

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
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
AND
CONTINUING CONNECTED TRANSACTIONS**

SECURITIES PURCHASE AGREEMENTS

The Board is pleased to announce that Sinomax USA, an indirect wholly-owned subsidiary of the Company, as buyer entered into the First Securities Purchase Agreement with Dormeo as issuer, Studio Moderna and SMSA as warrantors on 9 September 2015, in relation to the purchase of 36.50% membership interest in Dormeo at a purchase price of US\$10,000,000 (equivalent to approximately HK\$77,600,000). The First Securities Purchase was completed on 9 September 2015.

Subsequently, Sinomax USA as buyer entered into the Second Securities Purchase Agreement with Dormeo as issuer, Studio Moderna and SMSA as warrantors on 12 April 2016, to increase Sinomax USA's ownership in Dormeo by an additional 14.81% at a purchase price of US\$2,500,000 (equivalent to approximately HK\$19,400,000). The Second Securities Purchase is expected to complete on or before 30 April 2016.

Upon Completion, Sinomax USA will own 51.31% membership interest in Dormeo and will become the largest equity owner of Dormeo. Dormeo will become an indirect non-wholly-owned subsidiary of the Company.

PROCUREMENT AGREEMENT

Sinomax Trading, an indirect wholly-owned subsidiary of the Company, has been engaging in the sale of foam products to Studio Moderna and its subsidiaries since 2014 in its ordinary course of business. On 12 April 2016, Studio Moderna entered into the Procurement Agreement with Sinomax Trading in relation to the continuing supply of foam products by the Group to Studio Moderna and its subsidiaries.

IMPLICATIONS UNDER LISTING RULES

Given that each of the applicable percentage ratios as defined under the Listing Rules in respect of the First Securities Purchase is less than 5%, the First Securities Purchase is not required to be disclosed by the Company under Chapter 14 of the Listing Rules on a stand-alone basis.

However, the First Securities Purchase and the Second Securities Purchase are expected to complete within 12 months and therefore form a series of transactions which should be treated as if they were one transaction under Rule 14.22 of the Listing Rules. Upon aggregation, as one of the applicable percentage ratios as defined under the Listing Rules in respect of the First Securities Purchase and the Second Securities Purchase exceeds 5% but all the applicable percentage ratios are less than 25%, the Second Securities Purchase constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements of the Listing Rules.

Dormeo will become an indirect non-wholly-owned subsidiary of the Company and will be held by the Group as to 51.31% and by SMSA as to 48.69% upon Completion. SMSA is a wholly-owned subsidiary of Studio Moderna. As a substantial equity owner of a subsidiary of the Company, Studio Moderna is a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Each subsidiary of Studio Moderna, is an associate of Studio Moderna 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 in relation to the Procurement Agreement and the transactions contemplated thereunder exceed 5%, the Directors, having made all reasonable enquiries, confirmed that each of Studio Moderna and its subsidiaries is a connected person of the Company only because of its connection with Dormeo, a subsidiary of the Company upon Completion. Hence, each of Studio Moderna and its subsidiaries 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, the transactions contemplated under the Procurement Agreement are only subject to reporting, annual review and announcement requirements set out in Chapter 14A of the Listing Rules and are exempt from the circular and independent shareholders' approval requirements.

BACKGROUND

The Board is pleased to announce that Sinomax USA, an indirect wholly-owned subsidiary of the Company, as buyer entered into the First Securities Purchase Agreement with Dormeo as issuer, Studio Moderna and SMSA as warrantors on 9 September 2015, in relation to the purchase of 36.50% membership interest in Dormeo at a purchase price of US\$10,000,000 (equivalent to approximately HK\$77,600,000). The First Securities Purchase was completed on 9 September 2015.

Subsequently, Sinomax USA as buyer entered into the Second Securities Purchase Agreement with Dormeo as issuer, Studio Moderna and SMSA as warrantors on 12 April 2016, to increase Sinomax USA's ownership in Dormeo by an additional 14.81% at a purchase price of US\$2,500,000 (equivalent to approximately HK\$19,400,000). The Second Securities Purchase is expected to complete on or before 30 April 2016.

Upon Completion, Sinomax USA will own 51.31% membership interest in Dormeo and will become the largest equity holder of Dormeo. Dormeo will become an indirect non-wholly-owned subsidiary of the Company.

Sinomax Trading, an indirect wholly-owned subsidiary of the Company, has been engaging in the sale of foam products to Studio Moderna and its subsidiaries since 2014 in its ordinary course of business. On 12 April 2016, Studio Moderna entered into the Procurement Agreement with Sinomax Trading in relation to the continuing supply of foam products by the Group to Studio Moderna and its subsidiaries .

SECOND SECURITIES PURCHASE AGREEMENT

Date

12 April 2016

Parties

Buyer:	Sinomax USA
Issuer:	Dormeo
Warrantors:	Studio Moderna and SMSA

Immediately prior to Completion, the Group, through Sinomax USA, holds 36.50% membership interest in Dormeo and SMSA holds 63.50% membership interest in Dormeo. Subject to the terms of the Second Securities Purchase Agreement, upon Completion, Sinomax USA will hold 51.31% membership interest in Dormeo and SMSA will hold 48.69% membership interest in Dormeo. Save as disclosed, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Dormeo, Studio Moderna and SMSA, and their respective ultimate beneficial owners (other than the Group) are third parties independent from the Company and its connected persons.

Assets to be acquired

Pursuant to the Second Securities Purchase Agreement, Sinomax USA has conditionally agreed to purchase from Dormeo, and Dormeo has conditionally agreed to issue 14.81% membership interest in Dormeo subject to the terms and conditions of the Second Securities Purchase Agreement.

Purchase Price

The Purchase Price of US\$2,500,000 (equivalent to approximately HK\$19,400,000) shall be paid by Sinomax USA to Dormeo in the following manner at Completion:

- (a) an amount of US\$500,000 (equivalent to approximately HK\$3,880,000) shall be settled by Sinomax USA by way of setting off against amounts due under a note payable from Dormeo to Sinomax USA with a principal balance of US\$500,000; and
- (b) the remaining balance of US\$2,000,000 (equivalent to approximately HK\$15,520,000) shall be settled by Sinomax USA by wire transfer of immediately available funds to Dormeo.

The Purchase Price has been determined after arm's length negotiations between Sinomax USA and Dormeo with reference to the historical financial performance, the financial position and the business prospects of Dormeo, including the unaudited net asset value of Dormeo as at 29 February 2016 of approximately US\$2,029,000 (equivalent to approximately HK\$15,745,000).

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

Conditions of the Second Securities Purchase Agreement

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

- (a) the accuracy of the representations and warranties of the Warrantors as of the date of Completion;
- (b) the performance of, and compliance with, the covenants and obligations, in all material respects, of the Warrantors and Dormeo on or before Completion;
- (c) no restraining order, injunction or other order preventing the consummation of the purchase of the subject membership interest shall have been issued by any government authority, and such purchase not being illegal;
- (d) there being no pending or threatened litigation or action by or involving a government authority, which relate to or may challenge the validity of consummation of the Second Securities Purchase, or seek to obtain from any party to the Second Securities Purchase Agreement any damages or other relief in a material respect, or seek to limit the voting power or right to distributors with respect to the subject membership interest or may adversely affect the right of Sinomax USA or Dormeo to own the assets or operate the business as currently operated by Dormeo, or result in any government damages by Sinomax USA or Dormeo or its subsidiaries; and
- (e) the LLC Agreement having been duly executed by Dormeo, SMSA and Sinomax USA.

Conditions (c) and (d) above cannot be waived by any party to the Second Securities Purchase Agreement.

Completion

Completion is expected to take place on or before 30 April 2016 or such other day as the parties to the Second Securities Purchase Agreement may agree after the fulfilment or waiver (if applicable) of the above conditions. Upon Completion, Dormeo will become an indirect non-wholly-owned subsidiary of the Company and its results, assets and liabilities will be consolidated into the financial statements of the Group.

Information on Dormeo

Dormeo is a limited liability company incorporated under the laws of Delaware, U.S.A., which is principally engaged in the business of selling pillows, mattresses and related bedding accessories and other consumer products in North America.

Set out below is the unaudited financial information of Dormeo for the two years ended 31 December 2014 and 2015 extracted from its financial statements prepared in accordance with the U.S.A. accounting principles:

	For the year ended 31 December 2014	For the year ended 31 December 2015
	<i>US\$ million (equivalent HK\$ million)</i>	<i>US\$ million (equivalent HK\$ million)</i>
	unaudited	unaudited
Profit/(loss) before tax and extraordinary items	(8.18)	(4.69)
	((63.48))	((36.39))
Profit/(loss) after tax and extraordinary items	(8.18)	(4.69)
	((63.48))	((36.39))
	As at 31 December 2014	As at 31 December 2015
	<i>US\$ million (equivalent HK\$ million)</i>	<i>US\$ million (equivalent HK\$ million)</i>
	unaudited	unaudited
Total assets	10.16	9.89
	(78.84)	(76.75)
Total liabilities	18.33	7.03
	(142.24)	(54.55)
Net (liabilities)/assets	(8.17)	2.86
	((63.40))	(22.19)

THE PROCUREMENT AGREEMENT

A summary of the principal terms of the Procurement Agreement is set out below:

- Date: 12 April 2016
- Parties: (i) Sinomax Trading, as supplier; and
(ii) Studio Moderna, as purchaser.
- Term: From the date of the Procurement Agreement to 31 December 2016
- Subject: Pursuant to the Procurement Agreement, Studio Moderna has agreed to purchase (by itself or through any of its subsidiaries) from Sinomax Trading foam products for the production of, inter alia, pillows and mattresses and trading business by issuing purchase orders (by itself or through any of its subsidiaries) from time to time to Sinomax Trading.
- Pricing policy: Parties to the Procurement Agreement will, from time to time, agree to a price list setting out the price, specifications and delivery schedule in respect of each type of foam products, which the purchase orders must adhere to.
- Payment terms: Studio Moderna and/or its relevant subsidiar(ies) shall pay the purchase price of products supplied by Sinomax Trading monthly in arrears subsequent to the delivery of such products.

The price of each type of foam products 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 Sinomax Trading to independent third parties. For the purpose of obtaining market prices, the Group will make reference to the price quotations to other independent customers for products of comparable quality, quantity and specifications. In any event, the terms of each sale to Studio Moderna and/or its subsidiaries will be no less favourable than terms which can be obtained from independent third party customers for selling products of comparable quality, quantity and specifications.

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 Sinomax Trading for the supply of such product (including all costs and expenses relating to raw material procurement, production, transportation, marketing, operation and management). The Directors, including the independent non-executive Directors, are of the view that the aforesaid method and procedures can ensure that the continuing connected transactions under the Procurement Agreement will be conducted on normal commercial terms.

Historical Transaction Amounts

For the two years ended 31 December 2014 and 2015 and the two months ended 29 February 2016, the aggregate consideration paid by Studio Moderna and its relevant subsidiar(ies) to the Group for the purchase of foam products are as follows:

	Consideration paid <i>HK\$ million</i>
Year ended 31 December 2014	5.89
Year ended 31 December 2015	15.13
Two months ended 29 February 2016	28.59

Annual Caps and Basis

The annual cap for the amount of purchases (excluding all applicable taxes) payable by Studio Moderna and its subsidiaries to Sinomax Trading under the Procurement Agreement for the year ending 31 December 2016 is US\$30,000,000 (equivalent to approximately HK\$232,800,000).

The annual cap is determined after taking into account:

- (i) the historical purchases made by Studio Moderna and its relevant subsidiar(ies) for the two years ended 31 December 2014 and 2015, and the two months ended 29 February 2016; and
- (ii) the anticipated demand that may be derived from the possible future business growth of Studio Moderna and its subsidiaries.

INFORMATION ON SMSA AND STUDIO MODERNA

SMSA

SMSA is a limited liability company incorporated under the laws of Delaware, U.S.A., which is a holding company of Dormeo immediately prior to Completion, and a wholly-owned subsidiary of Studio Moderna.

Studio Moderna

Studio Moderna is a company incorporated under the laws of Switzerland. Studio Moderna is principally engaged in manufacturing foam products using octaspring technology, distributing and selling mattresses, pillows and related bedding accessories and other consumer products in U.S.A., Europe and Asia.

INFORMATION ON THE GROUP

The Company is incorporated under the laws of the Cayman Islands with limited liability, whose shares 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. The Group's health and household products mainly represent quality visco-elastic pillows, mattress toppers and mattresses.

REASONS FOR AND BENEFITS OF THE SECOND SECURITIES PURCHASE AND THE PROCUREMENT AGREEMENT

As disclosed in the annual results announcement of the Company for the financial year ended 31 December 2015, the Group has been successful in developing its business in the U.S.A. market and the Group plans to continue to grow its business by exploring attractive acquisitions and collaboration opportunities. The Directors are of the view that the acquisition of membership interest in Dormeo is not only compatible with the Group's business vision, but will also contribute to the continuous growth of the Group's business and international network.

Immediately after completion of the First Securities Purchase Agreement, Dormeo is held by SMSA as to 63.50% and by the Group as to 36.50%. The Directors are of the view that the Second Securities Purchase, which will result in the Group gaining a controlling stake in Dormeo, will consolidate the influence of the Company on Dormeo and improve the expected synergies with the Group's existing business. The Directors consider that the terms of the Second Securities Purchase Agreement are on normal commercial terms which are fair and reasonable and the entering into of the Second Securities Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors), having reviewed the Procurement Agreement and taking into consideration (i) the market price of the types of foam products to be provided by Sinomax Trading under the Procurement Agreement; (ii) the substantial quantity of foam products previously purchased by Studio Moderna and its relevant subsidiar(ies) and expected to be ordered by Studio Moderna and its subsidiaries; and (iii) substantial reduction in the Group's marketing costs and sales expenses in relation to foam products sales when dealing with Studio Moderna and its subsidiaries, consider that the transactions under the Procurement Agreement will be entered into in the ordinary and usual course of business of the Group, 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. None of the Directors has a material interest in the transactions contemplated under the Second Securities Purchase Agreement and the Procurement Agreement and had abstained from voting at the meeting of the Board on the resolutions to approve the Procurement Agreement and the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

Given that each of the applicable percentage ratios as defined under the Listing Rules in respect of the First Securities Purchase is less than 5%, the First Securities Purchase is not required to be disclosed by the Company under Chapter 14 of the Listing Rules on a stand-alone basis.

However, the First Securities Purchase and the Second Securities Purchase are expected to complete within 12 months and therefore form a series of transactions which should be treated as if they were one transaction under Rule 14.22 of the Listing Rules. Upon aggregation, as one of the applicable percentage ratios as defined under the Listing Rules in respect of the First Securities Purchase and the Second Securities Purchase exceeds 5% but all the applicable percentage ratios are less than 25%, the Second Securities Purchase constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements of the Listing Rules.

Dormeo will become an indirect non-wholly-owned subsidiary of the Company and will be held by the Group as to 51.31% and by SMSA as to 48.69% upon Completion. SMSA is a wholly-owned subsidiary of Studio Moderna. As a substantial equity holder of a subsidiary of the Company, Studio Moderna is a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Each subsidiary of Studio Moderna, is an associate of Studio Moderna 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 in relation to the Procurement Agreement and the transactions contemplated thereunder exceed 5%, the Directors, having made all reasonable enquiries, confirmed that each of Studio Moderna and its subsidiaries is a connected person of the Company only because of its connection with Dormeo, a subsidiary of the Company upon Completion. Hence, each of Studio Moderna and its subsidiaries 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 set out in Chapter 14A of the Listing Rules and are exempt from the circular and independent shareholders' approval requirements.

DEFINITIONS

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“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
“Completion”	completion of the Second Securities Purchase in accordance with the terms and conditions of the Second Securities Purchase Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“Dormeo”	Dormeo North America, LLC, a Delaware limited liability company
“First Securities Purchase”	the acquisition of 36.50% membership interest by way of subscription by Sinomax USA in Dormeo pursuant to the First Securities Purchase Agreement
“First Securities Purchase Agreement”	the securities purchase agreement dated 9 September 2015 entered into among Sinomax USA as buyer, Dormeo as issuer, Studio Moderna and SMSA as warrantors in relation to the acquisition of 36.50% membership interest in Dormeo
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LLC Agreement”	the third amended and restated limited liability company agreement to be entered into among Dormeo, SMSA and Sinomax USA at Completion, which sets out the terms governing the respective members of Dormeo with respect to the management of Dormeo after Completion
“Procurement Agreement”	the procurement agreement dated 12 April 2016 entered into among Studio Moderna and Sinomax Trading in relation to the sale and purchase of foam products
“Purchase Price”	the Purchase Price of US\$2.50 million payable to Dormeo pursuant to the Second Securities Purchase Agreement
“Second Securities Purchase”	the further acquisition of 14.81% membership interest by way of subscription by Sinomax USA in Dormeo pursuant to the Second Securities Purchase Agreement
“Second Securities Purchase Agreement”	the securities purchase agreement dated 12 April 2016 entered into among Sinomax USA as buyer, Dormeo as issuer, Studio Moderna and SMSA as warrantors in relation to the further acquisition of 14.81% membership interest in Dormeo
“Securities Purchase Agreements”	the First Securities Purchase Agreement and the Second Securities Purchase Agreement
“Shareholder(s)”	the holder(s) of share(s) of the Company

“Sinomax Trading”	Sinomax International Trading Limited, a company incorporated in Hong Kong on 15 September 2011 and an indirect wholly-owned subsidiary of the Company
“Sinomax USA”	Sinomax USA, Inc., a corporation incorporated under the laws of Delaware, U.S.A. and an indirect wholly-owned subsidiary of the Company
“SMSA”	SMSA North America Holdings, LLC, a Delaware limited liability company and a wholly-owned subsidiary of Studio Moderna
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Studio Moderna”	Studio Moderna S.A., a company formed in Switzerland
“Warrantors”	Studio Moderna and SMSA, the warrantors under the Second Securities Purchase Agreement
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“US\$”	US dollars, the lawful currency of the U.S.A.
“U.S.A.”	the United States of America
“%” or “per cent.”	percentage or per centum

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

Hong Kong, 12 April 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; and 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.

For the purpose of this announcement, unless otherwise stated, the conversion of US\$ into HK\$ has been made at an exchange rate of US\$1:HK\$7.76. 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.