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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)

INSIDE INFORMATION ANNOUNCEMENT

This announcement is made by Sinomax Group Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

BACKGROUND

Reference is made to the announcement of unaudited interim results for the six months ended 30 June 2016 of the Company dated 22 August 2016 (the “**Interim Result Announcement**”).

As disclosed in the Interim Result Announcement, the Inland Revenue Department (the “**IRD**”) commenced a tax audit on certain subsidiaries of the Company in prior period, covering the years of assessment from 2004/05 to 2014/15, that is financial years ended 31 December 2004 to 2014 inclusive (the “**Relevant Years**”). The IRD then issued estimated profits tax assessments of HK\$14,100,000, HK\$24,000,000, HK\$26,725,000, HK\$19,140,000 and HK\$24,519,000 to the Group relating to the years of assessment 2005/06, 2006/07, 2007/08, 2008/09 and 2009/10, which were for the respective financial years ended 31 December 2005, 2006, 2007, 2008 and 2009, respectively.

The Group lodged objection with the IRD against these assessments. The IRD granted holdover to the relevant subsidiaries for the tax demanded for the said years of assessment, except for amounts of HK\$175,000, HK\$2,275,000, HK\$8,150,000 and HK\$11,300,000 concerned for the years of assessment 2006/07, 2007/08, 2008/09 and 2009/10, respectively, which were satisfied by tax paid and/or purchase of tax reserve certificates. To address the enquiries raised by the IRD and to defend its tax position (i.e. offshore claim in relation to certain of its profits), the Group has been providing various information and supporting documents from time to time. However, having considered the different opinion of the IRD on the controversial issue, and in order to avoid further protracted exchange of correspondences, which may not be in the best interest of the Company from the commercial perspective, the directors of the Company (the “**Directors**”) decided to take an alternative means with a compromised settlement approach to resolve the case. Subsequent

to the end of the current interim period, the Group submitted a settlement proposal to IRD for the Relevant Years (the “**Settlement Proposal**”) with an aggregate of HK\$89.3 million as a full and final settlement of the tax audit.

RECENT DEVELOPMENT

On 2 September 2016, the Group received formal notices of revised assessment for the Relevant Years from the IRD pursuant to the Settlement Proposal. With the Settlement Proposal accepted by the IRD, the tax audit in respect of the Relevant Years is now completely settled. The Group has previously made adequate provision for this tax audit in prior period. It is expected that there will be a provision written back of approximately HK\$30.4 million for the year ending 31 December 2016.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 6 September 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.