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

**(Stock Code: 1418)**

## **CONNECTED TRANSACTION IN RELATION TO THE SUPPLEMENTAL HAINING LEASE AGREEMENT**

### **THE SUPPLEMENTAL HAINING LEASE AGREEMENT**

On 1 January 2018, Sinomax Kuka (as lessee), an indirect non-wholly-owned subsidiary of the Company, entered into the Existing Haining Lease Agreement with Zhejiang Puruimei (as landlord), pursuant to which Zhejiang Puruimei has agreed to lease to Sinomax Kuka the Existing Premises for a fixed term commencing from 1 January 2018 to 31 December 2020 at a monthly rent (exclusive of management fees and other outgoing charges and expenses) of RMB411,522.80 (equivalent to approximately HK\$452,675.08), subject to an increase at the rate of 5% annually.

Subsequently, on 15 November 2019 (after trading hours), Sinomax Kuka (as lessee) entered into the Supplemental Haining Lease Agreement with Zhejiang Puruimei (as landlord), pursuant to which Zhejiang Puruimei has agreed to lease to Sinomax Kuka: (i) New Premises A for a fixed term commencing from 16 November 2019 to 30 August 2020; and (ii) New Premises B for a fixed term commencing from 16 November 2019 to 31 December 2020, at a monthly rent (exclusive of management fees and other outgoing charges and expenses) of RMB48,302.10 (equivalent to approximately HK\$53,132.31) and RMB149,242.88 (equivalent to approximately HK\$164,167.17), respectively.

## **IMPLICATION UNDER THE LISTING RULES**

As at the date of the Existing Haining Lease Agreement and the date of this announcement, Zhejiang Puruimei is indirectly wholly-owned by Mr. Qian, who is a director of several indirect non-wholly-owned subsidiaries of the Company, namely, Trade Sincere and Sinomax Kuka and a substantial shareholder of Trade Sincere. Zhejiang Puruimei is therefore an associate of Mr. Qian pursuant to Rule 14A.12(1) of the Listing Rules and a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules. Accordingly, each of the Existing Haining Lease Agreement and the Supplemental Haining Lease Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As at the date of the Existing Haining Lease Agreement, given that all applicable percentage ratios (as defined in the Listing Rules) (other than the profits ratio) in respect of the Existing Haining Lease Agreement were less than 1% and the Existing Haining Lease Agreement was a connected transaction only because it involved Mr. Qian, who was a connected person of the Company at the subsidiary level, the Existing Haining Lease Agreement was fully exempt from the disclosure requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1)(b) on a standalone basis.

Pursuant to Rule 14A.81 of the Listing Rules, since the Existing Haining Lease Agreement and the Supplemental Haining Lease Agreement are related in substance and entered into between the same parties, the Existing Haining Lease Agreement and the Supplemental Haining Lease Agreement shall be aggregated as if they were one transaction.

Furthermore, pursuant to HKFRS 16, leases shall be recognised as right-of-use assets in the Group's consolidated statement of financial position for the accounting period on or after 1 January 2019. Accordingly, the entering into of the Existing Haining Lease Agreement and the Supplemental Haining Lease Agreement by the Group shall be regarded as an one-off acquisition of assets of the Group under LR14A.24(1) of the Listing Rules.

Given that the aggregate value of right-of-use assets recognised under the Existing Haining Lease Agreement and the Supplemental Haining Lease Agreement shall be approximately RMB8,106,534 (equivalent to approximately HK\$8,917,187), all applicable percentage ratios (other than the profits ratio) in respect of the Existing Haining Lease Agreement and the Supplemental Haining Lease Agreement when aggregated are more than 1% but less than 5%. As such, the Existing Haining Lease Agreement and the Supplemental Haining Lease Agreement are exempt from the circular (including the independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2)(a) and are only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

## **THE EXISTING HAINING LEASE AGREEMENT**

On 1 January 2018, Sinomax Kuka (as lessee), an indirect non-wholly-owned subsidiary of the Company, entered into the Existing Haining Lease Agreement with Zhejiang Puruimei (as landlord), pursuant to which Zhejiang Puruimei has agreed to lease to Sinomax Kuka the Existing Premises for a fixed term commencing from 1 January 2018 to 31 December 2020 at a monthly rent (exclusive of management fees and other outgoing charges and expenses) of RMB411,522.80 (equivalent to approximately HK\$452,675.08), subject to an increase at the rate of 5% annually.

As at the date of the Existing Haining Lease Agreement, given that all applicable percentage ratios (as defined in the Listing Rules) (other than the profits ratio) in respect of the Existing Haining Lease Agreement are less than 1% and the Existing Haining Lease Agreement is a connected transaction only because it involves Mr. Qian, who is a connected person of the Company at the subsidiary level, the Existing Haining Lease Agreement is fully exempt from the disclosure requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1)(b) on a standalone basis.

## **THE SUPPLEMENTAL HAINING LEASE AGREEMENT**

On 15 November 2019 (after trading hours), Sinomax Kuka (as lessee) entered into the Supplemental Haining Lease Agreement with Zhejiang Puruimei (as landlord), pursuant to which Zhejiang Puruimei has agreed to lease to Sinomax Kuka: (i) New Premises A for a fixed term commencing from 16 November 2019 to 30 August 2020; and (ii) New Premises B for a fixed term commencing from 16 November 2019 to 31 December 2020, at a monthly rent (exclusive of management fees and other outgoing charges and expenses) of RMB48,302.10 (equivalent to approximately HK\$53,132.31) and RMB149,242.88 (equivalent to approximately HK\$164,167.17), respectively.

## **THE SUPPLEMENTAL HAINING LEASE AGREEMENT**

The principal terms of the Supplemental Haining Lease Agreement are summarised below:–

- Date : 15 November 2019 (after trading hours)
- Parties : (i) Sinomax Kuka, as lessee; and  
(ii) Zhejiang Puruimei, as landlord
- Premises : (i) New Premises A, being the second floor of a certain building situated on the Land with an aggregate area of approximately 2,706 sq.m.; and  
(ii) New Premises B, being certain buildings situated on the Land with an aggregate area of approximately 6,469 sq.m.
- Term : (i) In respect of New Premises A, for a fixed term commencing from 16 November 2019 to 30 August 2020; and  
(ii) In respect of New Premises B, for a fixed term commencing from 16 November 2019 to 31 December 2020

- Uses : For warehouses, dormitory and office uses
- Monthly rent : (i) In respect of New Premises A, a monthly rent (exclusive of management fees and other outgoing charges and expenses) of RMB48,302.10 (equivalent to approximately HK\$53,132.31); and
- (ii) In respect of New Premises B, a monthly rent (exclusive of management fees and other outgoing charges and expenses) of RMB149,242.88 (equivalent to approximately HK\$164,167.17)
- Payment terms : The rent shall be paid on an annual basis, in each case two (2) months in advance.
- Management fee : A monthly management fee of RMB1.05 (equivalent to HK\$1.16) per square metre shall be payable.
- Renewal : Sinomax Kuka shall have a right to renew the lease in respect of the New Premises for a new term of not exceeding three (3) years upon the expiry of the Terms by giving Zhejiang Puruimei six (6) months' prior notice in writing.

If Zhejiang Puruimei proposes to lease the New Premises to a third party, Sinomax Kuka shall have a pre-emptive right to rent the New Premises on the same terms and conditions as offered by or to be offered to that third party.

The terms of the Supplemental Haining Lease Agreement was determined after arm's length negotiations between the parties thereto. The monthly rent payable by Sinomax Kuka under the Supplemental Haining Lease Agreement was determined with reference to, among other things, (i) the monthly rent payable by Sinomax Kuka in respect of the Existing Premises under the Existing Haining Lease Agreement; and (ii) the prevailing market rent for comparable properties in the proximity and are expected to be satisfied by the internal resources of the Group in its ordinary and usual course of business.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL HAINING LEASE AGREEMENT**

The Group has leased certain buildings situated on the Land from Zhejiang Puruimei for the purposes of carrying out the manufacturing, warehousing and distribution of foam products of the Group since 2006. With a view to expanding the Group's operation scale in Haining City, Zhejiang Province, the PRC, the Board considers that the Group has the operational need to lease additional premises in the proximity for a larger manufacturing and warehousing area.

Taking into account that, among other things, (i) the entering into of the Supplemental Haining Lease Agreement would enable the Group to facilitate its business expansion and at the same time to continue conducting its current business activities on the Land (including the Existing Premises) without incurring unnecessary relocation expenses or causing disruption to its operations; (ii) the monthly rents payable by Sinomax Kuka under the Supplemental Haining Lease Agreement are in line with the prevailing market rates of comparable properties in the proximity; and (iii) the Group has maintained an amicable business relationship with Zhejiang Puruimei in respect of the lease of properties on the Land for a reasonably long period of time, the Directors (including the independent non-executive Directors) are of the view that the terms of the Supplemental Haining Lease Agreement have been negotiated on an arm's length basis, are on normal commercial terms which are fair and reasonable and in the ordinary and usual course of business of the Group, and therefore in the interests of the Company and the Shareholders as a whole.

As none of the Directors has any material interest in the Supplemental Haining Lease Agreement, no Director was required to abstain from voting on the Board resolutions of the Company approving the Supplemental Haining Lease Agreement.

## **INFORMATION ON ZHEJIANG PURUIMEI**

As at the date of this announcement, Zhejiang Puruimei is indirectly wholly-owned by Mr. Qian, who is a director of several indirect non-wholly-owned subsidiaries of the Company, namely, Trade Sincere and Sinomax Kuka and a substantial shareholder of Trade Sincere. As such, Zhejiang Puruimei is an associate of Mr. Qian pursuant to Rule 14A.12(1) of the Listing Rules and a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules.

## **INFORMATION ON SINOMAX KUKA**

Sinomax Kuka is a company established in the PRC with limited liability and is principally engaged in the manufacturing and sale of foam. Sinomax Kuka is an indirect non-wholly-owned subsidiary of the Company.

## **INFORMATION ON 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 manufacturing 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.

## **IMPLICATION UNDER THE LISTING RULES**

As at the date of the Existing Haining Lease Agreement and the date of this announcement, Zhejiang Puruimei is indirectly wholly-owned by Mr. Qian, who is a director of several indirect non-wholly-owned subsidiaries of the Company, namely, Trade Sincere and Sinomax Kuka and a substantial shareholder of Trade Sincere. Zhejiang Puruimei is therefore an associate of Mr. Qian pursuant to Rule 14A.12(1) of the Listing Rules and a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules. Accordingly, each of the Existing Haining Lease Agreement and the Supplemental Haining Lease Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As at the date of the Existing Haining Lease Agreement, given that all applicable percentage ratios (as defined in the Listing Rules) (other than the profits ratio) in respect of the Existing Haining Lease Agreement were less than 1% and the Existing Haining Lease Agreement was a connected transaction only because it involved Mr. Qian, who was a connected person of the Company at the subsidiary level, the Existing Haining Lease Agreement was fully exempt from the disclosure requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1)(b) on a standalone basis.

Pursuant to Rule 14A.81 of the Listing Rules, since the Existing Haining Lease Agreement and the Supplemental Haining Lease Agreement are related in substance and entered into between the same parties, the Existing Haining Lease Agreement and the Supplemental Haining Lease Agreement shall be aggregated as if they were one transaction.

Furthermore, pursuant to HKFRS 16, leases shall be recognised as right-of-use assets in the Group's consolidated statement of financial position for the accounting period on or after 1 January 2019. Accordingly, the entering into of the Existing Haining Lease Agreement and the Supplemental Haining Lease Agreement by the Group shall be regarded as an one-off acquisition of assets of the Group under LR14A.24(1) of the Listing Rules.

Given that the aggregate value of right-of-use assets recognised under the Existing Haining Lease Agreement and the Supplemental Haining Lease Agreement shall be approximately RMB8,106,534 (equivalent to approximately HK\$8,917,187), all applicable percentage ratios (other than the profits ratio) in respect of the Existing Haining Lease Agreement and the Supplemental Haining Lease Agreement when aggregated are more than 1% but less than 5%. As such, the Existing Haining Lease Agreement and Supplemental Haining Lease Agreement are exempt from the circular (including the independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2)(a) and are only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.



## DEFINITIONS

Unless the context otherwise requires, the following terms shall have the following meanings in this announcement:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“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)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Haining Lease Agreement”	the lease agreement dated 1 January 2018 and entered into between Sinomax Kuka (as lessee) and Zhejiang Puruimei (as landlord) in relation to, among other things, the lease of the Existing Premises
“Existing Premises”	certain buildings and warehouses situated on the Land with an aggregate area of approximately 18,209 sq.m
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKFRS”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants from time to time

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land”	the parcel of land situated at No. 99, Qi Chao Road, Haining Agriculture Foreign Integrated Development Area, Zhejiang, the PRC* (中國浙江省海寧農業對外綜合開發區啟潮路99號)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Qian”	Mr. Qian Hong Xiang, a director of several indirect non-wholly-owned subsidiaries of the Company, namely, Trade Sincere and Sinomax Kuka and a substantial shareholder of Trade Sincere as at the date of this announcement
“New Premises”	means collectively New Premises A and New Premises B
“New Premises A”	the second floor of a certain building situated on the Land with an aggregate area of approximately 2,706 sq.m.
“New Premises B”	certain buildings and warehouses situated on the Land with an aggregate area of approximately 6,469 sq.m.
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“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 Kuka”	Sinomax Kuka (Zhejiang) Foam Co. Limited* (浙江聖諾盟顧家海綿有限公司), a company established in the PRC and an indirect non-wholly-owned subsidiary of the Company, being the lessee under the Existing Haining Lease Agreement and the Supplemental Haining Lease Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Haining Lease Agreement”	the supplemental lease agreement dated 15 November 2019 and entered into between Sinomax Kuka (as lessee) and Zhejiang Puruimei (as landlord) in relation to, among other things, the lease of the New Premises
“Term(s)”	has the meaning given to it in the sub-section headed “Term” under the section headed “THE SUPPLEMENTAL HAINING LEASE AGREEMENT” in this announcement
“Trade Sincere”	Trade Sincere Limited, a company incorporated in the BVI and is owned as to 85% by Treasure Range and 15% by Mr. Qian
“Treasure Range”	Treasure Range Holdings Limited, a company incorporated under the laws of Hong Kong and a direct wholly-owned subsidiary of the Company
“Zhejiang Puruimei”	Zhejiang Puruimei Industry Co., Ltd.* (浙江普瑞美實業有限公司), a company established in the PRC and is owned as to 100% by Mr. Qian, being the landlord under the Existing Haining Lease Agreement and the Supplemental Haining Lease Agreement

“%” or “per cent.” percentage or per centum

“sq.m.” square metre(s)

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

Hong Kong, 18 November 2019

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

*In this announcement, unless otherwise stated, the conversion of RMB into HK\$ has been made at an exchange rate of RMB1: HK\$1.1. Such conversion should not be construed as a representation that any amount has been, could have been or may be, exchanged at this or any other rate.*

*If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese which are marked with “\*” is for identification purposes only.*