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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Sinomax Group Limited (the “**Company**”), you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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)**

**MAJOR TRANSACTION –  
(I) ACQUISITION OF PROPERTY;  
AND  
(II) SALE AND LEASEBACK OF PROPERTY**

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Capitalised terms used in this cover page have the same meanings as those defined in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 6 to 16 of this circular.

The Agreements and the Transaction have been approved by written shareholders’ approval obtained from the controlling Shareholder of the Company, Sinomax Enterprises, which currently holds approximately 72.91% of the entire issued share capital of the Company pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company. This circular is being despatched to the Shareholders for information only.

25 September 2019

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“800 Broadway”	800 Broadway, a general partnership incorporated in the U.S.
“Acquisition”	the acquisition of the Property by Sinomax East (as purchaser) from 800 Broadway (as vendor) pursuant to the Letter Agreement in exercise of the Purchase Option
“Acquisition Completion”	the completion of the Acquisition pursuant to the Letter Agreement
“Acquisition Consideration”	the consideration in the sum of US\$20,804,461 (equivalent to approximately HK\$163,315,019), being the purchase price of the Property payable by Sinomax East (as purchaser) to 800 Broadway (as vendor) under the Letter Agreement
“Agreements”	the Letter Agreement and the Purchase and Sale Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Base Rent”	the base rent payable by Sinomax East (as tenant) to the Purchaser (as landlord) under the New Lease
“Board”	the board of Directors
“Closing Funds”	the balance of the Sale Consideration in the sum of US\$32,340,000 (equivalent to approximately HK\$253,869,000) (subject to credit for application of the amount of the deposit paid to Sinomax East and credit and adjustment pursuant to the terms of the Purchase and Sale Agreement), payable by the Purchaser (as purchaser) to Sinomax East (as vendor) under the Purchase and Sale Agreement

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## DEFINITIONS

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“Company”	Sinomax Group Limited, a company 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 (stock code: 1418)
“Completion Date”	30 September 2019 (or such other date as may be agreed in writing between the relevant parties)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the director(s) of the Company
“Escrow Agent”	First American Title Insurance Company, National Commercial Services
“Existing Lease Agreement”	the lease agreement dated 1 October 2015 and entered into between 800 Broadway (as landlord) and Sinomax East (as tenant), pursuant to which Sinomax East leases from 800 Broadway the Property commencing from 1 October 2015 for a term of 128 months (as may be extended from time to time)
“Feasibility Period”	the period from the date of the Purchase and Sale Agreement (being 30 August 2019) to 20 September 2019
“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
“Independent Third Party(ies)”	third party(ies) independent of and not connected to the Company or any of its connected persons
“Latest Practicable Date”	23 September 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular

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## DEFINITIONS

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“Leaseback”	the leaseback arrangement in respect of the Property between Sinomax East (as tenant) and the Purchaser (as landlord) upon the Sale Completion as contemplated under the New Lease pursuant to the Purchase and Sale Agreement
“Letter Agreement”	the letter agreement entered into between Sinomax East (as purchaser) and 800 Broadway (as vendor) on 30 August 2019 in relation to the Acquisition
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“New Lease”	the lease to be executed and delivered by Sinomax East (as tenant) to the Purchaser (as landlord) at the Sale Completion, pursuant to which Sinomax East agrees to lease the Property from the Purchaser subject to the terms therein
“Post-IPO Share Option Scheme”	the post-IPO share option scheme conditionally adopted by the Company on 4 March 2014
“PRC” or “China”	the People’s Republic of China, which, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme conditionally adopted by the Company on 13 December 2013 and expired on 10 July 2014, being the listing date of the Company
“Property”	the property located at 1740 JP Hennessy Drive, LaVergne, TN 37086, the U.S., together with any and all buildings and other improvements thereon including a certain approximately 505,000 sq. ft. industrial facility, and all rights, easements and appurtenances thereto
“Purchase and Sale Agreement”	the purchase and sale agreement entered into between Sinomax East (as vendor) and the Purchaser (as purchaser) on 30 August 2019 in relation to the Sale and Leaseback

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## DEFINITIONS

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“Purchase Option”	the purchase option at no premium granted by 800 Broadway (as landlord) to Sinomax East (as tenant) under the Existing Lease Agreement to acquire the Property, which Sinomax East may at its election exercise subject to the terms of the Existing Lease Agreement
“Purchaser”	WPT Acquisitions, LLC, being the purchaser under the Purchase and Sale Agreement, a Delaware limited liability company and an Independent Third Party
“RMB”	Renminbi, the lawful currency of the PRC
“Sale”	the sale of the Property by Sinomax East (as vendor) to the Purchaser (as purchaser) pursuant to the Purchase and Sale Agreement
“Sale Completion”	the completion of the Sale pursuant to the Purchase and Sale Agreement
“Sale Consideration”	the consideration in the sum of US\$33,000,000 (equivalent to approximately HK\$259,050,000), being the purchase price of the Property payable by the Purchaser (as purchaser) to Sinomax East (as vendor) under the Purchase and Sale Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the share capital of the Company
“Sinomax East”	Sinomax East, Inc., a company incorporated in the State of Delaware in the U.S. and an indirect wholly-owned subsidiary of the Company
“Sinomax Enterprises”	Sinomax Enterprises Limited, a company incorporated in the British Virgin Islands and the controlling Shareholder of the Company

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## DEFINITIONS

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“sq. ft.”	square foot
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the transactions contemplated under the Agreements
“US\$”	US dollars, the lawful currency of the U.S.
“U.S.”	the United States of America
“%” or “per cent.”	percentage or per centum

*In the event of any inconsistency between the English and Chinese versions of this circular, the English version of this circular shall prevail over the Chinese version of this circular.*

*In this circular, unless otherwise stated, the conversion of US\$ into HK\$ has been made at an exchange rate of US\$1: HK\$7.85. 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.*

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

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)*

Ms. Lam Fei Man

*Independent non-executive Directors:*

Mr. Wong Chi Keung

Professor Lam Sing Kwong, Simon

Mr. Fan Chun Wah, Andrew, J.P.

Mr. Zhang Hwo Jie

Mr. Wu Tak Lung

*Registered Office:*

P.O. Box 309

Ugland House

Grand Cayman KY1-1104

Cayman Islands

*Principal place of business in*

*Hong Kong:*

Units 2005-2007

Level 20 Tower 1

MegaBox Enterprise Square Five

38 Wang Chiu Road

Kowloon Bay

Hong Kong

25 September 2019

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION –  
(I) ACQUISITION OF PROPERTY;  
AND  
(II) SALE AND LEASEBACK OF PROPERTY**

### INTRODUCTION

Reference is made to the Company's announcement dated 2 September 2019 in relation to the Transaction. It was announced that on 30 August 2019, Sinomax East, an indirect wholly-owned subsidiary of the Company, entered into (i) the Letter Agreement with 800 Broadway (as vendor), in the exercise of the Purchase Option under the Existing Lease Agreement between Sinomax East (as tenant) and 800 Broadway (as landlord) to acquire the Property at the Acquisition Consideration of US\$20,804,461 (equivalent to approximately HK\$163,315,019) subject to the terms and conditions therein; and (ii) the Purchase and Sale Agreement with the Purchaser (as purchaser) and the Company (as guarantor), pursuant to which Sinomax East (as vendor) agreed to sell and the Purchaser (as purchaser) agreed to acquire the Property at the Sale Consideration of US\$33,000,000 (equivalent to approximately HK\$295,050,000), subject to the Acquisition Completion and the terms and conditions therein.



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## LETTER FROM THE BOARD

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Since the underlying subject of the Agreements is the Property, the Transaction is regarded as one transaction involving both the Acquisition and the Sale and Leaseback. Pursuant to Rule 14.24 of the Listing Rules, the Stock Exchange will apply the percentage ratios (as defined under the Listing Rules) to both the Acquisition and the Sale and Leaseback and the Transaction will be classified by reference to the larger of the Acquisition or the Sale and Leaseback. As (i) one or more of the applicable percentage ratios in respect of the Acquisition are more than 25% but less than 100%; and (ii) one or more of the applicable percentage ratios in respect of the Sale and Leaseback are more than 25% but less than 75%, the Transaction constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, none of the Shareholders and their respective associates has any material interest in the Agreements and the Transaction. As such, no Shareholder would be required to abstain from voting on the resolution in respect of the Agreements and the Transaction if the Company were to convene a general meeting for the approval of the Agreements and the Transaction. As at the Latest Practicable Date, Sinomax Enterprises was the controlling Shareholder of the Company and beneficially held 1,275,906,000 Shares, representing approximately 72.91% of the entire issued share capital of the Company. Written approval of the Agreements and the Transaction has been obtained from Sinomax Enterprises. Pursuant to Rule 14.44 of the Listing Rules, such written approval may be accepted in lieu of holding a general meeting of the Company, and accordingly, no general meeting of the Company will be convened for the purpose of approving the Agreements and the Transaction.

The purpose of this circular is to provide you with, among other things, (i) further details of the Agreements and the Transaction; (ii) the financial information of the Group; (iii) the unaudited pro forma financial information of the Group illustrating the effect of the Acquisition on the financial position of the Group as if the Acquisition had been completed on 30 June 2019; (iv) the valuation report of the Property; and (v) other information required to be disclosed under the Listing Rules.

### THE ACQUISITION

On 30 August 2019 (after trading hours), Sinomax East (as purchaser), an indirect wholly-owned subsidiary of the Company, entered into the Letter Agreement with 800 Broadway (as vendor), in the exercise of the Purchase Option under the Existing Lease Agreement between Sinomax East (as tenant) and 800 Broadway (as landlord), to acquire the Property at the Acquisition Consideration of US\$20,804,461 (equivalent to approximately HK\$163,315,019) subject to the terms and conditions therein.

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## LETTER FROM THE BOARD

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### THE LETTER AGREEMENT

The principal terms of the Letter Agreement are summarised below:–

Date : 30 August 2019 (after trading hours)

Parties : (i) Sinomax East, as purchaser; and  
(ii) 800 Broadway, as vendor

### Property to be acquired

The Property to be acquired by Sinomax East from 800 Broadway is located at 1740 JP Hennessy Drive, LaVergne, TN 37086, the U.S. with approximately 505,000 sq. ft.. The Property is currently leased by 800 Broadway (as landlord) to Sinomax East (as tenant) under the Existing Lease Agreement.

A valuation of the Property was performed by Cushman & Wakefield Limited, an independent valuer appointed by the Company, which valued the market value of the Property at US\$33,000,000 (equivalent to approximately HK\$259,050,000) as at 20 August 2019. The valuation report of the Property prepared by Cushman & Wakefield Limited is set out in Appendix III of this circular.

Pursuant to the Letter Agreement and subject to the terms contained therein, 800 Broadway shall convey the Property to Sinomax East by way of a special warranty deed on the Completion Date.

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## LETTER FROM THE BOARD

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### **Acquisition Consideration**

The Acquisition Consideration is US\$20,804,461 (equivalent to approximately HK\$163,315,019), which shall be paid by Sinomax East in cash at the Acquisition Completion.

The Acquisition Consideration was calculated in accordance with the terms of the Purchase Option as set out under the Existing Lease Agreement. Pursuant to terms of the Existing Lease Agreement, the purchase price of the Property shall be the sum of: (i) US\$18,750,000 (equivalent to approximately HK\$147,187,500); (ii) the unamortised balance of the capital expenditures and repairs of 800 Broadway (as landlord) which are required to be capitalised for federal income tax purposes (“**Capital Expenditures**”); and (iii) the unamortised principal balance of the initial improvements of up to US\$2,784,000 (equivalent to approximately HK\$21,854,400) provided under the Existing Lease Agreement, plus accrued interest at an annual rate of 6%.

The Acquisition Consideration of US\$20,804,461 (equivalent to approximately HK\$163,315,019) represented the sum of: (i) US\$18,750,000 (equivalent to approximately HK\$147,187,500); and (ii) the unamortised principal balance of the initial improvements of US\$2,054,461 (equivalent to approximately HK\$16,127,519). There were no payable Capital Expenditures and therefore such were not included in calculating the Acquisition Consideration. The Acquisition Consideration was determined after arm’s length negotiations between Sinomax East (as tenant) and 800 Broadway (as landlord) with reference to, among other things, (i) the then prevailing market conditions at the time when the Existing Lease Agreement was entered into; and (ii) the location of the Property and the market price of comparable properties in the proximity at the time when the Existing Lease Agreement was entered into.

It is expected that the Acquisition Consideration will be financed solely by the Closing Funds to be received by Sinomax East at the Sale Completion, or in the event that the Sale Completion does not take place simultaneously or at all, by internal resources of the Group and/or bank borrowings to the extent where available.

### **Acquisition Completion**

Subject to satisfaction of the conditions to the Letter Agreement, the Acquisition Completion shall take place on the Completion Date.

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## LETTER FROM THE BOARD

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### THE SALE AND LEASEBACK

On 30 August 2019 (after trading hours), Sinomax East (as vendor), the Purchaser (as purchaser) and the Company (as guarantor) entered into the Purchase and Sale Agreement, pursuant to which (i) Sinomax East agreed to sell and the Purchaser agreed to acquire the Property at the Sale Consideration of US\$33,000,000 (equivalent to approximately HK\$295,050,000), subject to the Acquisition Completion and the terms and conditions therein; and (ii) at the Sale Completion, Sinomax East (as tenant) and the Purchaser (as landlord) shall execute the New Lease to lease the Property for a term of ten (10) years commencing on the Completion Date.

### THE PURCHASE AND SALE AGREEMENT

The principal terms of the Purchase and Sale Agreement are summarised below:–

- Date : 30 August 2019 (after trading hours)
- Parties : (i) Sinomax East, as vendor;
- (ii) the Purchaser, as purchaser; and
- (iii) the Company, as guarantor

The Company agreed to guarantee the performance by Sinomax East of its obligations under the Purchase and Sale Agreement subject to the terms and conditions therein.

### Property to be sold

The Property to be sold by Sinomax East to the Purchaser is located at 1740 JP Hennessy Drive, LaVergne, TN 37086, the U.S. with approximately 505,000 sq. ft.. According to the Metropolitan Nashville and Davidson County Planning Commission of the U.S., the Property is zoned for industrial use. The Property is currently used by Sinomax East as a mega distribution facility principally for the manufacturing, distribution and warehousing of consumer-related products of the Group.

Pursuant to the Purchase and Sale Agreement and subject the terms contained therein and the Acquisition Completion, Sinomax East shall convey the Property to the Purchaser or its affiliate(s) by way of a special warranty deed at the Sale Completion.

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## LETTER FROM THE BOARD

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### **Sale Consideration**

The Sale Consideration is US\$33,000,000 (equivalent to approximately HK\$259,050,000), which shall be payable by the Purchaser to Sinomax East in the following manner:

- (a) the deposit in the sum of US\$660,000 (equivalent to approximately HK\$5,181,000) (together with any interest thereon) shall be deposited in escrow by the Purchaser as earnest money with the Escrow Agent within two (2) business days after full execution and delivery of the Purchase and Sale Agreement by the Purchaser and Sinomax East; and
- (b) the Closing Funds, being the balance of the Sale Consideration in the sum of US\$32,340,000 (equivalent to approximately HK\$253,869,000) (subject to credit for application of the amount of the deposit paid to Sinomax East in (a) above and credit and adjustment pursuant to the terms of the Purchase and Sale Agreement), shall be paid by the Purchaser by wire transfer at the Sale Completion.

The Sale Consideration was determined after arm's length negotiations between the parties with reference to, among other things, (i) the New Lease to be entered into between Sinomax East (as tenant) and the Purchaser (as landlord) at the Sale Completion as described below; (ii) the prevailing market conditions; and (iii) the location of the Property and the market price of comparable properties in the proximity.

As at the Latest Practicable Date, the deposit has been deposited in escrow by the Purchaser with the Escrow Agent.

### **Conditions precedent**

Completion of the Purchase and Sale Agreement is conditional upon, among other things, (i) the Purchaser's satisfaction of its due diligence on or before the end of the Feasibility Period; (ii) the acquisition of the Property by Sinomax East and subject to the Acquisition Completion; and (iii) the obtaining of the necessary board and/or shareholders' approvals of the Company in respect of the Purchase and Sale Agreement and the transactions contemplated therein during the Feasibility Period.

As at the Latest Practicable Date, written approval of the Agreements and the Transaction has been obtained from Sinomax Enterprises, which is beneficially interested in approximately 72.91% of the entire issued share capital of the Company.

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## LETTER FROM THE BOARD

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### Sale Completion

Subject to satisfaction of the conditions to the Purchase and Sale Agreement, the Sale Completion shall take place on the Completion Date and the Acquisition Completion and the Sale Completion shall take place simultaneously.

### New Lease

Pursuant to the Purchase and Sale Agreement, at the Sale Completion, Sinomax East (as tenant) and the Purchaser (as landlord) shall execute the New Lease to lease the Property for a term of ten (10) years commencing on the Completion Date.

As at the date of the Purchase and Sale Agreement, the principal terms of the New Lease have been substantially finalised between the parties, which are summarised below:

Parties	:	(i) Sinomax East, as tenant; and  (ii) the Purchaser, as landlord
Term	:	The New Lease shall be for a term of ten (10) years commencing on the Completion Date.
Base Rent	:	The Base Rent shall be US\$3.838 per square foot per year, which shall increase by 2.5% annually.
Security	:	A cash security deposit in the sum of US\$225,000 (equivalent to approximately HK\$1,766,250) shall be payable by Sinomax East to the Purchaser at the Sale Completion.
Guarantee	:	A guarantee shall be provided by the Company in favour of the Purchaser (as landlord) in respect of all of Sinomax East's obligations (as tenant) under the New Lease upon execution of the New Lease at the Sale Completion.

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## LETTER FROM THE BOARD

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The Base Rent was determined after arm's length negotiations between Sinomax East and the Purchaser with reference to, among other things, (i) the Sale and Leaseback arrangement as set out in the Purchase and Sale Agreement; (ii) the base rent under the Existing Lease Agreement of US\$3.54 per square foot per year; (iii) the prevailing market conditions; and (iv) the location of the Property and the market rental price of comparable properties in the proximity.

Pursuant to the Purchase and Sale Agreement, Sinomax East shall take occupancy on an as-is basis with the Property in its current condition upon execution of the New Lease.

### REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group has been exploring investment opportunities from time to time with an aim to enhance the interests of the Company and the Shareholders as a whole.

Taking into account that: (i) the Acquisition Consideration payable by Sinomax East in the exercise of the Purchase Option under the Letter Agreement is considerably below the prevailing market price of comparable properties in the proximity; (ii) the Group had received and compared competitive offers from three potential buyers, including the Purchaser, in respect of the sale of the Property, before entering into the Purchase and Sale Agreement; (iii) as a result of the Sale, the Group is expected to record an unaudited gain before income tax of approximately US\$6,027,000 (equivalent to approximately HK\$47,311,000) (as further illustrated below); (iv) Sinomax East (as tenant) will enter into the New Lease with the Purchaser (as landlord) at the Sale Completion, which the Directors believe that, having made all due assessment and taken together with the Purchase and Sale Agreement as a whole as constituting the Sale and Leaseback, are on terms favourable to the Group (taking into consideration, among other things, the expected significant increase in the Group's general working capital and operating cash flow as a result of the Sale and Leaseback, the prevailing market conditions and the market rental price of comparable properties in the proximity); and (v) Sinomax East has leased the Property for the manufacturing, distribution and warehousing of consumer-related products of the Group since 2015 and will remain as tenant of the Property to continue conducting its business activities at the Property under the New Lease without incurring unnecessary relocation costs or causing any potential interference with the conduct of business activities of the Group in the Property, the Directors consider that the Transaction provides the Group with an opportunity to realise a capital gain of considerable size and enable the Group to better utilise its resources to maximise the interests of the Company and the Shareholders as a whole.

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## **LETTER FROM THE BOARD**

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Accordingly, the Directors (including the independent non-executive Directors) consider that the terms of the Agreements and the Transaction are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

As none of the Directors has any material interest in the Agreements and the Transaction, none of them has abstained from voting on the Board resolution(s) which approved the Agreements and the Transaction.

### **POSSIBLE FINANCIAL EFFECTS OF THE TRANSACTION**

Based on the unaudited pro forma statement of financial position of the Group as set out in Appendix II to this circular, it is expected that upon completion of the Acquisition and the Sale and Leaseback, there will be an increase in net assets of approximately HK\$37,775,000.

As a result of the Sale, the Group is expected to record an unaudited gain before income tax of approximately US\$6,027,000 (equivalent to approximately HK\$47,311,000), which is mainly calculated on the basis of the Sale Consideration less (i) the Acquisition Consideration; and (ii) the adjusted carrying value of the right-of-use asset arising from the sale and leaseback arrangement under the measurement requirements of HKFRS 16 Leases of approximately US\$10,739,000 (equivalent to approximately HK\$84,300,000) at the Sale Completion, after taking into account the transaction fees and other incidental costs attributable to the Transaction.

Save as disclosed herein, the Transaction will not have any material impact on the unaudited gain before income tax and net assets of the Group.

### **USE OF PROCEEDS**

The Company intends to apply the net proceeds from the Sale, after funding the Acquisition, as general working capital of the Group.

### **INFORMATION OF 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. The Group's health and household products are mainly represented by quality visco-elastic pillows, mattress toppers and mattresses.



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## LETTER FROM THE BOARD

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### INFORMATION OF SINOMAX EAST

Sinomax East is a company incorporated in the State of Delaware in the U.S. and is principally engaged in the business of manufacture of health and household products. Sinomax East is an indirect wholly-owned subsidiary of the Company.

### INFORMATION OF 800 BROADWAY

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, 800 Broadway is a general partnership incorporated in the State of Ohio in the U.S. principally engaged in the business of real estate investment and is beneficially owned as to (i) 50% by JABS, LLC, a limited liability company incorporated in the State of Ohio in the U.S., which is in turn legally and beneficially owned by Mr. Michael Mayerson, Mr. Richard Mayerson, and Mr. Marc Mayerson; (ii) 25% by Ms. Brenda Rinzler; and (iii) 25% by The Allan Rinzler Trust B, of which Ms. Brenda Rinzler is a trustee and the current beneficiary. The Directors confirm that, to their best knowledge, information and belief, each of 800 Broadway and its ultimate beneficial owners is an Independent Third Party.

### INFORMATION OF THE PURCHASER

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser is a Delaware limited liability company and principally engaged in the business of real estate investment, and is beneficially owned by WPT Industrial Real Estate Investment Trust ("**WPT Industrial REIT**"), which is an unincorporated, open-ended real estate investment trust established under the laws of the Province of Ontario, Canada. The Directors confirm that, to their best knowledge, information and belief, each of the Purchaser and WPT Industrial REIT is an Independent Third Party.

### IMPLICATION UNDER THE LISTING RULES

Since the underlying subject of the Agreements is the Property, the Transaction is regarded as one transaction involving both the Acquisition and the Sale and Leaseback. Pursuant to Rule 14.24 of the Listing Rules, the Stock Exchange will apply the percentage ratios (as defined under the Listing Rules) to both the Acquisition and the Sale and Leaseback and the Transaction will be classified by reference to the larger of the Acquisition or the Sale and Leaseback. As (i) one or more of the applicable percentage ratios in respect of the Acquisition are more than 25% but less than 100%; and (ii) one or more of the applicable percentage ratios in respect of the Sale and Leaseback are more than 25% but less than 75%, the Transaction constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

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## LETTER FROM THE BOARD

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To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, none of the Shareholders and their respective associates had any material interest in the Agreements and the Transaction. As such, no Shareholder would be required to abstain from voting on the resolution in respect of the Agreements and the Transaction if the Company were to convene a general meeting for the approval of the Agreements and the Transaction. As at the Latest Practicable Date, Sinomax Enterprises was the controlling Shareholder of the Company and beneficially held 1,275,906,000 Shares, representing approximately 72.91% of the entire issued share capital of the Company. Written approval of the Agreements and the Transaction has been obtained from Sinomax Enterprises. Pursuant to Rule 14.44 of the Listing Rules, such written approval may be accepted in lieu of holding a general meeting of the Company, and accordingly, no general meeting of the Company will be convened for the purpose of approving the Agreements and the Transaction.

### RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the view that the terms of the Agreements and the Transaction have been negotiated on an arm's length basis, are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors would recommend the Shareholders to vote in favour of the resolution for approving the Agreements and the Transaction if a general meeting of the Company is required to be held to consider and approve the Agreements and the Transaction.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
For and on behalf of the Board  
**Sinomax Group Limited**  
**Lam Chi Fan**  
*Chairman*

**1. FINANCIAL INFORMATION OF THE GROUP**

Financial information of the Group for each of the three years ended 31 December 2016, 2017 and 2018 are enclosed in the annual reports of the Company for the years ended 31 December 2016, 2017 and 2018 respectively, which are published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) on 27 April 2017, 27 April 2018 and 26 April 2019, respectively.

Financial information of the Group for the six months ended 30 June 2019 is enclosed in the interim report of the Company for the period ended 30 June 2019, which is published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) on 16 September 2019.

**2. STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES OF THE GROUP**

At the close of business on 31 July 2019, being the latest practicable date for the purpose of this indebtedness statement, the Group had indebtedness of approximately HK\$1,155 million, including outstanding unsecured bank borrowings of approximately HK\$784 million and undiscounted lease obligations of approximately HK\$371 million.

**Unsecured bank borrowings**

At 31 July 2019, certain unsecured bank borrowings of the Group amounting to approximately HK\$756 million are guaranteed in combination by entities within the Group and non-controlling shareholders of subsidiaries. The remaining unsecured bank borrowings amounting to approximately HK\$28 million are not guaranteed.

**Undiscounted lease obligations**

The Group has adopted Hong Kong Financial Reporting Standards 16 “Leases” for accounting period beginning on or after 1 January 2019 using the simplified transition approach without restating the comparative amounts for the year prior to first adoption. As such, leases have been recognised in the form of an asset (for the right-of-use) and a financial liability (for the payment obligation) in the Group’s consolidated statements of financial position for accounting period beginning on or after 1 January 2019.

As at 31 July 2019, certain undiscounted lease obligations of the Group amounting to approximately HK\$339 million are secured by the rental deposits and the remaining undiscounted lease obligations amounting to approximately HK\$32 million are unsecured. All undiscounted lease obligations are unguaranteed.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 31 July 2019, the Group did not have any debt securities authorised or created but unissued, or any term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, loans, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages or charges, material contingent liabilities or guarantees outstanding.

To the best of the knowledge of the Directors, having made all reasonable enquiries, there has been no material change in the level of indebtedness of the Group since 31 July 2019.

### **3. WORKING CAPITAL STATEMENT**

After taking into account the Group's internal resources, the estimated net proceeds from the Acquisition and the Sale and Leaseback of the Property and the presently available banking facilities and in the absence of unforeseen circumstances, the Directors are satisfied that, the working capital available to the Group is sufficient for the Group's requirements for at least 12 months from the date of this circular.

### **4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

The Group is principally engaged in the business of manufacture and sale of health and household products and polyurethane foam primarily for customers located in the PRC, Hong Kong and Macau (the "**China Market**") and the U.S., Canada and other North American countries (the "**North American Market**").

In 2019, there is a general slowdown in the economy around the world. For the six months ended 30 June 2019, the Group's sales in the China Market decreased by approximately 24.87% as compared to the six months ended 30 June 2018, whilst the Group's sales in the North American Market decreased by approximately 31.55% as compared to the six months ended 30 June 2018. The Board expects that the operating environment for the Group's business in the U.S. will continue to be uncertain primarily due to, among other things, the U.S.-China and the U.S.-Canada trade wars and the antidumping investigation which has been initiated in the mattress industry in the U.S. for mattresses imported from China.

With a view to expanding its global customer network and diversifying its customer base, the Group has set up production facilities in Vietnam in 2019 to provide polyurethane foam to customers located in Southeast Asia and to produce end consumer health products. Trial production has started in the production facilities in Vietnam in the second quarter of 2019. The Board anticipates that the production facilities in Vietnam, in addition to the Group's existing factories located in the PRC and the U.S., would enhance the Group's flexibility in its production and logistic schedule to minimise overall costs (including production, tariff and transportation).

In addition, the Group has been exploring investment opportunities from time to time with an aim to enhance the interests of the Company and the Shareholders as a whole. Having taken into account the reasons for the Transaction as stated above, the Board considers that it is in the interests of the Company and the Shareholders as a whole to enter into the Agreements and the Transaction. The Directors (including the independent non-executive Directors) expect that the Transaction will allow the Group to utilise its resources to realise a capital gain of considerable size and will not have any material impact on the business and operations of the Group.

#### **5. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up.

**INTRODUCTION**

The following is an illustrative unaudited pro forma statement of assets and liabilities (the “Unaudited Pro Forma Financial Information”) of Sinomax Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 30 June 2019 in connection with the proposed acquisition and sale and leaseback of the property located at 1740 JP Hennessy Drive, LaVergne, TN 37086, the United States of America (the “Property”) (the “Transactions”). The Unaudited Pro Forma Financial Information presented below is prepared to illustrate effects of the Transactions on the assets and liabilities of the Group as if the Transactions had been completed on 30 June 2019.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2019 extracted from the Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2019 included in the published interim report for the six months ended 30 June 2019, after making pro forma adjustments relating to the Transactions that are directly attributable to the Transactions and not relating to future events or decisions; and factually supportable.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties and currently available information. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Group that would have been attained had the Transactions been completed on 30 June 2019 nor purport to predict the Group’s future financial position. The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published interim report of the Group for the six months ended 30 June 2019, and other financial information included elsewhere in the circular.

**APPENDIX II**
**UNAUDITED PRO FORMA  
FINANCIAL INFORMATION OF THE GROUP**
**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF ASSETS  
AND LIABILITIES OF THE GROUP**

	As at	Pro forma adjustments			Pro forma
	30 June 2019 (Unaudited) HK\$'000 (Note 1)	HK\$'000 (Note 3)	HK\$'000 (Note 4)	HK\$'000 (Note 5)	statement of assets and liabilities of the Group after the Transactions (Unaudited) HK\$'000
<b>Non-current assets</b>					
Property, plant and equipment	679,610	164,010	(164,010)	–	679,610
Right-of-use assets	390,428	(161,800)	84,300	–	312,928
Investment properties	88,179	–	–	–	88,179
Deposits paid for acquisition of property, plant and equipment	16,465	–	–	–	16,465
Goodwill	61,388	–	–	–	61,388
Intangible assets	117,003	–	–	–	117,003
Rental deposits	21,278	–	–	–	21,278
Deferred tax assets	27,423	(318)	(7,682)	–	19,423
	<u>1,401,774</u>	<u>1,892</u>	<u>(87,392)</u>	<u>–</u>	<u>1,316,274</u>
<b>Current assets</b>					
Inventories	600,594	–	–	–	600,594
Trade and other receivables	559,893	–	–	–	559,893
Bills receivables	76,056	–	–	–	76,056
Trade receivables at fair value through other comprehensive income	70,437	–	–	–	70,437
Fixed bank deposits	25,300	–	–	–	25,300
Bank balances and cash	297,847	(164,010)	258,079	(1,536)	390,380
	<u>1,630,127</u>	<u>(164,010)</u>	<u>258,079</u>	<u>(1,536)</u>	<u>1,722,660</u>
<b>Current liabilities</b>					
Trade and other payables	517,226	–	–	–	517,226
Bills payables	37,331	–	–	–	37,331
Contract liabilities	692	–	–	–	692
Lease liabilities	220,088	(163,315)	6,629	–	63,402
Unsecured bank borrowings	560,966	–	–	–	560,966
Taxation payable	5,829	–	–	–	5,829
	<u>1,342,132</u>	<u>(163,315)</u>	<u>6,629</u>	<u>–</u>	<u>1,185,446</u>
<b>Net current assets</b>	<u>287,995</u>	<u>(695)</u>	<u>251,450</u>	<u>(1,536)</u>	<u>537,214</u>
<b>Total assets less current liabilities</b>	<u>1,689,769</u>	<u>1,197</u>	<u>164,058</u>	<u>(1,536)</u>	<u>1,853,488</u>
<b>Non-current liabilities</b>					
Lease liabilities	123,959	–	125,944	–	249,903
Unsecured bank borrowings	225,315	–	–	–	225,315
Deferred tax liabilities	106,004	–	–	–	106,004
	<u>455,278</u>	<u>–</u>	<u>125,944</u>	<u>–</u>	<u>581,222</u>
<b>Net assets</b>	<u>1,234,491</u>	<u>1,197</u>	<u>38,114</u>	<u>(1,536)</u>	<u>1,272,266</u>

*Notes:*

1. The assets and liabilities are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2019 as set out in the published interim report of the Company for the six months ended 30 June 2019.
2. The Group adopted US\$1 to HK\$7.85 for illustration in unaudited pro forma financial information. No representation is made that any amount in US\$ could be or could have been converted to HK\$ at the relevant date at that rate or at all.
3. The adjustments are to reflect the Acquisition which included (i) the settlement of purchase consideration, equivalents to the outstanding lease liabilities as of the date of completion of the Acquisition, of approximately US\$20,804,000 (equivalent to HK\$163,315,000), (ii) the settlement of other direct attributable costs of the Acquisition of approximately HK\$695,000 and (iii) the derecognition of right-of-use assets in relation to the Existing Lease Agreement of the Property as of the date of completion of the Acquisition of approximately HK\$161,800,000. A gain on derecognition of right-of-use assets of approximately HK\$1,515,000 is subject to the United States of America Corporate Tax while such tax exposures have been netted off with recognised deferred tax asset of approximately HK\$318,000.

The Property will be classified as property, plant and equipment as the Group intends to hold for use in the production or supply of goods or for administrative purposes. The property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

4. The adjustments are to reflect the Sale and Leaseback arrangement which included (i) the receipt of sales consideration of approximately US\$33,000,000 (equivalent to HK\$259,050,000), (ii) the settlement of other direct attributable costs of the Sale and Leaseback arrangement of approximately HK\$971,000 and (iii) the recognition of right-of-use assets and lease liabilities in relation to the New Lease of the Property as of the date of completion of the Sale and Leaseback arrangement of approximately HK\$84,300,000 and HK\$132,573,000, respectively. A gain on disposal of property, plant and equipment of approximately HK\$45,796,000 is subject to the United States of America Corporate Tax while such tax exposures have been partially netted off with recognised deferred tax asset of approximately HK\$7,682,000 and the remaining tax exposures are absorbed by the unrecognised tax losses held by the Group.
5. The adjustment represents payment of other transaction costs of the Acquisition and Sale and Leaseback arrangement estimated by the Directors of approximately HK\$1,536,000.
6. No other adjustments have been made to the Unaudited Pro Forma Financial Information of the Group to reflect any trading results or other transactions of the Group subsequent to 30 June 2019.



*The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.*

**Deloitte.****德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Sinomax Group Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Sinomax Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 June 2019 and related notes as set out on pages II-1 to II-3 of the circular issued by the Company dated 25 September 2019 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on II-1 to II-3 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition and sale and leaseback of the property located at 1740 JP Hennessy Drive, LaVergne, TN 37086, the United States of America (the "Transactions") on the Group's financial position as at 30 June 2019 as if the Transactions had taken place at 30 June 2019. As part of this process, information about the Group's assets and liabilities has been extracted by the Directors from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2019, on which a review report has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Deloitte Touche Tohmatsu***Certified Public Accountants*

Hong Kong

25 September 2019

*The following is the text of a letter and valuation report, prepared for the purpose of incorporation in this circular received from Cushman & Wakefield Limited, an independent valuer, in connection with its valuation of the Property as at 20 August 2019.*



16/F Jardine House  
1 Connaught Place  
Central  
Hong Kong

25 September 2019

The Board of Directors  
**Sinomax Group Limited**  
Units 2005-2007, Level 20, Tower 1  
MegaBox Enterprise Square Five  
No. 38 Wang Chiu Road  
Kowloon Bay  
Kowloon  
Hong Kong

Dear Sirs,

#### **Instructions, Purpose and Valuation Date**

In accordance with the instructions for us to carry out valuation of the market value of the property to be acquired by the Company and/or its subsidiaries (collectively the “Group”) situated in the United States of America (“USA”). We confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of the market value in its existing state of the property as at 20 August 2019 (the “Valuation Date”).

#### **Definition of Market Value**

Our valuation of the property represents its market value which in accordance with HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors (“HKIS”) is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Our valuation of the property is on an entirety interest basis.

**Valuation Basis and Assumption**

Our valuation of the property excludes any estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

No allowance has been made in our valuations for any charges, pledges or amounts owing on the property nor any expenses or taxation that may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of any onerous nature that could affect its value.

We have not carried out detailed site measurements to verify the correctness of the site area in respect of the property but have assumed that the site area shown on the documents and/or official plans handed to us by the Group are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

**Method of Valuation**

We have used Income Capitalisation Method by capitalising the net income at appropriate capitalisation rates. We have made reference to lettings of relevant comparable rental evidence of properties of similar use type subject to appropriate adjustments. The capitalisation rates adopted in our valuations are based on our analyses of the yields of properties of similar use type after due adjustments. Such capitalisation rates are estimated by reference to the yields generally expected by the market for comparable properties of similar use type. The capitalisation rates adopted are in line with the market norm.

In valuing the property, we have complied with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and HKIS Valuation Standards 2017.

**Source of Information**

We have relied to a very considerable extent on the information given by the Company. We have accepted advice given to us on such matters as, tenure, identification of Property, completion date of building, particulars of occupancy, lease agreement, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in this valuation report are based on the information provided to us and are therefore only approximations. We have no reason to doubt the truth and accuracy of the information provided to us by the Company, which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

**Title Investigation**

We have investigated the title of the property through the public records. However, we have not searched the original documents to verify ownership or to ascertain any amendments which may not appear on the copies handed to us.

**Site Inspection**

We have inspected the exterior and, whenever possible, the interior of the property on 20 August 2019. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No test was carried out to any of the services. Moreover, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period.

Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the property. We have assumed that the areas shown on the copies of documents handed to us are correct.

**Independence**

Cushman & Wakefield Limited and the undersigned have not provided valuation of the property in the last 12 months.

We hereby confirm that Cushman & Wakefield Limited and the undersigned have no pecuniary or other interests that could conflict with the proper valuation of the property or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion.

**Intended Use and User of Report**

The intended use of the valuation report is for public disclosure purpose only, including for insertion of the same in the circular of the Company in relation to the property, and for public inspection pursuant to the Listing Rules.

**Currency**

Our valuation of the property in USA will be in United State dollars.

We attach herewith the valuation report.

Yours faithfully,

For and on behalf of

**Cushman & Wakefield Limited**

**Philip C Y Tsang**

Registered Professional Surveyor (General Practice)

Registered China Real Estate Appraiser

MSc, MHKIS

*Director*

*Note:* Philip C Y Tsang is a Registered Professional Surveyor who has over 29 years' experience in the valuation of properties, including in Hong Kong, the PRC and overseas.

VALUATION REPORT

Property to be acquired by the Company

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 20 August 2019
Sinomax Assembly and Distribution Center 1740 JP Hennessey Drive, Nashville, TN 37086	The subject property is a single-tenant, mega distribution facility with 505,000 square feet located on a 42.43-acre industrial site (1,848,251 square feet) located along at the north terminus of JP Hennessey Drive and north of the intersection of Bridgestone Parkway.  The property was built in 1991 and was renovated in 2015 when Sinomax occupied the building.  The owner of the property is a fee simple owner.	Please refer to Note 5 below.	USD33,000,000  (UNITED STATE DOLLARS THIRTY THREE MILLION)

Notes:

- (1) The valuation of the property was prepared by Mr. Jamie Justus and Mr. Nick Yeung MRICS under the supervision of Mr. Philip Tsang MHKIS.
- (2) The property was inspected by Mr. Jamie Justus on 20 August 2019. Mr. Jamie Justus is a Certified General Real Estate Appraiser in Kentucky – 5260, Mississippi – GA-1182, and Tennessee – 2474, with 19 years’ experience in property appraisal.
- (3) The registered owner of the property is 800 Broadway, GP.
- (4) The annual market rent in the vicinity ranges from USD3.45 to USD3.95 per square foot.
- (5) On 30 August 2019, Sinomax East, Inc (as vendor), the Purchaser\* (as purchaser) and the Company (as guarantor) entered into the Purchase and Sale Agreement\*\*, pursuant to which (i) Sinomax East, Inc. agreed to sell and the Purchaser agreed to acquire the Property at the Sale Consideration of US\$33,000,000 (equivalent to approximately HK\$295,050,000), subject to the Acquisition Completion\*\*\* and the terms and conditions therein; and (ii) at the Sale Completion, Sinomax East (as tenant) and the Purchaser (as landlord) shall executed the New Lease to lease the Property for a term of ten (10) years commencing on the Completion Date.
  - \* As advised by the Company, the Purchaser is defined as the purchaser under the Purchase and Sale Agreement, a Delaware limited liability company and an Independent Third Party.
  - \*\* As advised by the Company, the Purchase and Sale Agreement is defined as the purchase and sale agreement entered into between Sinomax East, Inc. (as vendor) and the Purchaser (as purchaser) on 30 August 2019 in relation to the Sale and Leaseback.
  - \*\*\* As advised by the Company, the Acquisition Completion is defined as the completion of the acquisition of the Property by Sinomax East, Inc. (as purchaser) from 800 Broadway (as vendor).
- (6) The zoning of the property is Industrial Restrictive according to Metropolitan Nashville and Davidson County Planning Commission.



## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respect and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### **Interest of Directors and chief executives of the Company**

As at the Latest Practicable Date, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### ***Long positions in the shares of the Company***

Name of Director	Capacity and nature of interest	Number of Shares held	Approximate percentage of issued share capital of the Company <sup>(1)</sup>
Mr. Lam Chi Fan	Founder of a discretionary trust	1,275,906,000 <sup>(2)</sup>	72.91%
	Beneficial owner	1,500,000 <sup>(3)</sup>	0.09%
Mr. Cheung Tung	Beneficial owner	1,500,000 <sup>(3)</sup>	0.09%
Mr. Chen Feng	Beneficial owner	1,000,000 <sup>(3)</sup>	0.06%
Ms. Lam Fei Man	Beneficial owner	1,000,000 <sup>(3)</sup>	0.06%

Name of Director	Capacity and nature of interest	Number of Shares held	Approximate percentage of issued share capital of the Company <sup>(1)</sup>
Mr. Lam Kam Cheung	Beneficial owner	1,000,000 <sup>(3)</sup>	0.06%
Mr. Wong Chi Keung	Beneficial owner	300,000 <sup>(3)</sup>	0.02%
Professor Lam Sing Kwong, Simon	Beneficial owner	300,000 <sup>(3)</sup>	0.02%
Mr. Fan Chun Wah, Andrew, J.P	Beneficial owner	300,000 <sup>(3)</sup>	0.02%
Mr. Zhang Hwo Jie	Beneficial owner	300,000 <sup>(3)</sup>	0.02%
Mr. Wu Tak Lung	Beneficial owner	300,000 <sup>(3)</sup>	0.02%

*Notes:*

- (1) The percentage is compiled based on the total number of 1,750,002,000 shares of the Company in issue as at the Latest Practicable Date.
- (2) These Shares are held by Sinomax Enterprises. Sinomax Enterprises is legally and beneficially owned as to 37.5% by Chi Fan Holding Limited, which is owed as to 100% by The Frankie Trust. The Frankie Trust is a discretionary family trust established by Mr. Lam Chi Fan as settlor and Vistra Trust (BVI) Limited acting as the trustee. The beneficiaries of The Frankie Trust are Mr. Lam Chi Fan and his family members.
- (3) None of the share options granted to each of Mr. Lam Chi Fan, Mr. Cheung Tung, Mr. Chen Feng, Ms. Lam Fei Man and Mr. Lam Kam Cheung, each being an executive Director, under the Pre-IPO Share Option Scheme Option which remained outstanding immediately before the lapse of the Pre-IPO Share Option Scheme on 10 July 2019 had been exercised. Each of Mr. Lam Chi Fan, Mr. Cheung Tung, Mr. Chen Feng, Ms. Lam Fei Man and Mr. Lam Kam Cheung, each being the executive Director, has been granted share options to subscribe for 1,500,000, 1,500,000, 1,000,000, 1,000,000 and 1,000,000 Shares, respectively, under the Post-IPO Share Option Scheme, all of which are still outstanding. Each of Mr. Wong Chi Keung, Professor Lam Sing Kwong Simon, Mr. Fan Chun Wah Andrew, Mr. Zhang Hwo Jie and Mr. Wu Tak Lung, each being an independent non-executive Director, has been granted share options to subscribe for 300,000 Shares respectively, under the Post-IPO Share Option Scheme.

*Long positions in the shares of an associated corporation – Sinomax Enterprises*

<b>Name of Director</b>	<b>Capacity and nature of interest</b>	<b>Number of shares held</b>	<b>Approximate percentage of issued share capital of the Sinomax Enterprises <sup>(Note)</sup></b>
Mr. Lam Chi Fan	Beneficiary of The Frankie Trust	15	37.5%
Mr. Cheung Tung	Beneficiary of The Cheung's Family Trust	5	12.5%
Mr. Chen Feng	Beneficiary of The Feng Chen's Family Trust	5	12.5%

*Note:* The above percentage is compiled based on the total number of 40 shares of Sinomax Enterprises in issue as at the Latest Practicable Date, and the remaining 15 shares of Sinomax Enterprises in issue are owned by The James' Family Holding Limited, which is owed as to 100% by The James' Family Trust. The James' Family Trust is a discretionary family trust established by Ms. Cheung Shui Ying (the mother of Mr. Cheung Tung) as settlor and Vistra Trust (BVI) Limited acting as the trustee. The beneficiaries of The James' Family Trust are Ms. Cheung Shui Ying and her family members.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

**Interest of substantial Shareholders**

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO) or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying voting rights to vote in all circumstances at general meeting of any members of the Group, or any options in respect of such capital:

***Long positions in the shares of the Company***

<b>Name of substantial Shareholder</b>	<b>Capacity and nature of interest</b>	<b>Number of Shares held</b>	<b>Approximate percentage of issued share capital of the Company <sup>(1)</sup></b>
Sinomax Enterprises <sup>(2)</sup>	Beneficial owner	1,275,906,000	72.91%
Chi Fan Holding Limited	Interest of a controlled corporation	1,275,906,000 <sup>(3)</sup>	72.91%
The James' Family Holding Limited	Interest of a controlled corporation	1,275,906,000 <sup>(4)</sup>	72.91%
Vistra Trust (BVI) Limited <sup>(5)</sup>	Trustee of various trusts	1,275,906,000	72.91%
Ms. Cheung Shui Ying	Founder of a discretionary trust	1,275,906,000 <sup>(6)</sup>	72.91%
Ms. Li Ching Hau	Interest of spouse	1,284,056,000 <sup>(7)</sup>	73.37%

*Notes:*

- (1) The percentage is compiled based on the total number of 1,750,002,000 shares of the Company in issue as at the Latest Practicable Date.
- (2) The issued share capital of Sinomax Enterprises is legally owned as to 37.5%, 12.5%, 37.5% and 12.5% by Chi Fan Holding Limited, Wing Yiu Investments Limited, The James' Family Holding Limited and Venture Win Holdings Limited, respectively, and beneficially owned in the same proportion by The Frankie Trust, The Cheung's Family Trust, The James' Family Trust and The Feng Chen's Family Trust, respectively.
- (3) These Shares are held by Sinomax Enterprises, which is held as to 37.5% by Chi Fan Holding Limited.
- (4) These Shares are held by Sinomax Enterprises, which is held as to 37.5% by The James' Family Holding Limited.
- (5) Vistra Trust (BVI) Limited acts as the trustee of The Frankie Trust, The Cheung's Family Trust, The James' Family Trust and The Feng Chen's Family Trust. The beneficiaries of The Frankie Trust are Mr. Lam Chi Fan and his family members. The beneficiaries of The Cheung's Family Trust are Mr. Cheung Tung and his family members. The beneficiaries of The James' Family Trust are Ms. Cheung Shui Ying and her family members. The beneficiaries of The Feng Chen's Family Trust are Mr. Cheng Feng and his family members.
- (6) These Shares are held by Sinomax Enterprises. Sinomax Enterprises is legally and beneficially owned as to 37.5% by The James' Family Holding Limited, which is owed as to 100% by The James' Family Trust. The James' Family Trust is a discretionary family trust established by Ms. Cheung Shui Ying as settlor and Vistra Trust (BVI) Limited acting as the trustee. The beneficiaries of The James' Family Trust are Ms. Cheung Shui Ying and her family members.
- (7) Ms. Li Ching Hau is the spouse of Mr. Lam Chi Fan, an executive Director and Chairman of the Board, who owns 1,284,056,000 Shares. Pursuant to the SFO, Ms. Li Ching Hau is deemed to be interested in the 1,284,056,000 Shares held by Mr. Lam Chi Fan.

Save as disclosed above, as at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executives of the Company, no person (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO) or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying voting rights to vote in all circumstances at general meeting of any members of the Group, or any options in respect of such capital.

**3. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors has entered or proposed to enter into a service contract with any member of the Group which is not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

**4. COMPETING INTERESTS OF DIRECTORS**

As at the Latest Practicable Date, none of the Directors or their respective associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group or had any other conflict of interests with the Group pursuant to Rule 8.10 of the Listing Rules.

**5. INTEREST IN CONTRACTS AND ASSETS**

As at the Latest Practicable Date, none of the Directors or the chief executives of the Company had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up.

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

**6. LITIGATION**

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

## 7. EXPERTS

The following are the qualification of the experts who have given an opinion or advice contained in this circular:

Name	Qualifications
Deloitte Touche Tohmatsu	Certified Public Accountants
Cushman & Wakefield Limited	Independent qualified valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report or letter or opinion as set out in this circular and references to its name in the form and context in which it appears in this circular.

As at the Latest Practicable Date, each of the experts above did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the experts above did not have any interest, direct or indirect, in any asset which since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 8. MATERIAL CONTRACTS

The following material contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this circular:

- (a) the facility agreement (the “**Facility Agreement**”) dated 13 June 2018 entered into between Sinomax International Trading Limited, a wholly-owned subsidiary of the Company (as borrower), the Company (as guarantor), Hang Seng Bank Limited, OCBC Wing Hang Bank Limited and United Overseas Bank Limited (as lenders and mandated lead arrangers), and Hang Seng Bank Limited (as agent and security trustee), pursuant to which term loan facilities of up to the aggregate principal amount of USD35 million and HK\$273 million with a final maturity date falling thirty-six months after the date of the Facility Agreement, details of which are set out in the Company’s announcement dated 13 June 2018;

- (b) the compensation agreement dated 1 November 2018 and entered into between Modern Time Industrial Limited\* (時代實業有限公司) (“**Modern Time**”), a company incorporated in Hong Kong with limited liability and Shanghai Luen Tai Polyurethane Co. Ltd.\* (上海聯大海綿有限公司) (“**Shanghai Luen Tai**”), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, pursuant to which Modern Time agreed to compensate Shanghai Luen Tai for the costs and loss arising from the demolition of 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 a parcel of land with a total site area of 37,357 sq. m. located in Songjiang District, Shanghai, the PRC and the surrender of the same to the government of Songjiang District, Shanghai, the PRC in the amount of RMB6 million (equivalent to approximately HK\$6.74 million), details of which are set out in the Company’s announcement dated 1 November 2018;
- (c) the lease agreement dated 18 December 2018 and entered into between 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 (as tenant) and 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 (as landlord) in relation to the lease of the 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) for a term of three years commencing from 1 January 2019 to 31 December 2021, details of which are set out in the Company’s announcement dated 18 December 2018;
- (d) the Letter Agreement; and
- (e) the Purchase and Sale Agreement.



**9. GENERAL**

- (a) The company secretary of the Company is Mr. Lam Kam Cheung, a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is situated at P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is located at Units 2005-2007, Level 20 Tower 1, MegaBox Enterprise Square Five, 38 Wang Chiu Road, Kowloon Bay, Hong Kong.
- (c) The principal share registrar and transfer office of the Company is Maples Fund Services (Cayman) Limited at P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman KY1-1102, Cayman Islands.
- (d) The branch share registrar of the Company in Hong Kong is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the principal office of the Company at Units 2005-2007, Level 20 Tower 1, MegaBox Enterprise Square Five, 38 Wang Chiu Road, Kowloon Bay, Hong Kong during normal business hours on any business day, from the date of this circular up to and including the date which is 14 days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the two financial years ended 31 December 2017 and 2018;
- (c) the interim report of the Company for the six months ended 30 June 2019;
- (d) the material contracts as referred to in the section headed “8. MATERIAL CONTRACTS” in this appendix;
- (e) the written consents from Deloitte Touche Tohmatsu and Cushman & Wakefield Limited referred to in the section headed “Experts” in this appendix;
- (f) the unaudited pro forma financial information of the Group issued by Deloitte Touche Tohmatsu as set out in Appendix II to this circular;
- (g) the valuation report and certificate issued by Cushman & Wakefield Limited in respect of the Property as set out in Appendix III to this circular;
- (h) a copy of each circular issued pursuant to the requirements set out in Chapter 14 and/or Chapter 14A of the Listing Rules which has been issued since 31 December 2018 (being the date to which the latest published audited consolidated accounts of the Company have been made up); and
- (i) this circular.