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
SUBSCRIPTION OF SHARES IN THE TARGET COMPANY

THE SUBSCRIPTION

On 14 October 2024 (after trading hours), the Subscriber, a wholly-owned subsidiary of the Company, M Logistical and the Target Company entered into the Subscription Agreement pursuant to which the Target Company agreed to issue and the Subscriber agreed to subscribe for the Subscription Shares at the Consideration of EUR6 million (equivalent to approximately HK$50.99 million). The subscription price for the Subscription Shares is EUR146.67 (equivalent to approximately HK$1,246.48) per Subscription Share. Upon Closing, the Target Company will be owned as to 55% and 45% by M Logistical and the Subscriber, respectively, and the financial results of the Target Group will not be consolidated into the accounts of the Group.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios (as defined under the Listing Rules) in respect of the Subscription exceeds 5% but all of them are less than 25%, the Subscription constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE SUBSCRIPTION

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THE SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are set out below:

Date

14 October 2024 (after trading hours)

Parties

(i) the Subscriber, a wholly-owned subsidiary of the Company;

(ii) M Logistical; and

(iii) the Target Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, (a) the ultimate beneficial owners of the Target Company and M Logistical are Samuel B. Malouf and Kacie Malouf; and (b) each of the Target Company and M Logistical and their ultimate beneficial owner(s) is an Independent Third Party.

Subject Matter

Upon Closing, the Target Company will issue and allot 40,910 Subscription Shares to the Subscriber, representing 45% of the total issued share capital of the Target Company as enlarged by the issue of the Subscription Shares.

Consideration and Payment

The subscription price for the Subscription Shares is EUR146.67 (equivalent to approximately HK$1,246.48) per Subscription Share, amounting to an aggregate Consideration of EUR6 million (equivalent to approximately HK$50.99 million).

At the Closing and subject to the performance of the terms under the Subscription Agreement, the Subscriber shall pay the Consideration by wire transfer to the designated bank account of the Target Company in immediately available funds with same day value.

As at the date of this announcement, the Group intends to finance the Consideration payable under the Subscription Agreement by its internal resources.

Basis of determining the Consideration

The Consideration was determined after arm's length negotiations among the Subscriber, M Logistical and the Target Company with reference to:

(a) the financial position of the Target Group, in particular the audited net asset value of the Target Company in the amount of approximately DKK102.5 million (equivalent to approximately HK$116.73 million) as at 31 December 2023 and the unaudited net asset value of the Target Company based on its management accounts as at 31 August 2024 in the amount of approximately DKK113.2 million (equivalent to approximately HK$128.91 million);

(b) the proposed amount payable by the Target Company to fund part of the consideration under the Potential Acquisition in the amount of approximately EUR6 million (equivalent to approximately HK$50.99 million), and the funding needs of the Target Group in relation thereto;

(c) the prospects and development of existing businesses of the Target Group; and

(d) the reasons and benefits as stated under the section headed "REASONS FOR AND BENEFITS OF THE SUBSCRIPTION" in this announcement.

Use of proceeds

The Consideration shall be applied solely towards the purchase by the Target Company of all the shares in its subsidiaries that it does not own as at the date of this announcement, to the effect that following completion of such acquisition, all subsidiaries of the Target Company will become wholly-owned subsidiaries of the Target Company (the "**Potential Acquisition**"). The Consideration will be used by the Target Company for financing part of the Potential Acquisition, with the remaining portion to be financed by a loan obtained by the Target Company.

Closing

Pursuant to the Subscription Agreement, Closing is expected to take place simultaneously or as soon as practicable (which is expected within two business days) upon signing of the Subscription Agreement and fulfillment of Closing obligations (including the delivery of Closing deliverables by the parties and the payment of the Consideration by the Subscriber).

40,910 Subscription Shares to be subscribed by the Subscriber represent approximately 45% of the enlarged issued share capital of the Target Company. Upon Closing, the Target Company will be owned as to 55% and 45% by M Logistical and the Subscriber, respectively, and the financial results of the Target Group will not be consolidated into the accounts of the Group.

THE SHAREHOLDERS' AGREEMENT

Pursuant to the Subscription Agreement, the Subscriber, M Logistical and the Target Company entered into the Shareholders' Agreement, and the major terms are summarised as below:

Board Composition of the Target Company: The board of directors of the Target Company shall consist of six directors, comprising:

(i) the founder of a subsidiary of the Target Company ("**Target Subsidiary Founder**") and the chief executive officer of the Target Company from time to time shall be appointed as a director; and

(ii) each of M Logistical and the Subscriber shall be entitled to nominate two directors, and the board of directors of the Target Company shall consist of five directors upon cessation of the Target Subsidiary Founder as a director of the Target Company.

Resolutions of the board of directors of the Target Company will be decided by a simple majority of the votes cast, except for certain customary reserved matters set out in the Shareholders' Agreement, which will require the approval of a majority of the directors of the Target Company (which majority shall include at least one director nominated by M Logistical and the Subscriber, respectively).

Board Composition of subsidiaries of the Target Company:	Board composition and resolutions mechanism of the board of directors of the Target Company shall apply *mutatis mutandis* to the board of directors of its subsidiaries.
Development of business opportunities:	The Target Company and M Logistical shall ensure that each Target Group company gives priority to the Subscriber or its affiliates and engage the Subscriber or its affiliates on a first priority basis to manufacture, produce or supply certain products, provided that the terms offered by the Subscriber or its affiliates are the same as or more favourable than those offered by other suppliers, contractors, service providers, agents or otherwise.
Transfer restrictions:	None of the shareholders of the Target Company shall, among others, transfer or dispose directly or indirectly any shares in the Target Company without the prior written consent of (i) M Logistical, if the transferring shareholder is the Subscriber; (ii) the Subscriber, if the transferring shareholder is M Logistical; and (iii) both M Logistical and the Subscriber, if the transferring shareholder is any shareholder other than M Logistical and the Subscriber.

Pre-emptive rights:	Each of M Logistical and the Subscriber shall have a pre-emptive right to purchase a pro-rata portion of the new shares proposed to be issued by the Target Company before it may, from time to time after the Closing, propose to issue to any potential purchaser.
Right of first offer:	If any shareholder proposes to transfer any shares in the Target Company, the transferor shall in writing first offer each of M Logistical and the Subscriber to buy all or part of its shares in the Target Company.
Right of co-sale:	In the event M Logistical and/or the Subscriber fail to exercise their right of first offer above, each of M Logistical and the Subscriber shall have the right to participate in the transferor's transfer of shares in the Target Company on a pro-rata basis.
Put Option:	The Subscriber shall have the right to require the Target Company to repurchase (or as applicable, M Logistical to purchase) any or all of the Subscription Shares in the event that the Potential Acquisition does not complete within three months of the date of the Shareholders' Agreement. The price to be paid by the Target Company to repurchase (or by M Logistical to purchase) such shares shall be equal to a price of EUR146.67 per share plus interest at a simple rate of five percent (5%) per annum calculated from the date of Closing up to the date of repurchase or purchase by the Target Company or M Logistical (as the case may be).

INFORMATION OF M LOGISTICAL

Prior to the Subscription, the Target Company is wholly-owned by M Logistical. M Logistical is a private company with limited liability incorporated under the laws of the Netherlands. Its principal business is financial holding.

INFORMATION OF THE TARGET GROUP

The Target Company is a private limited company incorporated in Denmark, and it currently has three subsidiaries as at the date of this announcement. The principal business of the Target Group is the research and development, design, procurement, trading, quality assurance and control of sleeping products, furniture and home accessories, with areas of focus being Denmark and the European Union. The Target Group also conducts business with some existing customers and explores business opportunities from time to time across the globe. The Target Group is an existing customer of the Group, mainly for sleeping products.

Set out below is the audited consolidated financial information of the Target Company extracted for the years ended 31 December 2022 and 31 December 2023:

	For the year ended 31 December 2022 (Audited) *DKK '000*	**For the year ended 31 December 2023** (Audited) *DKK '000*
Revenue	448,560	631,709
Profit before tax	7,332	12,650
Profit after tax	2,262	5,891

	As at 31 December 2022 (Audited) *DKK '000*	**As at 31 December 2023** (Audited) *DKK '000*
Total assets	187,650	191,482
Total liabilities	78,871	88,962
Net assets	108,779	102,520

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 business of manufacture and sale of health and household products and polyurethane foam. Health and household products mainly include quality visco-elastic pillows, mattress toppers and mattresses.

The Subscriber is a company incorporated under the laws of Hong Kong and a direct wholly-owned subsidiary of the Company. It is principally engaged in investment holding activities.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

As at the date of this announcement, the Target Group is an existing customer of the Group. The Board considers that the Subscription would not only strengthen the established business relationship, but also through equity investment in the Target Company to establish a concrete strategic collaboration. The equity investment in the Target Company is expected to enhance operational synergies and improve service offerings tailored to the Target Group. Furthermore, this alignment provides the Group with a preferential position in terms of new business opportunities from the Target Group, providing potential for an increase in business volume and revenue. The strategic investment is also anticipated to unlock new avenues for innovation, and facilitate the exchange of industry knowledge and insights.

Having taken into account the above reasons and benefits, the Directors (including the non-executive Director and the independent non-executive Directors) consider that the Consideration is fair and reasonable and the Subscription Agreement and the Shareholders' Agreement are on normal commercial terms which are fair and reasonable, and the Subscription and the entering into the Subscription Agreement and the Shareholders' Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios (as defined under the Listing Rules) in respect of the Subscription exceeds 5% but all of them are less than 25%, the Subscription constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings:

"Board"	board of Directors
"Closing"	the closing of the Subscription pursuant to the Subscription Agreement
"Company"	Sinomax Group Limited, a company incorporated under the laws of the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange
"Consideration"	the total consideration of EUR6 million (equivalent to approximately HK$50.99 million) payable by the Subscriber to the Target Company for the Subscription
"Denmark"	the Kingdom of Denmark
"Director(s)"	director(s) of the Company
"DKK"	Danish Krone, the lawful currency of Denmark
"Group"	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Independent Third Party(ies)"	the third party(ies) independent of the Company and its connected persons (as defined in the Listing Rules)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time

“M Logistical”	M Logistical Holdings B.V., a private company with limited liability incorporated under the laws of the Netherlands, having its corporate seat in Amsterdam, the Netherlands
“Potential Acquisition”	has the meaning defined under the section headed “THE SUBSCRIPTION AGREEMENT”
“PRC”	the People’s Republic of China
“Shareholder(s)”	holder(s) of the ordinary share(s) of nominal value of HK$0.10 each in the share capital of the Company
“Shareholders' Agreement”	the shareholders’ agreement dated 14 October 2024 entered into among the Target Company, the Subscriber and M Logistical in respect of the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Treasure Range Holdings Limited, a company incorporated under the laws of Hong Kong and a direct wholly-owned subsidiary of the Company as at the date of this announcement
“Subscription”	the subscription of the Subscription Shares by the Subscriber from the Target Company pursuant to the Subscription Agreement
“Subscription Agreement”	the share subscription agreement dated 14 October 2024 entered into by the Subscriber, M Logistical and the Target Company in respect of the Subscription
“Subscription Shares”	means the 40,910 ordinary share(s) with a nominal value of DKK1 each issued by the Target Company, representing 45% of the total issued share capital of the Target Company upon Closing

"Target Company"	M DK Holdings ApS, a private limited company incorporated in Denmark
"Target Group"	the Target Company and its subsidiaries
"EUR"	euro, the currency of the European Union
"%"	per cent

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

Hong Kong, 14 October 2024

As at the date of this announcement, the non-executive director of the Company is Mr. Lam Chi Fan (Chairman of the Board); the executive Directors of the Company are 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 of the Company are Mr. Wong Chi Keung, Mr. Zhang Hwo Jie and Dr. Cheung Wah Keung.

In this announcement, unless otherwise stated, the conversions of DKK and EUR into HK$ have been made at an exchange rate of DKK1: HK$1.1388 and EUR1: HK$8.4985, respectively. Such conversion should not be construed as a representation that any amount has been, could have been or may be, exchanged at these or any other rate.