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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 TRANSACTION
IN RELATION TO THE ACQUISITION OF 51% EQUITY INTEREST OF
CHENGDU XINGANG SPONGE CO., LTD.**

On 19 February 2016 (after trading hours), Sinomax Zhejiang, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendor, pursuant to which Sinomax Zhejiang conditionally agreed to acquire, and the Vendor conditionally agreed to sell, 51% equity interest in Chengdu Xingang at a consideration of RMB81,740,000 (equivalent to approximately HK\$97,270,600).

Upon Completion, Chengdu Xingang will become an indirect non-wholly owned subsidiary of the Company and its results, assets and liabilities will be consolidated with the financial statements of the Group.

As one or more of the applicable percentage ratios in respect of the Acquisition are more than 5% but all applicable percentage ratios in respect of the Acquisition are less than 25%, the Acquisition constitutes a discloseable transaction for the Company, which is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

On 19 February 2016 (after trading hours), Sinomax Zhejiang, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendor, pursuant to which Sinomax Zhejiang conditionally agreed to acquire, and the Vendor conditionally agreed to sell, 51% equity interest in Chengdu Xingang at a consideration of RMB81,740,000 (equivalent to approximately HK\$97,270,600).

THE ACQUISITION AGREEMENT

Date

19 February 2016 (after trading hours)

Parties

Purchaser: Sinomax Zhejiang

Vendor: Mr. Liu Jiaming

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is an Independent Third Party as at the date of the Acquisition Agreement.

Assets to be acquired

Pursuant to the Acquisition Agreement, Sinomax Zhejiang has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, 51% equity interest in Chengdu Xingang. Upon Completion, Chengdu Xingang will become an indirect non-wholly owned subsidiary of the Company and its results, assets and liabilities will be consolidated with the financial statements of the Group.

Consideration

The Consideration of RMB81,740,000 (equivalent to approximately HK\$97,270,600), subject to deduction of any related tax expenses (if applicable) payable by Sinomax Zhejiang, shall be paid by Sinomax Zhejiang to the Vendor by way of bank transfer in the following manner:

- (a) an amount of RMB24,522,000 (equivalent to approximately HK\$29,181,180) (the "**First Payment**") shall be paid within 3 Business Days from the date of the Acquisition Agreement; and
- (b) an amount equivalent to the remaining balance of RMB57,218,000 (equivalent to approximately HK\$68,089,420), after deducting any related tax expenses, shall be paid within 15 Business Days from the date of Completion.

The Consideration has been determined after arm's length negotiations between Sinomax Zhejiang and the Vendor with reference to the historical financial performance, the financial position and the business prospect of Chengdu Xingang, including (i) the adjusted net assets value of Chengdu Xingang as at 31 December 2015 of approximately RMB75,926,000 (equivalent to approximately HK\$90,351,940) after taking into account the due diligence investigation on the assets and business of Chengdu Xingang; and (ii) the unrealised surplus arising from revaluation of the property held by Chengdu Xingang as at 1 February 2016 of approximately RMB84,348,000 (equivalent to approximately HK\$100,374,120).

Payment of the Consideration will be funded by internal resources of the Group. The Directors are of the view that the Consideration is fair and reasonable and was determined after arm's length negotiation between the parties to the Acquisition Agreement.

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 complied with all the relevant Listing Rules in relation to the Acquisition Agreement and all transactions contemplated thereunder ;
- (b) the Vendor having submitted the filings with respect to the transfer of 51% equity interest in Chengdu Xingang under the Acquisition Agreement and senior management and board appointments of Chengdu Xingang having been made to the relevant government and regulatory authorities in the PRC;
- (c) Chengdu Xingang having settled the outstanding debts in the approximate amount of RMB65,434,000 (equivalent to approximately HK\$77,866,460), and provided relevant documentary evidence to the satisfaction of Sinomax Zhejiang;
- (d) the Vendor and the related parties having unconditionally and irrevocably waived the repayment obligations of Chengdu Xingang with respect to the outstanding payables arisen as a result of settlement of debts pursuant to condition (c) above by the Vendor for and on behalf of Chengdu Xingang, and provided relevant documentary evidence to the satisfaction of Sinomax Zhejiang;
- (e) the due diligence investigation on the assets and business of Chengdu Xingang having been completed to the satisfaction of Sinomax Zhejiang;
- (f) there having been no material adverse change on the financial conditions, business, operation, prospect and asset value of Chengdu Xingang at any time from the date of the Acquisition Agreement up to the date of Completion; and
- (g) 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 any of the conditions (c) to (g) above. If any of the above conditions has not been satisfied or waived (if applicable) on or before 30 June 2016 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 Acquisition fails to complete pursuant to the terms and conditions of the Acquisition Agreement, the First Payment in the amount of RMB24,522,000 (equivalent to approximately HK\$29,181,180) will be returned to Sinomax Zhejiang 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 individual gains tax or other related taxes arising from the Acquisition shall be borne by the Vendor. In the event that any individual gains tax or other related taxes arising from the Acquisition is paid by Sinomax Zhejiang according to the relevant PRC laws, such amount shall be deducted from the remaining balance of the Consideration to be paid by Sinomax Zhejiang to the Vendor within 15 Business Days from the date of Completion.

Board of directors

Pursuant to the Acquisition Agreement, the new board of directors of Chengdu Xingang shall comprise five directors, two of whom shall be appointed by the Vendor and three of whom shall be appointed by Sinomax Zhejiang.

Information on Chengdu Xingang

Chengdu Xingang is a company established in the PRC with limited liability on 27 May 2008, and is wholly owned by the Vendor as at the date of the Acquisition Agreement. It is principally engaged in the manufacturing and sales of polyurethane foam, sales of decorative materials, sofa materials, cloth materials and mattress materials.

Set out below is the audited financial information of Chengdu Xingang for the two financial years ended 31 December 2014 and 2015 extracted from its financial statements prepared in accordance with the PRC generally accepted accounting principles:

	For the year ended 31 December 2014 RMB ('000) audited	For the year ended 31 December 2015 RMB ('000) audited
Profit before tax and extraordinary items	1,533	3,315
Profit after tax and extraordinary items	1,130	2,478
	As at 31 December 2014 RMB ('000) audited	As at 31 December 2015 RMB ('000) audited
Total assets	110,935	149,187
Total liabilities	31,409	67,190
Net assets	79,526	81,997

INFORMATION ON 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.

REASONS FOR THE ACQUISITION

Chengdu Xingang has a well-established business in the manufacturing and sales of polyurethane foam, sales of decorative materials, sofa materials, cloth materials and mattress materials in Chengdu, the PRC.

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. The Acquisition will reinforce the Group's leading position in the PRC polyurethane foam market. The Directors believe that through holding the controlling interest in Chengdu Xingang after Completion, the Group will tap into the market of polyurethane foam in Chengdu and broaden the revenue sources of the Group.

The Directors are of the view that the terms of the Acquisition Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and Shareholders as a whole.

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.

LISTING RULES IMPLICATIONS OF THE ACQUISITION

As one or more of the applicable percentage ratios in respect of the Acquisition are more than 5% but all applicable percentage ratios in respect of the Acquisition are less than 25%, the Acquisition constitutes a discloseable transaction for the Company, which is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings as set out below:

“Acquisition”	the acquisition of 51% equity interest in Chengdu Xingang by Sinomax Zhejiang from the Vendor pursuant to the Acquisition Agreement
“Acquisition Agreement”	the equity transfer agreement dated 19 February 2016 entered into between Sinomax Zhejiang (as purchaser) and Mr. Liu Jiaming (as vendor) in relation to the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	board of the Directors
“Business Day(s)”	a day on which clearing banks in Hong Kong and the PRC are open for general banking business (excluding Saturdays and Sundays)
“Chengdu Xingang”	Chengdu Xingang Sponge Co., Ltd.* (成都新港海綿有限公司), a company established in the PRC with limited liability
“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 under the Listing Rules
“Consideration”	the consideration of RMB81,740,000 (equivalent to approximately HK\$97,270,600) payable to the Vendor, subject to deduction of any related tax expenses (if applicable), pursuant to the Acquisition Agreement
“Director(s)”	the director(s) of the Company
“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 Third Party”	third party who is independent of the Company and connected persons of the Company and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) in the capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Mr. Liu Jiaming
“%”	per cent.

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

Hong Kong, 19 February 2016

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 conversion of RMB into HK\$ has been made at an exchange rate of RMB1:HK\$1.19. Such conversion should not be construed as a representation that any amount has been, could have been or may be, exchanged at this or any other rate.

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.*