

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**SUPPLEMENTAL AGREEMENT
IN RELATION TO
THE DISPOSAL OF 51% EQUITY INTEREST IN
CHENGDU XINGANG SPONGE CO., LTD.**

Reference is made to the announcement of Sinomax Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 18 November 2019 and the circular (the “**Circular**”) of the Company dated 9 December 2019 in relation to the disposal of 51% equity interest in Chengdu Xingang Sponge Co., Ltd.* (成都新港海綿有限公司) (“**Chengdu Xingang**”) by Sinomax (Zhejiang) Polyurethane Technology Limited* (賽諾(浙江)聚氨基酯新材料有限公司) (“**Sinomax Zhejiang**”) to Mr. Liu Jiaming (“**Mr. Liu**”).

Unless the context otherwise requires, capitalised terms in this announcement shall have the same meanings as defined in the Circular.

BACKGROUND

On 15 November 2019 (after trading hours), Sinomax Zhejiang (as vendor), an indirect wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement with Mr. Liu (as purchaser), in relation to the Disposal of 51% equity interest in Chengdu Xingang at the Consideration of RMB157,000,000 (equivalent to approximately HK\$194,680,000). The Disposal was completed on 12 December 2019 and upon Completion, the Company ceased to own any equity interest in Chengdu Xingang and Mr. Liu ceased to be a connected person of the Company.

Upon Completion on 12 December 2019, Mr. Liu (as pledgor) and Sinomax Zhejiang (as pledgee) entered into the Share Pledge Agreement, pursuant to which 51% equity interest in Chengdu Xingang was pledged by Mr. Liu to Sinomax Zhejiang to secure the payment of the Consideration in full by Mr. Liu.

As at the date of this announcement, RMB100,000,000 (equivalent to approximately HK\$124,000,000) of the Consideration has been settled.

SUPPLEMENTAL AGREEMENT

Pursuant to the terms of the Share Purchase Agreement, the Fourth Payment, being the remaining balance of RMB57,000,000 (equivalent to approximately HK\$70,680,000) would be paid within two (2) years from the Second Payment Due Date, together with the payable interest which would accrue from and including the Second Payment Due Date until and including the date of actual payment of the Fourth Payment at the rate of 3% per annum on the Fourth Payment.

On 11 March 2022 (after trading hours), Sinomax Zhejiang and Mr. Liu entered into a supplemental agreement (the “**Supplemental Agreement**”) to revise the payment arrangement of the Fourth Payment as follows:

- (i) RMB22,000,000 (equivalent to approximately HK\$27,280,000) of the Fourth Payment shall be paid by 15 March 2022;
- (ii) RMB10,000,000 (equivalent to approximately HK\$12,400,000) of the Fourth Payment shall be paid by 15 March 2023; and
- (iii) the remaining balance of RMB25,000,000 (equivalent to approximately HK\$31,000,000) of the Fourth Payment shall be paid by 15 March 2024,

together with the payable interest which shall accrue from and including the Second Payment Due Date until and including the respective dates of actual payments as set out in (i), (ii) and (iii) above respectively at the rate of 3% per annum.

Save for the above, all other terms of the Share Purchase Agreement remain unchanged and in full force and effect. The terms of the Supplemental Agreement were agreed by the parties after arm’s length negotiations.

REASONS FOR AND BENEFITS OF THE EXECUTION OF THE SUPPLEMENTAL AGREEMENT

In view of the COVID-19 outbreak causing severe disruptions to global economies and business activities, the business of Chengdu Xingang was adversely impacted and Mr. Liu has requested for the revision of payment arrangement of the Fourth Payment. Taking into account that (i) it may divert the Group's management time and efforts in managing the Group's business if the Group enforces the share pledge under the Share Pledge Agreement; (ii) the cash inflow to be generated from the interest income of the Fourth Payment, (iii) that the reasons for and benefits of the Disposal of Chengdu Xingang as set out in the Circular still remain, (iv) the revised payment arrangement of the Fourth Payment will not have any material adverse effect on the financial position of the Group and (v) impact on business relationship with Mr. Liu, the Directors considered that the revised payment arrangement of the Fourth Payment is preferable over enforcing the share pledge under the Share Pledge Agreement and the terms of the Supplemental Agreement are fair and reasonable and in the interest of the Company and Shareholders as a whole.

INFORMATION ON MR. LIU

As at the date of this announcement, Mr. Liu, being a director of Chengdu Xingang, legally and beneficially owns 100% equity interest in Chengdu Xingang. Chengdu Xingang is a company established in the PRC with limited liability, principally engaged in the manufacturing and sale of polyurethane foam, sales of decorative materials, sofa materials, cloth materials and mattress materials.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Mr. Liu is a third party independent of the Company and its connected persons.

INFORMATION ON THE GROUP AND SINOMAX ZHEJIANG

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 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.

Sinomax Zhejiang

Sinomax Zhejiang is a company established in the PRC with limited liability and is principally engaged in the manufacturing and sale of polyurethane foam to furniture manufacturers. Sinomax Zhejiang is an indirect wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Supplemental Agreement exceeds 5% but all the percentage ratios are less than 25%, the transaction contemplated under the Supplemental Agreement constitutes a discloseable transaction of the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

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

Hong Kong, 11 March 2022

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. Zhang Hwo Jie and Mr. Wu Tak Lung.

In this announcement, unless otherwise stated, the conversion of RMB into HK\$ has been made at an exchange rate of RMB1: HK\$1.24. 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.