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

(Stock Code: 1418)

ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTIONS UNDER THE 2019-2021 DONGGUAN LEASE AGREEMENT

THE 2019-2021 DONGGUAN LEASE AGREEMENT

Reference is made to the announcement of the Company dated 18 December 2015 regarding, among other things, the Renewal Dongguan Lease Agreement.

Since the Renewal Dongguan Lease Agreement will expire on 31 December 2018, and the Company expects such transactions will continue thereafter, the Board announces that on 18 December 2018, Dongguan Sinohome (an indirect wholly-owned subsidiary of the Company) (as tenant) and Dongguan Donglian (as landlord) entered into the 2019-2021 Dongguan Lease Agreement for a term of three years commencing from 1 January 2019 to 31 December 2021.

LISTING RULES IMPLICATIONS

Dongguan Donglian is indirectly wholly-owned by Sinomax Enterprises, one of the Company's controlling shareholders. Dongguan Donglian is therefore an associate of Sinomax Enterprises pursuant to Rule 14A.13(1) of the Listing Rules and a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules. Accordingly, the transactions contemplated under the 2019-2021 Dongguan Lease Agreement constitute continuing connected transactions of the Company. As one of the applicable percentage ratios in respect of the Lease Annual Cap is more than 1% but less than 5%, the 2019-2021 Dongguan Lease Agreement is exempt from independent shareholders' approval requirement but is subject to the reporting, announcement and annual review requirements set out in Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 18 December 2015 regarding, among other things, the Renewal Dongguan Lease Agreement.

Since the Renewal Dongguan Lease Agreement will expire on 31 December 2018, and the Company expects such transactions will continue thereafter, the Board announces that on 18 December 2018, Dongguan Sinohome (an indirect wholly-owned subsidiary of the Company) (as tenant) and Dongguan Donglian (as landlord) entered into the 2019-2021 Dongguan Lease Agreement for a term of three years commencing from 1 January 2019 to 31 December 2021.

THE 2019-2021 DONGGUAN LEASE AGREEMENT

A summary of the principal terms of the 2019-2021 Dongguan Lease Agreement is set out as below:

Date:	18 December 2018
Parties:	(i) Dongguan Sinohome, an indirect wholly-owned subsidiary of the Company (as tenant); and (ii) Dongguan Donglian (as landlord).
Term:	From 1 January 2019 to 31 December 2021.

- Subject:** Pursuant to the 2019-2021 Dongguan Lease Agreement, Dongguan Donglian has agreed to lease certain premises situated at 中國廣東省東莞市塘廈鎮沙湖村大結嶺路1號 (No. 1 Dajieling Road, Shahu Village, Tang Xia Town, Dongguan, Guangdong Province, PRC), with an aggregate area of 50,813.74 square meters to Dongguan Sinohome.
- Use:** Factories and employees' dormitories.
- Monthly rent:** RMB660,000 (equivalent to approximately HK\$785,714)
- Payment terms:** Settled on a monthly basis in arrears.
- Right of first refusal:** If Dongguan Donglian proposes to sell the leased premises to a third party, it shall give Dongguan Sinohome six (6) months' advance notice in writing and grant Dongguan Sinohome the right of first refusal to purchase the leased premises on the same terms and conditions as those offered by the third party.

In determining the rental for the 2019-2021 Dongguan Lease Agreement, the Group engaged an independent property valuer and consultant, Asset Appraisal Limited, to review the 2019-2021 Dongguan Lease Agreement, conduct market research on the leasing markets in Dongguan and collect rental evidence of comparable properties in the locality as well as similar locations in Dongguan, and Asset Appraisal Limited has confirmed that the amounts payable under the 2019-2021 Dongguan Lease Agreement reflect the prevailing market rates for comparable properties in similar locations.

The Directors (except Mr. Lam Chi Fan, Mr. Cheung Tung, Mr. Chen Feng and Ms. Lam Fei Man who abstained from participating in the approval of the 2019-2021 Dongguan Lease Agreement due to their material interests therein), including the independent non-executive Directors, having reviewed the 2019-2021 Dongguan Lease Agreement and considered the opinion from the independent property valuer and consultant, have confirmed that (i) the terms and conditions of the 2019-2021 Dongguan Lease Agreement are fair and reasonable to the parties thereto and are entered into on normal commercial terms; and (ii) the amounts payable thereunder reflect the prevailing market rates for comparable properties in similar locations.

Historical transaction amounts

The annual rental paid by the Group to Dongguan Donglian for leasing of the Dongguan Premises under the Renewal Dongguan Lease Agreement amounted to approximately RMB15.72 million (equivalent to approximately HK\$18.71 million) for each of the financial years ended 31 December 2016 and 2017.

The rental amount paid by the Group to Dongguan Donglian for the eleven months ended 30 November 2018 was approximately RMB10.51 million (equivalent to approximately HK\$12.51 million) and the Company expects that the annual rental amount for the financial year ending 31 December 2018 will not exceed the annual cap of RMB15.72 million (equivalent to approximately HK\$18.71 million) for the year 2018 as disclosed in the announcement of the Company dated 18 December 2015.

Annual cap and basis

The Lease Annual Cap payable by the Group under the 2019-2021 Dongguan Lease Agreement for each of the three financial years ending 31 December 2019, 2020 and 2021 is RMB7.92 million (equivalent to approximately HK\$9.43 million), which is determined after taking into account the following factors: (i) the historical transaction amounts (in terms of the monthly rent of RMB13.02 (equivalent to approximately HK\$15.49) per square meter); (ii) the prevailing market prices of the comparable properties in the place where Dongguan Premises are located; and (iii) the monthly rent as set out in the 2019-2021 Dongguan Lease Agreement (in terms of the monthly rent of RMB12.99 (equivalent to approximately HK\$15.46) per square meter).

The Directors (except Mr. Lam Chi Fan, Mr. Cheung Tung, Mr. Chen Feng and Ms. Lam Fei Man who abstained from participating in the approval of the 2019-2021 Dongguan Lease Agreement due to their material interests therein), including the independent non-executive Directors, having reviewed the 2019-2021 Dongguan Lease Agreement and taking into consideration (i) market prices of leases of comparable premises in Dongguan; and (ii) the estimated time and costs which will be incurred for relocation and renovation of new premises, consider that the transactions under the 2019-2021 Dongguan Lease Agreement are entered into in the ordinary and usual course of business of the Group, on normal commercial terms and that the terms of the 2019-2021 Dongguan Lease Agreement and the Lease Annual Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

Dongguan Donglian is indirectly wholly-owned by Sinomax Enterprises, one of the Company's controlling shareholders. Dongguan Donglian is therefore an associate of Sinomax Enterprises pursuant to Rule 14A.13(1) of the Listing Rules and a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules. Accordingly, the transactions contemplated under the 2019-2021 Dongguan Lease Agreement constitute continuing connected transactions of the Company. As one of the applicable percentage ratios in respect the Lease Annual Cap is more than 1% but less than 5%, the 2019-2021 Dongguan Lease Agreement is exempt from independent shareholders' approval requirement but is subject to the reporting, announcement and annual review requirements set out in Chapter 14A of the Listing Rules.

Save for Mr. Lam Chi Fan, Mr. Cheung Tung, Mr. Chen Feng and Ms. Lam Fei Man, all being executive Directors, who abstained from voting in respect of the 2019-2021 Dongguan Lease Agreement, none of the Directors has a material interest in the respective transactions contemplated under the 2019-2021 Dongguan Lease Agreement.

GENERAL INFORMATION

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.

Dongguan Donglian

Dongguan Donglian is a company established in PRC with limited liability, which is principally engaged in properties leasing business in PRC.

DEFINITIONS

“2019-2021 Dongguan Lease Agreement”	the lease agreement dated 18 December 2018 entered into between Dongguan Sinohome (as tenant) and Dogguan Donglian (as landlord) in relation to the lease of the Dongguan Premises for a term of three years commencing from 1 January 2019 to 31 December 2021
“Board”	the board of Directors
“BVI”	British Virgin Islands
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Dongguan Donglian”	Dongguan Donglian Furniture Co., Ltd.* (東莞東聯傢俱有限公司), a company established in PRC as a wholly foreign-owned enterprise and indirectly wholly-owned by Sinomax Enterprises
“Dongguan Premises”	certain premises located in 中國廣東省東莞市塘廈鎮沙湖村大結嶺路1號 (No. 1 Dajieling Road, Shahu Village, Tang Xia Town, Dongguan, Guangdong Province, PRC)

“Dongguan Sinohome”	Dongguan Sinohome Limited* (東莞賽諾家居用品有限公司), a company established in PRC as a wholly foreign-owned enterprise and an indirect wholly-owned subsidiary 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 PRC
“Lease Annual Cap”	the maximum annual amount of rental payable by the Group under the 2019-2021 Dongguan Lease Agreement
“Listing Rules”	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 PRC and Taiwan
“Renewal Dongguan Lease Agreement”	the lease agreement dated 18 December 2015 entered into between Dongguan Sinohome (as tenant) and Dongguan Donglian (as landlord) in relation to the lease of the Dongguan Premises for a term of three years commencing from 1 January 2016 to 31 December 2018
“RMB”	Renminbi, the lawful currency of PRC
“Shareholder(s)”	holder(s) of share(s) of the Company
“Sinomax Enterprises”	Sinomax Enterprises Limited (聖諾盟企業有限公司), a company incorporated in the BVI, and one of the controlling shareholders of the Company

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%” or “per cent.”

percentage or per centum

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

Hong Kong, 18 December 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, the conversion of RMB into HK\$ has been made at exchange rate of HK\$1:RMB0.84. Such conversion should not be construed as a representation that any amount has been, could have been or may be, exchanged at these or any other rate.

If there is any inconsistency between the Chinese names of entities or enterprises established in 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.*