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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)

DISCLOSEABLE TRANSACTION IN RELATION TO FACTORY LEASE CONTRACT

THE FACTORY LEASE CONTRACT

On 17 June 2024 (after trading hours), Sinomax Vietnam HP (as tenant), an indirect wholly-owned subsidiary of the Company, entered into the Factory Lease Contract with Lam Thanh (as landlord), pursuant to which Lam Thanh has agreed to lease to Sinomax Vietnam HP the Premises for a Term of three years commencing on the 1 September 2024, and ending on 31 August 2027. The aggregate monthly rent for the Premises (exclusive of VAT and utilities charges) is approximately US\$90,310.26 (equivalent to approximately HK\$704,420.03) for the first two years of the Term, and US\$99,179.89 (equivalent to approximately HK\$773,603.17) for the third year of the Term.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to HKFRS 16 Leases, 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 Factory Lease Contract by the Group (as tenant) shall be regarded as a one-off acquisition of assets. Given that the value of right-of-use assets recognised by the Group under the Factory Lease Contract shall be approximately US\$3,057,062.80 (equivalent to approximately HK\$23,845,090.00), one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Factory Lease Contract exceed 5% but are less than 25%. Accordingly, the Factory Lease Contract and the transactions contemplated thereunder constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

BACKGROUND

On 17 June 2024 (after trading hours), Sinomax Vietnam HP (as tenant), an indirect wholly-owned subsidiary of the Company, entered into the Factory Lease Contract with Lam Thanh (as landlord), pursuant to which Lam Thanh has agreed to lease to Sinomax Vietnam HP the Premises for a Term of three years commencing on 1 September 2024, and ending on 31 August 2027.

THE FACTORY LEASE CONTRACT

A summary of the principal terms of the Factory Lease Contract is set forth below:

Date : 17 June 2024 (after trading hours)

Parties : (i) Sinomax Vietnam HP, as tenant; and
(ii) Lam Thanh, as landlord.

Premises : The Premises, being the pre-built factory, office, dormitory and other ancillary facilities located on the Site, comprises:

- (i) the factory with an area of 23,349.5 sq.m. (the “**Factory**”);
- (ii) the office and dormitory with an area of 1,654.7 sq.m. (the “**Office and Dormitory**”); and
- (iii) the ancillary facilities with an area of 1,008.70 sq.m. (the “**Ancillary Facilities**”)

(collectively, the “**Premises**”).

Term : Three years from 1 September 2024 to 31 August 2027 (the “**Term**”).

Purpose of renting the Factory : To produce non-polluting industrial products.

Deposit : A deposit (exclusive of VAT) of US\$541,861.56 (equivalent to approximately HK\$4,226,520.17) (the “**Security Deposit**”) shall be payable by Sinomax Vietnam HP to Lam Thanh, representing approximately six months’ rent in respect of the Premises for the first year of the Term.

After the termination of the Factory Lease Contract, Lam Thanh shall return the Security Deposit to Sinomax Vietnam HP after deducting (i) damages incurred (excluding damages arising from ordinary depreciation or caused by force majeure cases), and (ii) expenses incurred to be paid by Sinomax Vietnam HP arising from the use of the Premises such as water and electricity supply, or any rent owed by Sinomax Vietnam HP to Lam Thanh.

Sinomax Vietnam HP shall pay Lam Thanh the Security Deposit within 15 days of the date of the Factory Lease Contract.

Lam Thanh shall return to Sinomax Vietnam HP the Security Deposit without any interest and within ten days from the date of return of the Premises by Sinomax Vietnam HP to Lam Thanh.

Monthly rent : In respect of the Factory, Sinomax Vietnam HP shall pay to Lam Thanh a monthly rent (excluding VAT and utilities charges) as set forth below:

- (i) approximately US\$77,053.35 (equivalent to approximately HK\$601,016.13) for the first two years of the Term; and
- (ii) approximately US\$84,758.69 (equivalent to approximately HK\$661,117.74) for the third year of the Term.

In respect of the Office and Dormitory, Sinomax Vietnam HP shall pay to Lam Thanh a monthly rent (excluding VAT and utilities charges) as set forth below:

- (i) approximately US\$9,928.20 (equivalent to approximately HK\$77,439.96) for the first two years of the Term; and
- (ii) approximately US\$10,921.02 (equivalent to approximately HK\$85,183.96) for the third year of the Term.

In respect of the Ancillary Facilities, Sinomax Vietnam HP shall pay to Lam Thanh a monthly rent (excluding VAT and utilities charges) as set forth below:

- (i) approximately US\$3,328.71 (equivalent to approximately HK\$25,963.94) for the first two years of the Term; and
- (ii) approximately US\$3,500.19 (equivalent to approximately HK\$27,301.48) for the third year of the Term.

Sinomax Vietnam HP shall pay the rent in Vietnamese Dong, the lawful currency of Vietnam, at the selling rate issued by the Bank for Investment and Development of Vietnam – BIDV – Binh Duong Branch at the time of payment.

Payment term : The rent shall be paid on a monthly basis, from the first to the fifth of each month. If Sinomax Vietnam HP is late in payment for more than 30 days, Lam Thanh will have the right to compel Sinomax Vietnam HP to temporarily stop production on the factory area, office and ancillary works until Sinomax Vietnam HP makes full payment.

The rent for the Premises shall be abated from 1 September 2024 through 30 September 2024.

Other charges : Sinomax Vietnam HP is responsible for the payment of the infrastructure management fee.

Sinomax Vietnam HP shall also purchase factory insurance with the beneficiary being Lam Thanh.

The costs of utilities including but not limited to electricity, water, telecommunications, and treatment of domestic waste, domestic water, and industrial waste water for the purpose of using the Premises shall be payable by Sinomax Vietnam HP to the utility supplier.

Other works built by Sinomax Vietnam HP : In case Sinomax Vietnam HP builds other works by itself on the Premises, Lam Thanh will charge from Sinomax Vietnam HP a monthly rent at a rate of US\$1.5 per sq.m. (exclusive of VAT), and when the Factory Lease Contract expires, the works will belong to Lam Thanh, and Sinomax Vietnam HP is not allowed to dismantle the works in any form.

Priority to renewal : Before the expiration of the Term under the Factory Lease Contract, Sinomax Vietnam HP shall have priority in renewal of the Term.

The terms of the Factory Lease Contract were determined after arm's length negotiations between the parties thereto. The Rent payable by Sinomax Vietnam HP under the Factory Lease Contract was determined with reference to, among other things, (i) the location of the Premises; (ii) the prevailing market rent of comparable properties in the proximity of similar use and floor area; and (iii) the general market conditions, and is expected to be satisfied by the internal resources of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FACTORY LEASE CONTRACT

The Group has been leasing premises in the proximity of the Premises for its production facilities in Vietnam, where the Group produces end consumer health and household products. Since 2019, the Group has invested and devoted resources to build factories and ancillary facilities in the proximity of the Site, in Tan Binh Industrial Park, to meet its operational requirement. With a view to expand the Group's business operations in Vietnam, the Board considers that the Group has the operational needs to lease the Premises.

Taking into consideration that, among other things, (i) the entering into of the Factory Lease Contract would enable the Group to facilitate its business activities on the Site which is in the proximity of its other production facilities in Tan Binh Industrial Park; and (ii) the Rent payable by Sinomax Vietnam HP under the Factory Lease Contract is in line with the prevailing market rates of comparable properties in the proximity, the Directors (including the independent non-executive Directors) are of the view that the terms of the Factory Lease Contract 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.

None of the Directors has a material interest in the Factory Lease Contract and the transactions contemplated thereunder and none of them is required to abstain from voting on the resolutions of the Board to approve the Factory Lease Contract and the transactions contemplated thereunder.

INFORMATION ON LAM THANH

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Lam Thanh is a company established under Vietnamese law which is principally engaged in the business of real estate investments. Lam Thanh is ultimately beneficially owned by Duong Tan Thanh.

The Directors confirm that, to the best of their knowledge, information and belief, and having made all reasonable enquiries, Lam Thanh and its ultimate beneficial owners are Independent Third Parties.

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 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 Vietnam HP

Sinomax Vietnam HP is a company established under Vietnamese law and is principally engaging in the manufacturing and sale of health and household products. Sinomax Vietnam HP is an indirect wholly-owned subsidiary of the Company.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to HKFRS 16 Leases, 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 Factory Lease Contract by the Group (as tenant) shall be regarded as a one-off acquisition of assets of the Group. Given that the value of right-of-use assets recognised by the Group under the Factory Lease Contract shall be approximately US\$3,057,062.80 (equivalent to approximately HK\$23,845,090.00), one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Factory Lease Contract exceed 5% but are less than 25%. Accordingly, the Factory Lease Contract and the transactions contemplated thereunder constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Ancillary Facilities”	has the meaning given to it in the section headed “THE FACTORY LEASE CONTRACT” in this announcement
“Board”	the board of Directors
“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
“Factory”	has the meaning given to it in the section headed “THE FACTORY LEASE CONTRACT” in this announcement
“Factory Lease Contract”	the factory lease contract entered into between Lam Thanh as the landlord and Sinomax Vietnam HP as the tenant dated 17 June 2024 in relation to the Premises
“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 People’s Republic of China

“Independent Third Party(ies)”	third parties independent of the Company and connected persons of the Company
“Lam Thanh”	Lam Thanh Wood and Plastic Processing Company Limited, a company established under the laws of Vietnam, being the landlord under the Factory Lease Contract
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Office and Dormitory”	has the meaning given to it in the section headed “THE FACTORY LEASE CONTRACT” in this announcement
“percentage ratios”	has the meaning ascribed to it under the Listing Rules
“Premises”	has the meaning given to it in the section headed “THE FACTORY LEASE CONTRACT” in this announcement
“Rent”	the rent in respect of the Factory as set out in the section headed “THE FACTORY LEASE CONTRACT” in this announcement
“Security Deposit”	has the meaning given to it in the section headed “THE FACTORY LEASE CONTRACT” in this announcement
“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 Vietnam HP”	Sinomax (Vietnam) Household Products Limited, a company established under the laws of Vietnam and an indirect wholly-owned subsidiary of the Company, being the tenant under the Factory Lease Contract

“Site”	the factory at Lots 1G6, 1G7, 1G8 – CN2-CN9 Street, Tan Binh Industrial Park, Tan Binh Commune, Bac Tan Uyen District, Binh Duong Province, Vietnam
“sq.m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Term”	has the meaning given to it in the section headed “THE FACTORY LEASE CONTRACT” in this announcement
“U.S.”	the United States of America
“US\$” or “USD”	U.S. dollar, the lawful currency of the U.S.
“VAT”	value added tax
“%” or “per cent.”	percentage or per centum

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

Hong Kong, 17 June 2024

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, Mr. Zhang Hwo Jie and Dr. Cheung Wah Keung.

In this announcement, unless otherwise stated, the conversion of US\$ into HK\$ has been made at an exchange rate of US\$1: HK\$7.8. 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.