwok and Mil-ton is a connected person of the Company under Chapter 14A of the Listing Rules.

Chori is a company incorporated in Japan with limited liability, the shares of which are listed on the Tokyo Stock Exchange. Chori is principally engaged in the trading business in the fields of textiles, chemicals and machinery. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of Chori and its ultimate beneficial owners and their respective associates is an Independent Third Party.

### Assets to be acquired

Pursuant to the Acquisition Agreement, Sinomax Zhejiang has conditionally agreed to purchase, and Mil-ton and Chori have conditionally agreed to sell 60% and 40% equity interests in Shanghai Luen Tai, respectively. Upon Completion, Shanghai Luen Tai will become an indirect wholly-owned subsidiary of the Company.

### The Consideration for the Acquisition

The SLT Consideration is RMB35,000,000 (equivalent to approximately HK\$43,750,000), of which as to RMB21,000,000 (equivalent to approximately HK\$26,250,000) is payable to Mil-ton and as to RMB14,000,000 (equivalent to approximately HK\$17,500,000) is payable to Chori, subject to deduction of any related tax expenses (if applicable). A refundable deposit in the amount of HK\$12,000,000 was paid by the Group to Mil-ton on 26 January 2015, which will be refunded to the Group within 3 Business Days after Completion.



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## LETTER FROM THE BOARD

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The SLT Consideration (subject to deduction of any related tax expenses (if applicable)) shall be payable by Sinomax Zhejiang to Mil-ton and Chori by way of bank transfer in the following manner:

- (a) an amount of RMB25,000,000 (equivalent to approximately HK\$31,250,000), of which as to RMB15,000,000 (equivalent to approximately HK\$18,750,000) is payable to Mil-ton and as to RMB10,000,000 (equivalent to approximately HK\$12,500,000) is payable to Chori, shall be paid on the date of Completion; and
- (b) an amount equivalent to the remaining balance of RMB10,000,000 (equivalent to approximately HK\$12,500,000) less any related tax expenses, shall be paid to Mil-ton and Chori proportionately to the percentage of their equity interest in Shanghai Luen Tai disposed of within 14 Business Days after receipt of the full amount of the refundable deposit from Mil-ton (the “**Remaining Balance Payment Date**”).

The SLT Consideration has been determined after arm’s length negotiation among Sinomax Zhejiang, Mil-ton and Chori with reference to the financial position and business prospect of Shanghai Luen Tai, including the unaudited net assets value of Shanghai Luen Tai as at 30 September 2014 of approximately RMB37,786,000 (equivalent to approximately HK\$47,232,500).

Payment of the SLT Consideration will be funded from internal resources of the Group. The Directors (including the independent non-executive Directors) are of the view that the SLT Consideration is fair and reasonable and was determined after arm’s length negotiation among the parties.

### **Conditions of the Acquisition Agreement**

Completion is conditional upon fulfilment or waiver (as the case may be) of the following conditions:

- (a) the Company having obtained the Independent Shareholders’ approval of the Acquisition Agreement and all transactions contemplated thereunder as required under the Listing Rules;
- (b) the filings with respect to the equity transfer of Shanghai Luen Tai under the Acquisition Agreement having been made to the relevant government and regulatory authorities in the PRC;
- (c) the due diligence investigation on the assets and business of Shanghai Luen Tai having been completed to the satisfaction of Sinomax Zhejiang;

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## LETTER FROM THE BOARD

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- (d) there having been no material adverse change on the financial conditions, business, operation, prospect and asset value of Shanghai Luen Tai at any time from the date of the Acquisition Agreement up to the date of Completion; and
- (e) the warranties of the Acquisition Agreement having been true, accurate and not misleading at any time from the date of the Acquisition Agreement up to the date of Completion.

Sinomax Zhejiang may at its absolute discretion waive conditions (c) to (e) above. If any of the above conditions has not been satisfied or waived (if applicable) on or before 30 June 2015 or such later date as parties to the Acquisition Agreement may agree, all the terms of the Acquisition Agreement shall cease to have effect except the tax and other indemnity, and any liabilities arising from antecedent breaches of the terms thereof.

If the equity transfer of Shanghai Luen Tai fails to complete pursuant to the terms and conditions of the Acquisition Agreement, the refundable deposit in the amount of HK\$12,000,000 will be returned to the Group in full within 14 Business Days from the date of termination.

### **Completion**

Completion shall take place on the 15th Business Day or such other day as parties to the Acquisition Agreement may agree after the fulfilment or waiver (if applicable) of the above conditions.

### **Tax**

Pursuant to the Acquisition Agreement, all the capital gains tax or other related taxes arising from the transfer of the equity interest in Shanghai Luen Tai under the Acquisition Agreement shall be borne by Mil-ton and Chori. In the event that any capital gains tax or other related taxes arising from the equity transfer are paid by Sinomax Zhejiang according to the relevant PRC laws, such amount shall be deducted from the remaining balance of the SLT Consideration to be paid by Sinomax Zhejiang to Mil-ton and Chori on the Remaining Balance Payment Date.

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## LETTER FROM THE BOARD

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### Principal terms of the Lease Agreement

Pursuant to the Acquisition Agreement, Mil-ton and Chori shall procure Shanghai Luen Tai to enter into the Lease Agreement with Modern Time on or before Completion for the purpose of the continual leasing of the Land and the Premises with the principal terms as follows:

- Parties:
- (i) Shanghai Luen Tai, as tenant
  - (ii) Modern Time, as landlord

Modern Time is an investment holding company incorporated in Hong Kong with limited liability, which is owned as to 50% by Ms. Lin, the sister of Mr. Lam and as to 50% by Mr. Kwok, the husband of Ms. Lin and the brother-in-law of Mr. Lam. Therefore, each of Ms. Lin, Mr. Kwok and Modern Term is a connected person of the Company under Chapter 14A of the Listing Rules.

Land: A parcel of land with a total site area of 37,357 sq.m. located in Songjiang District, Shanghai, the PRC

Premises: Building Nos. 1 to 22, No. 609 Zhongku Road, Maogang Town (Wuku), Songjiang District, Shanghai, the PRC with a total gross floor area of 15,829 sq.m. erected on the Land

Lease term: 3 years commencing from the date of the Lease Agreement

Usage: Manufacturing facility and office premises

Rental: Fixed monthly rental payment of RMB145,833.33 (equivalent to approximately HK\$182,300) to be paid in arrears in cash on the last day of each month

Right of first refusal: Modern Time will grant Shanghai Luen Tai a right of first refusal to lease the Land and the Premises upon expiry of the lease term of the Lease Agreement

### Information on Shanghai Luen Tai

Shanghai Luen Tai is a company established in the PRC with limited liability on 30 January 2003, and is owned as to 60% by Mil-ton and as to 40% by Chori as at the date of the Acquisition Agreement. It is principally engaged in the processing, manufacturing and sales of polyurethane foam and products including mattress, sofa and pillows.

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## LETTER FROM THE BOARD

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Set out below is the audited financial information of Shanghai Luen Tai for the two financial years ended 31 December 2012 and 2013 extracted from its financial statements prepared in accordance with the PRC generally accepted accounting principles:

	<b>For the year ended 31 December 2013</b>	<b>For the year ended 31 December 2012</b>
	<i>RMB ('000)</i>	<i>RMB ('000)</i>
	<b>audited</b>	<b>audited</b>
Net profit before tax and extraordinary items	2,673	5,170
Net profit after tax and extraordinary items	1,963	3,870
	<b>As at</b>	<b>As at</b>
	<b>31 December 2013</b>	<b>31 December 2012</b>
	<i>RMB ('000)</i>	<i>RMB ('000)</i>
	<b>audited</b>	<b>audited</b>
Total assets	82,384	74,066
Total liabilities	45,264	38,990
Net assets	37,120	35,076

The net asset value of Shanghai Luen Tai as at 30 September 2014, based on the unaudited management accounts of Shanghai Luen Tai, was RMB37,786,000 (equivalent to approximately HK\$47,232,500).

Since Shanghai Luen Tai was established by Mil-ton and Chori, the original acquisition cost of 60% equity interest in Shanghai Luen Tai to Mil-ton was US\$750,000 (equivalent to approximately HK\$5,820,000), being the amount of registered capital of Shanghai Luen Tai contributed by Mil-ton.

### INFORMATION ON THE GROUP

The Company was 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.

### REASONS FOR AND BENEFITS OF THE ACQUISITION

As disclosed in the prospectus of the Company dated 30 June 2014, it is one of the Group's strategies to grow its business by exploring attractive acquisitions and collaboration opportunities that are compatible with its business. Shanghai Luen Tai is an established manufacturer of polyurethane foam and products including mattress, sofa and pillows located in Shanghai. The Acquisition will allow the Group to increase its production capacity and reinforce its leading position in the PRC polyurethane foam market.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF ENTERING INTO OF THE LEASE AGREEMENT

Before the date of the Acquisition Agreement, Shanghai Luen Tai has already been using the Land and the Premises owned by Modern Time for its manufacturing operation and office premises. Pursuant to the Acquisition Agreement, Mil-ton and Chori shall procure Shanghai Luen Tai to enter into the Lease Agreement with Modern Time on or before Completion for the purpose of the continual leasing of the Land and the Premises. Details of the principal terms of the Lease Agreement are set out in the paragraph headed “The Acquisition Agreement – Principal terms of the Lease Agreement” above.

The Land and the Premises are currently used and occupied by Shanghai Luen Tai as manufacturing facility and office premises. By entering into the Lease Agreement, Shanghai Luen Tai secures the existing premises, saving the time and financial resources of the Group from having to seek and relocate to alternative premises. Besides, the monthly rental under the Lease Agreement was determined in accordance with the open market for properties of similar size and location and the prevailing as well as the expected market conditions. Accordingly, the Directors are of the view that the Lease Agreement and the transaction contemplated thereunder are on normal commercial terms after arm’s length negotiation between the parties and in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and Shareholders as a whole.

### LISTING RULES IMPLICATIONS OF THE ACQUISITION AND THE ENTERING INTO OF THE LEASE AGREEMENT

Mil-ton, one of the vendors of the Acquisition, is wholly-owned by Ms. Janet Kwok, the daughter of Mr. Kwok. Mr. Kwok is the brother-in-law of Mr. Lam, the Chairman and executive Director of the Company, and therefore each of Mr. Kwok, Ms. Janet Kwok and Mil-ton is a connected person of the Company under the Listing Rules.

As the relevant applicable percentage ratios in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules, which is subject to reporting, announcement and independent shareholders’ approval requirements under Chapters 14 and 14A of the Listing Rules.

Modern Time is owned as to 50% by Ms. Lin, the sister of Mr. Lam, and as to 50% by Mr. Kwok, the husband of Ms. Lin and the brother-in-law of Mr. Lam. Given that each of Ms. Lin, Mr. Kwok and Modern Time is a connected person of the Company under the Listing Rules, the Lease Agreement will constitute a continuing connected transaction of the Company upon Completion under Chapter 14A of the Listing Rules. As all the percentage ratios (other than the profits ratio) in respect of the annual rental payable under the Lease Agreement, on an aggregate basis, is less than 5% and the total annual rental payable is less than HK\$3,000,000, the transactions contemplated under the Lease Agreement fall under Rule 14A.76(1) of the Listing Rules and will be exempted from the announcement, reporting, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules and, accordingly, no cap is required to be set in this regard.

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## LETTER FROM THE BOARD

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Save for Mr. Lam and his relatives in the Board, namely Mr. Cheung Tung, Mr. Cheng Feng and Ms. Lam Fei Man, all being executive Directors, having abstained from voting in respect of the Acquisition Agreement, none of the Directors had abstained from voting at the meeting of the Board on the resolution to approve the Acquisition Agreement and the transactions contemplated thereunder.

Mr. Lam and his associates are regarded as having a material interest in the Acquisition and therefore they are required to abstain from voting on the resolution proposed to be passed at the EGM for approving the Acquisition Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, Sinomax Enterprises, the associate of Mr. Lam, held 1,050,692,000 Shares, representing approximately 63.68% of the issued share capital of the Company. Accordingly, Sinomax Enterprises will abstain from voting at the EGM in respect of the resolution proposed to be passed for approving the Acquisition Agreement and the transactions contemplated thereunder. To the best of the Director's knowledge, information and belief after having made all reasonable enquiries, save as disclosed above, no other Shareholders are required to abstain from voting at the EGM.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

An Independent Board Committee comprising all independent non-executive Directors, namely Mr. Wong Chi Keung, Professor Lam Sing Kwong, Simon, Mr. Fan Chun Wah, Andrew, Mr. Zhang Hwo Jie and Mr. Wu Tak Lung, has been formed to consider, and to advise the Independent Shareholders on the terms of the Acquisition Agreement and the transactions contemplated thereunder. None of the members of the Independent Board Committee has any material interest in the Acquisition Agreement. The letter from the Independent Board Committee is set out on page 14 of this circular.

The Company has also appointed Beijing Securities as the Independent Financial Adviser to give advice and make recommendation to the Independent Board Committee and the Independent Shareholders on the terms of the Acquisition Agreement and the transactions contemplated thereunder. The letter from Beijing Securities is set out on pages 15 to 25 of this circular.

### **EGM**

Set out on pages 30 to 31 of this circular is a notice convening the EGM to be held at 2:30 p.m. on Friday, 6 March 2015 at Taishan Room, Level 5, Island Shangri-La, Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong at which relevant resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder.

For determining eligibility to attend and vote at the EGM, the register of members of the Company will be closed from 5 March 2015 to 6 March 2015, both days inclusive, during which period no transfer of Shares can be registered. In order to qualify for attending and voting at the EGM, all transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 4 March 2015.

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## LETTER FROM THE BOARD

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A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting (as the case may be) if you so wish.

### VOTING BY POLL

According to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, the resolution put to the vote at the EGM will be taken by way of poll and the Company will announce the result of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

### RECOMMENDATION

The Directors (including the independent non-executive Directors after taking into account the letter from Beijing Securities) are of the view that the terms of the Acquisition Agreement and the transactions contemplated thereunder, though not in the ordinary and usual course of business of the Group, are on normal commercial terms after arm's length negotiation between the parties thereto, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

### ADDITIONAL INFORMATION

Since Completion is subject to the fulfillment and/or waiver (as the case may be) of the conditions under the Acquisition Agreement, the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Your attention is also drawn to the additional information set out in the appendix to this circular.

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

**SINOMAX**

**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)**

13 February 2015

*To the Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO THE ACQUISITION OF 100% EQUITY INTEREST IN  
SHANGHAI LUEN TAI POLYURETHANE CO. LTD.**

Reference is made to the circular of Sinomax Group Limited dated 13 February 2015 (the “**Circular**”), of which this letter forms part. Terms used herein shall have the same meanings as those defined in the Circular unless the context requires otherwise.

We have been appointed by the Board as members of the Independent Board Committee to consider the Acquisition Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether the Acquisition Agreement and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group, are fair and unreasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole, and to recommend how the Independent Shareholders should vote at the EGM. Beijing Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of Beijing Securities’ advice, together with the principal factors taken into consideration in arriving at such advice, is set out on pages 15 to 25 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 5 to 13 of the Circular and the additional information set out in the appendix to the Circular.

Having taken into account of the advice of Beijing Securities, we consider that the Acquisition Agreement is entered into upon normal commercial terms following arm’s length negotiations between the parties thereto, and that the terms of the Acquisition Agreement and the transactions contemplated thereunder, though not in the ordinary and usual course of business of the Group, are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of

**Independent Board Committee of  
Sinomax Group Limited**

<b>Mr. Wong Chi Keung</b>	<b>Professor Lam Sing Kwong, Simon</b>	<b>Mr. Fan Chun Wah, Andrew</b>	<b>Mr. Zhang Hwo Jie</b>	<b>Mr. Wu Tak Lung</b>
<i>Independent</i>	<i>Independent</i>	<i>Independent</i>	<i>Independent</i>	<i>Independent</i>
<i>non-executive Director</i>	<i>non-executive Director</i>	<i>non-executive Director</i>	<i>non-executive Director</i>	<i>non-executive Director</i>



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of a letter of advice from Beijing Securities Limited to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition for the purpose of inclusion in this circular.*

**Beijing Securities**  
Beijing Securities Limited  
北京證券有限公司

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### BEIJING SECURITIES LIMITED

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14th Floor, Shanghai Industrial Investment Building, 48 Hennessy Road, Wanchai, Hong Kong

13 February 2015

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO THE ACQUISITION OF 100% EQUITY INTEREST IN  
SHANGHAI LUEN TAI POLYURETHANE CO. LTD.**

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition. Details of the Acquisition are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 13 February 2015 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 23 January 2015, Sinomax Zhejiang, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with Mil-ton and Chori, pursuant to which Sinomax Zhejiang conditionally agreed to acquire, and Mil-ton and Chori conditionally agreed to sell 60% and 40% equity interests in Shanghai Luen Tai respectively, at an aggregate consideration of RMB35,000,000 (equivalent to approximately HK\$43,750,000).

Upon Completion, Shanghai Luen Tai will become an indirect wholly-owned subsidiary of the Company.

Mil-ton, one of the vendors of the Acquisition, is wholly-owned by Ms. Janet Kwok, the daughter of Mr. Kwok. Mr. Kwok is the brother-in-law of Mr. Lam, the Chairman and executive Director of the Company, and therefore each of Mr. Kwok, Ms. Janet Kwok and Mil-ton is a connected person of the Company under the Listing Rules. As the relevant applicable

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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percentage ratios in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules, which is subject to reporting, announcement and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

The Board currently comprises five executive Directors and five independent non-executive Directors. The Independent Board Committee, which is currently comprising of all the independent non-executive Directors, namely Mr. Wong Chi Keung, Professor Lam Sing Kwong, Simon, Mr. Fan Chun Wah, Andrew, Mr. Zhang Hwo Jie and Mr. Wu Tak Lung, has been established to give advice and recommendation to the Independent Shareholders in respect of the Acquisition. We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect, and such appointment has been approved by the Independent Board Committee.

Beijing Securities Limited is not connected with the directors, chief executive or substantial shareholders of the Company or any of their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby Beijing Securities Limited will receive any fees or benefits from the Company or the directors, chief executive or substantial shareholders of the Company or any of their respective associates.

Our role is to provide you with our independent opinion and recommendation as to whether the terms of the Acquisition Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole and how the Independent Shareholders should vote in respect of the transactions contemplating thereunder.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Directors, the Company and its management.

We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group.

### PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the Acquisition, we have considered the following principal factors and reasons:

#### 1. Background of and reasons for the Acquisition

##### 1.1 Background information of the Group

The Company was listed on the Main Board of the Stock Exchange on 10 July 2014.

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.

Set out below is a summary of the audited financial results of the Group for the financial years ended 31 December 2012 and 2013 and the unaudited interim results of the Group for the six months ended 30 June 2014 as extracted from the Company's prospectus dated 30 June 2014 (the "Prospectus") and the Company's interim report for the six months ended 30 June 2014 (the "2014 Interim Report") respectively.

#### *Consolidated statement of profit or loss*

	<b>For the six months ended 30 June 2014 HK\$'000</b>	<b>For the year ended 31 December 2013                      2012 HK\$'000                      HK\$'000</b>	
Revenue	1,233,265	2,369,539	1,971,495
Profit for the period/year	85,545	145,033	115,676

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Consolidated statement of financial position*

	<b>As at 30 June</b>	<b>As at 31 December</b>	
	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	1,447,593	1,428,665	1,283,111
Total liabilities	786,833	853,409	803,211
Net assets	660,760	575,256	479,900

According to the Prospectus, the Group's revenue increased by approximately 20.2% from approximately RMB1,971.5 million for the year ended 31 December 2012 to approximately RMB2,369.5 million for the year ended 31 December 2013. The increase in revenue was due to an increase in revenue across the Group's business segments in export sales, retail and corporate sales and polyurethane foam. The Group also recorded an increase of profit by approximately 25.4% from approximately RMB115.7 million for the year ended 31 December 2012 to approximately RMB145.0 million for year ended 31 December 2013.

According to the 2014 Interim Report, the Group's revenue increased by approximately 21.8% from approximately RMB1,012.5 million for the six months ended 30 June 2013 to approximately RMB1,233.3 million for the six months ended 30 June 2014. The increase in revenue was due to an increase in revenue across the Group's business segments in export sales, retail and corporate sales and polyurethane foam. The Group also recorded an increase of profit by approximately 27.5% from approximately RMB67.1 million for the six months ended 30 June 2013 to approximately RMB85.5 million for the six months ended 30 June 2014.

As at 30 June 2014, the Group recorded unaudited total assets, total liabilities and net assets of approximately RMB1,447.6 million, RMB786.8 million and RMB660.8 million respectively.

Shareholders should refer to the Prospectus and the 2014 Interim Report for further details of the financial information of the Group.

### ***1.2 Background information of Shanghai Luen Tai***

Shanghai Luen Tai is a company established in the PRC with limited liability on 30 January 2003, and is owned as to 60% by Mil-ton and as to 40% by Chori as at the date of the Acquisition Agreement. It is principally engaged in the processing, manufacturing and sales of polyurethane foam and products including mattress, sofa and pillows and it is located in Shanghai.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Set out below is the audited financial information of Shanghai Luen Tai for the two financial years ended 31 December 2012 and 2013 as extracted from the Letter from the Board.

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2013</b>	<b>2012</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit before tax and extraordinary items	2,673	5,170
Net profit after tax and extraordinary items	1,963	3,870
	<b>As at 31 December</b>	
	<b>2013</b>	<b>2012</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	82,384	74,066
Total liabilities	45,264	38,990
Net assets	37,120	35,076

We note that there have been fluctuation in the profitability of Shanghai Luen Tai between 2012 and 2013 and we understand that it was due to the cyclical trend in the cost of production.

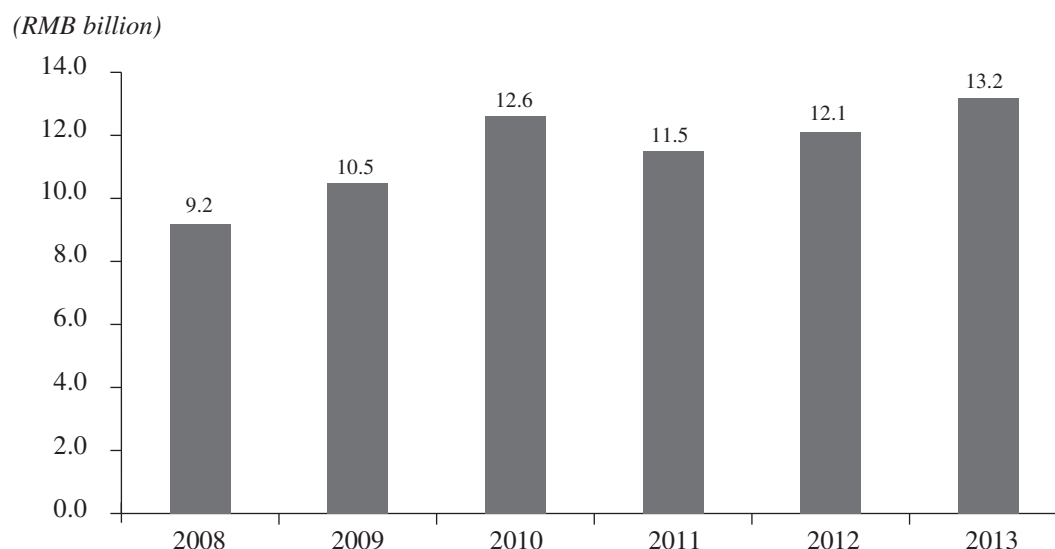
The net asset value of Shanghai Luen Tai as at 30 September 2014, based on the unaudited management accounts of Shanghai Luen Tai, was RMB37,786,000 (equivalent to approximately HK\$47,232,500).

### ***1.3 Polyurethane Foam Market in the PRC***

We have reviewed the polyurethane foam market in the PRC which is the principal business that Shanghai Luen Tai is engaged in.

The following chart illustrates the total market value of polyurethane foam in the PRC from 2008 to 2013.

**Total Market Value of Polyurethane Foam in the PRC  
(2008 – 2013)**



*Source: Frost & Sullivan*

As illustrated from the chart above, in general the polyurethane foam market in the PRC has been experiencing a steady growth except that there was a decrease in the total market value of polyurethane foam in the PRC in 2011. The decrease was mainly due to the contraction of polyurethane foam market in terms of market value as a result from the real estate industry in the PRC having experience a difficult time due to the continued efforts by the PRC authorities to control the property market at that time. The main usage of polyurethane foams is as upholstery foams in sofas, and therefore, the polyurethane foam market in the PRC was, to a large extent, affected by the PRC real estate industry. Despite that, the total market value of the polyurethane foam market in the PRC grew from approximately RMB9.2 billion in 2008 to RMB13.2 billion in 2013, representing a compound annual growth rate (“CAGR”) of approximately of 7.5%. Also as noted in the chart above, the total market value of polyurethane foam in the PRC in 2013 has exceeded the total market value achieved in 2010.

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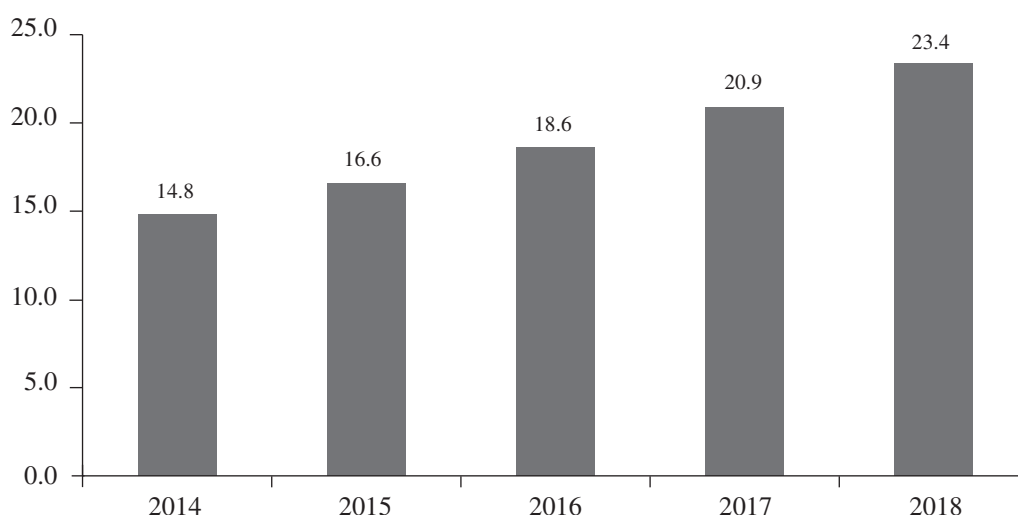
## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In recent years, the furniture industry has experienced significant growth in terms of production value supporting both domestic and export demand, which resulted in the recovery of polyurethane foam sales in China. The total market value of polyurethane foam in the PRC is estimated to grow from approximately 14.8 billion in 2014 to approximately RMB23.4 billion in 2018, representing the CAGR of approximately 12.1%. The chart below illustrates the estimated total market value of polyurethane foam in the PRC from 2014 to 2018.

### Estimated Total Market Value of Polyurethane Foam in the PRC (2014 – 2018)

(RMB billion)



Source: Frost & Sullivan

Furthermore, in 2013, the Group was the largest manufacturer of polyurethane foams in the PRC in terms of sales value with approximately 5.9% of the total sales value in the PRC. It is considered that the polyurethane foams market in the PRC is highly fragmented with numerous players. In 2013, the top five manufacturers of polyurethane foams in the PRC in aggregate accounted for only approximately 20.0% of the market by sales value. As such, there remains potential for new entrants to penetrate into the market or for existing market players to increase their market share.

#### **1.4 Reasons for and benefits of the Acquisition**

As stated in the Prospectus, it is one of the Group's strategies to grow its business by exploring attractive acquisitions and collaboration opportunities that are compatible with its business. As Shanghai Luen Tai is an established manufacturer of polyurethane foam located in Shanghai, its products, which include mattress, sofa and pillows, would complement the Group's product range. The Acquisition will also allow the Group to increase its production capacity and maintain its leading position in the PRC polyurethane foam market.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on the foregoing and having considered that (i) the polyurethane foam market in the PRC has steady growth; (ii) the fragmented nature of the polyurethane foam market in the PRC; (iii) the consolidation of existing market players to gain market share is a trend and strategy to neutralise the threat of new entrants to penetrate into the PRC polyurethane foam market; (iv) Shanghai Luen Tai is engaged in a similar line of business to that of the Group; and (v) the Acquisition will enable the Group to increase its production capacity and to maintain its leading position in the PRC polyurethane foam market, we are of the view that the Acquisition is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

### **2. The Acquisition Agreement**

Date: 23 January 2015

Parties: (i) Sinomax Zhejiang (the Purchaser); and  
(ii) Mil-ton and Chori (the Vendors).

#### *Assets to be acquired*

Pursuant to the Acquisition Agreement, Sinomax Zhejiang has conditionally agreed to purchase, and Mil-ton and Chori have conditionally agreed to sell 60% and 40% equity interests in Shanghai Luen Tai, respectively. Upon Completion, Shanghai Luen Tai will become an indirect wholly-owned subsidiary of the Company.

#### *The SLT Consideration*

The SLT Consideration of RMB35,000,000 (equivalent to approximately HK\$43,750,000) has been determined after arm's length negotiations among Sinomax Zhejiang, Mil-ton and Chori with reference to the financial position and business prospect of Shanghai Luen Tai, including the unaudited net assets value of Shanghai Luen Tai as at 30 September 2014 of approximately RMB37,786,000 (equivalent to approximately HK\$47,232,500). A refundable deposit in the amount of HK\$12,000,000 was paid by the Group to Mil-ton on 26 January 2015, which will be refunded to the Group within 3 Business Days after Completion.

The SLT Consideration (subject to the deduction of any related tax expenses, if applicable) shall be payable by Sinomax Zhejiang to Mil-ton and Chori by way of bank transfer in the following manner:

- (a) an amount of RMB25,000,000 (equivalent to approximately HK\$31,250,000) payable on the date of Completion, which is payable as to RMB15,000,000 (equivalent to approximately HK\$18,750,000) to Mil-ton and as to RMB10,000,000 (equivalent to approximately HK\$12,500,000) to Chori; and



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (b) an amount equivalent to the remaining balance of RMB10,000,000 (equivalent to approximately HK\$12,500,000, the “**Remaining Balance**”) less any related tax expenses, if applicable, shall be paid to Mil-ton and Chori proportionately with respect to the percentage of their respective equity interests in Shanghai Luen Tai disposed of within 14 Business Days after receipt of the full amount of the refundable deposit from Mil-ton (the “**Remaining Balance Payment Date**”).

Pursuant to the Acquisition Agreement, all the capital gains tax or other related taxes arising from the transfer of the equity interest of Shanghai Luen Tai under the Acquisition Agreement shall be borne by Mil-ton and Chori. In the event that any capital gains tax or other related taxes arising from the equity transfer are paid by Sinomax Zhejiang according to the relevant PRC laws, such amount shall be deducted from the Remaining Balance of the SLT Consideration to be paid by Sinomax Zhejiang to Mil-ton and Chori on the Remaining Balance Payment Date. If the equity transfer of Shanghai Luen Tai fails to complete pursuant to the terms and conditions of the Acquisition Agreement, the refundable deposit in the amount of HK\$12,000,000 will be returned to the Group in full within 14 Business Days from the date of termination.

For further information on the conditions precedent and/or other information of the Acquisition Agreement, please refer to the Letter from the Board.

As stated above in this letter, the SLT Consideration, amongst others, is made with reference to the unaudited net asset value of Shanghai Luen Tai of approximately RMB37.8 million as at 30 September 2014. As at 30 September 2014, Shanghai Luen Tai had (i) current assets of approximately RMB74.0 million mainly comprising of cash in hand of approximately RMB3.0 million, account receivable of approximately RMB43.2 million, inventories of approximately RMB23.0 million and other current assets of approximately RMB4.8 million; and (ii) non-current assets of approximately RMB10.6 million mainly comprising of long-term investments of approximately RMB5.0 million, fixed assets of approximately RMB5.3 million and other non-current assets of approximately RMB0.3 million which were partially offset by the current liabilities of approximately RMB46.8 million. Net asset value, which reflects the equity value of an entity, is commonly used as a reference for the basis of the consideration for the acquisition of the equity interests in a company, especially when the acquisition target is unlisted. It is also common for companies listed on the Stock Exchange to make acquisitions with reference to the targeted group’s net assets value. We also note that the composition of the net asset value of Shanghai Luen Tai being acquired is majority in operating current assets and that the SLT Consideration has been determined at a discount of approximately 7.4% to Shanghai Luen Tai’s unaudited net asset value as at 30 September 2014. As such, we are of the view that it is appropriate to use the net asset value of Shanghai Luen Tai as the basis of the SLT Consideration and in particular that the majority of the assets in Shanghai Luen Tai being acquired are operating current assets. However, we have not used price to earnings ratio and price to book ratio in comparing the Acquisition to other comparable companies trading on the Stock Exchange because they are normally of a much larger size and which would not have the same operational characteristics of a company such as Shanghai Luen Tai which has a smaller operation but having synergistic value to the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Taking into account that (i) the SLT Consideration has been determined after arm's length negotiations; (ii) the factors stated in "Reasons for and benefits of the Acquisition" in this letter above; (iii) the net asset value of Shanghai Luen Tai mainly comprises of current assets being used in operations; and (iv) the SLT Consideration represents a 7.4% discount to the unaudited net asset value of Shanghai Luen Tai as at 30 September 2014, we are of the view that the SLT Consideration is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

### 3. Financial effects of the Acquisition

#### *Earnings*

Upon Completion, Shanghai Luen Tai will become an indirect wholly-owned subsidiary of the Company. Given that Shanghai Luen Tai has recorded a profit for the years ended 31 December 2012 and 2013 and the Acquisition will enable the Group to increase its production capacity and to maintain its leading position in the PRC polyurethane foam market, we consider that the Acquisition is expected to bring positive financial effects on the earnings of the Group.

#### *Net Asset Value*

Upon Completion, as the payment of the SLT Consideration is in cash and which will be offset by the consolidation of the assets and liabilities of Shanghai Luen Tai into the financial statements of the Group, we expect that the Acquisition will not create significant impact to the Group's net asset value.

### RECOMMENDATION

Having considered the principal factors discussed above and, in particular the following:

- (i) the polyurethane foam market in the PRC has steady growth;
- (ii) the consolidation of existing market players to gain market share is a trend and strategy to neutralise the threat of new entrants to penetrate into the PRC polyurethane foam market;
- (iii) the Acquisition will enable the Group to increase its production capacity and to maintain its leading position in the PRC polyurethane foam market;
- (iv) the net asset value of Shanghai Luen Tai mainly comprises of current assets being used in operations; and
- (v) the SLT Consideration has been determined after arm's length negotiations and is determined at a discount to the net asset value of Shanghai Luen Tai,

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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we consider that the terms of the Acquisition Agreement and the transactions contemplated thereunder, though not in the ordinary and usual course of business of the Group, are on normal commercial terms after arm's length negotiation between the parties thereto, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the resolution(s) in respect of the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Beijing Securities Limited**  
**Charles Li**  
*Director*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DIRECTORS' INTERESTS

### (a) Interests of Directors in the Company

As at the Latest Practicable Date, the interests and short positions of each Director and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Nature of interest	Number of Shares (Note 1)	Approximate percentage of shareholding (Note 2)
Lam Chi Fan	Founder of a discretionary trust	1,050,692,000 (L) (Note 3)	63.68%
	Beneficial owner	6,650,000 (L) (Note 4)	0.40%
Cheung Tung	Beneficial owner	6,376,200 (L) (Note 4)	0.39%
Chen Feng	Beneficial owner	3,050,000 (L) (Note 4)	0.18%
Lam Fei Man	Beneficial owner	2,150,000 (L) (Note 4)	0.13%
Lam Kam Cheung	Beneficial owner	2,000,000 (L) (Note 4)	0.12%

*Notes:*

- (1) The letter “L” denotes long position.
- (2) The calculation is based on the total number of 1,650,002,000 ordinary shares of the Company in issue as at the Latest Practicable Date, without taking into account of any shares to be issued upon exercise of the share options granted under the Pre-IPO Share Option Scheme or options which may be granted under the Post-IPO Share Option Scheme.
- (3) These Shares belong to Sinomax Enterprises. Sinomax Enterprises is legally and beneficially owned as to 50% by Chi Fan Holding Limited and The Frankie Trust, respectively. The Frankie Trust is a discretionary family trust established by Mr. Lam Chi Fan as settlor and Orangefield Trustees (BVI) Limited acting as the trustee. The beneficiaries of The Frankie Trust are Mr. Lam Chi Fan and his family members.
- (4) Each of Mr. Lam Chi Fan, Mr. Cheung Tung, Mr. Chen Feng, Ms. Lam Fei Man and Mr. Lam Kam Cheung, an executive Director, has been granted share options to subscribe for 6,650,000, 6,376,200, 3,050,000, 2,150,000 and 2,000,000 shares, respectively, under the Pre-IPO Share Option Scheme, all of which are still outstanding.

**(b) Interests of Directors in associated corporation – Sinomax Enterprises**

Name of Director	Nature of interest	Number of shares (Note 1)	Approximate percentage of shareholding
Lam Chi Fan	Beneficiary of The Frankie Trust	15 (L)	50%
Cheung Tung	Beneficiary of The Cheung’s Family Trust	5 (L)	16.67%
Chen Feng	Beneficiary of The Feng Chen’s Family Trust	5 (L)	16.67%

*Notes:*

- (1) The letter “L” denotes long position.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

**(c) Directorship or employment in a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO**

Each of Mr. Lam Chi Fan, Mr. Chen Feng and Mr. Cheung Tung is a director of Sinomax Enterprises, and Mr. Lam Chi Fan is a director of Chi Fan Holding Limited, both being companies which had an interest in the Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

### 4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors or their respective close associates had any interests in any business which compete or are likely to compete with the business of the Group.

### 5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2013 (being the date to which the latest published audited consolidated accounts of the Company were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

### 6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest published audited consolidated accounts of the Company were made up.

### 7. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualifications of the expert who has given opinion or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Beijing Securities	a licensed corporation to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Beijing Securities has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report (as the case may be) and references to its name, in the form and context in which they appear.

As at the Latest Practicable Date, Beijing Securities:

- (a) was not beneficially interested in the share capital of any member of the Group;
- (b) did not have any direct or indirect shareholding in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; and
- (c) did not have any direct or indirect interest in any assets which have been since 31 December 2013 (the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

## **8. MISCELLANEOUS**

This circular is prepared in both English and Chinese. In the event of any inconsistency, the English version shall prevail over the Chinese version of this circular.

## **9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of the Company at Units 2005-2007, Level 20, Tower 1, MegaBox Enterprise Square Five, 38 Wang Chiu Road, Kowloon Bay, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of the EGM:

- (a) the Acquisition Agreement;
- (b) the letter from the Board, the text of which is set out on pages 5 to 13 of this circular;
- (c) the letter from the Independent Board Committee, the text of which is set out on page 14 of this circular;
- (d) the letter from the Independent Financial Adviser, the text of which is set out on pages 15 to 25 of this circular;
- (e) the written consent of the expert referred to in the paragraph headed “Qualification and Consent of Expert” in this appendix; and
- (f) this circular.

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## NOTICE OF EGM

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# SINOMAX

## 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)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of Sinomax Group Limited (the “Company”) will be held at 2:30 p.m. on Friday, 6 March 2015 at Taishan Room, Level 5, Island Shangri-La, Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution (with or without amendments) of the Company:

#### ORDINARY RESOLUTION

**“That:**

- (a) the equity transfer agreement dated 23 January 2015 (the “Acquisition Agreement”) entered into among 聖諾盟(浙江)聚氨酯家居用品有限公司 (Sinomax (Zhejiang) Polyurethane Household Products Limited\*), an indirect wholly-owned subsidiary of the Company, as purchaser (the “Purchaser”), and Chori Co., Ltd. and Mil-ton Company Limited as vendors (collectively, the “Vendors”), in relation to the acquisition of 100% equity interest in 上海聯大海綿有限公司(Shanghai Luen Tai Polyurethane Co. Ltd.\*) from the Vendors by the Purchaser at an aggregate consideration of RMB35,000,000 (a copy of the Acquisition Agreement having been produced to the EGM and marked “A” and initialed by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company be and is hereby authorised on behalf of the Company to do all such things and sign, seal, execute, perfect and deliver all such documents as he/she may in his/her discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation of and/or giving effect to any matters relating to the Acquisition Agreement and the transactions contemplated thereunder.”

By Order of the Board

**Lam Chi Fan**

*Chairman*

Hong Kong, 13 February 2015

\* for identification purpose only



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## NOTICE OF EGM

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*Registered Office:*

P.O. Box 309  
Ugland House  
Grand Cayman KY1-1104  
Cayman Islands

*Principal Place of Business in Hong Kong:*

Units 2005-2007  
Level 20 Tower 1  
MegaBox Enterprise Square Five  
38 Wang Chiu Road  
Kowloon Bay  
Hong Kong

*Notes:*

1. The register of members of the Company will be closed from 5 March 2015 to 6 March 2015, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for attending and voting at the EGM convened by the above notice, all transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 4 March 2015.
2. A member entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, vote in on his/her behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
3. In order to be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the offices of the Company's Hong Kong share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending in person and voting at the EGM or any adjournment thereof, should he/she so wish.
4. A form of proxy in respect of the EGM is enclosed. Whether or not you intend to attend the EGM in person, all members are urged to complete and return the form of proxy in accordance with the instructions printed thereon. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM or any adjourned meeting if they so wish.
5. Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the voting on the resolution at the EGM will be conducted by way of poll.
6. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 9:00 a.m. on the date of the EGM, the EGM will be postponed. Members may visit the websites of the Company at [www.sinomax.com/group](http://www.sinomax.com/group) and The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) for details of the postponement and alternative meeting arrangement.
7. The Chinese translation of this notice is for reference only, and in case of any inconsistency, the English version shall prevail over the Chinese version of this notice.
8. As at the date of this notice, the executive directors of the Company 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.