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

(Stock Code: 1418)

ANNOUNCEMENT

CONNECTED TRANSACTION IN RELATION TO COMPENSATION AGREEMENT

THE COMPENSATION AGREEMENT

Reference is made to the announcement of the Company dated 23 January 2015 in relation to (among other things) the Lease Agreement entered into between Modern Time (as landlord) and Shanghai Luen Tai, an indirect wholly-owned subsidiary of the Company (as tenant) in relation to the leasing of the Land and the Premises.

Shanghai Luen Tai has been using the Land and the Premises owned by Modern Time for its manufacturing operation and office premises. Pursuant to the relevant urban renewal plan of the Local Government, the Land and the Premises has been included in the scope of demolition and redevelopment. On 1 November 2018, Modern Time and Shanghai Luen Tai entered into the Compensation Agreement, pursuant to which Modern Time agreed to compensate Shanghai Luen Tai for the costs and loss arising from the demolition of the Premises and the surrender of Land to the Local Government in the amount of RMB6 million (equivalent to approximately HK\$6.74 million).

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shanghai Luen Tai is an indirect wholly-owned subsidiary of the Company and Modern Time is owned as to 50% by Ms. Lin, the sister of Mr. Lam, an executive Director of the Company, and as to 50% by Mr. Kwok, the husband of Ms. Lin and the brother-in-law of Mr. Lam. Each of Ms. Lin, Mr. Kwok and Modern Time is an associate of Mr. Lam, being the executive Director of the Company, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Compensation Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios in respect of the compensation under the Compensation Agreement are more than 0.1% but less than 5%, the Compensation Agreement is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 23 January 2015 in relation to (among other things) the Lease Agreement entered into between Modern Time (as landlord) and Shanghai Luen Tai, an indirect wholly-owned subsidiary of the Company (as tenant) in relation to the leasing of the Land and the Premises.

Shanghai Luen Tai has been using the Land and the Premises owned by Modern Time for its manufacturing operation and office premises. Pursuant to the relevant urban renewal plan of the Local Government, the Land and the Premises has been included in the scope of demolition and redevelopment. On 1 November 2018, Modern Time and Shanghai Luen Tai entered into the Compensation Agreement pursuant to which Modern Time agreed to compensate Shanghai Luen Tai for the costs and loss arising from the demolition of the Premises and the surrender of Land to the Local Government in the amount of RMB6 million (equivalent to approximately HK\$6.74 million).

THE COMPENSATION AGREEMENT

The principal terms of the Compensation Agreement are as follows:

Date: 1 November 2018

Parties: (i) Modern Time (as landlord); and
(ii) Shanghai Luen Tai, an indirect wholly-owned subsidiary of the Company (as tenant)

Scope of demolition:

The demolition will involve the Premises which are owned by Modern Time and leased to Shanghai Luen Tai for its manufacturing operation and office premises under the Lease Agreement.

Compensation amount and payment terms:

Modern Time has agreed to pay to Shanghai Luen Tai an amount of RMB6 million (equivalent to approximately HK\$6.74 million) as compensation in full for the demolition of the Premises within ten days of the receipt of the first payment of compensation for demolition from the Local Government.

The amount of compensation was determined through arm's length negotiations between the parties with reference to the prevailing market rates of compensation for demolished factories to tenants in other comparable locations, the costs of relocation and/or reconstruction, the loss due to suspension of operation, and allowances for relocation and temporary settlement.

INFORMATION ON THE GROUP, SHANGHAI LUEN TAI AND MODERN TIME

The Group

The Company is incorporated under the laws of the Cayman Islands with limited liability, the Shares of which are listed on 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.

Shanghai Luen Tai

Shanghai Luen Tai is a company established in the PRC with limited liability, and is, an indirect wholly-owned subsidiary of the Company. It is principally engaged in the processing, manufacturing and sales of polyurethane foam and products including mattress, sofa and pillows.

Modern Time

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 as at the date of this announcement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE COMPENSATION AGREEMENT

The Land and the Premises are owned by Modern Time and are currently used and occupied by Shanghai Luen Tai as its manufacturing facility and office premises pursuant to the Lease Agreement.

Pursuant to the relevant urban renewal plan of the Local Government, the Land and the Premises has been included in the scope of demolition and redevelopment. The entering into the Compensation Agreement is a necessary action and arrangement for facilitating and implementing the urban renewal plan of the Local Government. The compensation to be paid by Modern Time under the Compensation Agreement, which was determined in accordance with, among other things, the prevailing market rates of compensation for demolished factories to tenants in other comparable locations, will provide the Group with sufficient resources to relocate its current operations in the Premises to other suitable premises and sufficient allowance to cover the loss due to temporary suspension of operation arising therefrom.

Mr. Lam, has abstained from voting on the Board resolution approving the Compensation Agreement due to conflict of interests. Save as mentioned above, none of the Directors has material interest in the Compensation Agreement and hence no other Director has abstained from voting on such Board resolution.

The Directors, excluding Mr. Lam but including the independent non-executive Directors, are of the view that the Compensation Agreement was entered into on normal commercial terms and in the ordinary and usual course of business of the Company and the terms of the Compensation Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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As all of the applicable percentage ratios in respect of the compensation under the Compensation Agreement are more than 0.1% but less than 5%, the Compensation Agreement is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“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 Stock Exchange
“Compensation Agreement”	the compensation agreement dated 1 November 2018 entered into between Modern Time and Shanghai Luen Tai
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land”	a parcel of land with a total site area of 37,357 sq.m. located in Songjiang District, Shanghai, the PRC
“Lease Agreement”	the lease agreement dated 1 November 2018 entered into between Modern Time (as landlord) and Shanghai Luen Tai (as tenant) in relation to the leasing of the Land and the Premises
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Local Government”	the government of Songjiang District, Shanghai, the PRC

“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 and executive Director of the Company
“Ms. Lin”	Ms. Lin Lu Lin, the sister of Mr. Lam and the wife of Mr. Kwok
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“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
“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 and an indirect wholly-owned subsidiary of the Company
“Shares”	the ordinary share(s) in the capital of the Company
“Shareholder(s)”	holder(s) of share(s) of the Company

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent

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

Hong Kong, 1 November 2018

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, JP, Mr. Zhang Hwo Jie and Mr. Wu Tak Lung.

In this announcement, unless otherwise stated, the conversion of RMB into HK\$ has been made at an exchange rate of HK\$1:RMB0.89. 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.*