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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 AND OFFICE LEASE AGREEMENTS**

### **THE FACTORY AND OFFICE LEASE AGREEMENTS**

On 13 June 2024 (after trading hours), Sinomax Vietnam (as tenant), an indirect wholly-owned subsidiary of the Company, entered into the Factory and Office Lease Agreements with Ha An Phuc (as landlord), pursuant to which Ha An Phuc has agreed to lease to Sinomax Vietnam the Premises for a Term of five years commencing on the Effective Date, being 28 June 2024, and ending on 27 June 2029. The aggregate monthly rent for the Premises (exclusive of VAT, the management fee and utilities charges) is approximately US\$38,628.26 (equivalent to approximately HK\$301,300.42) for the first year of the Term, US\$40,562.44 (equivalent to approximately HK\$316,387.03) for the second year of the Term, US\$42,618.92 (equivalent to approximately HK\$332,427.58) for the third year of the Term, US\$44,803.24 (equivalent to approximately HK\$349,465.27) for the fourth year of the Term and US\$46,998.64 (equivalent to approximately HK\$366,589.39) for the fifth 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 and Office Lease Agreements 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 and Office Lease Agreements shall be approximately US\$2,264,907 (equivalent to approximately HK\$17,666,275), one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Factory and Office Lease Agreements exceed 5% but are less than 25%. Accordingly, the Factory and Office Lease Agreements 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 13 June 2024 (after trading hours), Sinomax Vietnam (as tenant), an indirect wholly-owned subsidiary of the Company, entered into the Factory and Office Lease Agreements with Ha An Phuc (as landlord), pursuant to which Ha An Phuc has agreed to lease to Sinomax Vietnam the Premises for a Term of five years commencing on the Effective Date, being 28 June 2024, and ending on 27 June 2029.

## **THE FACTORY AND OFFICE LEASE AGREEMENTS**

A summary of the principal terms of the Factory and Office Lease Agreements is set forth below:

Date : 13 June 2024 (after trading hours)

Parties : (i) Sinomax Vietnam, as tenant; and  
(ii) Ha An Phuc, as landlord.

- Premises : The Premises, being the ready-built factory, office and ancillary facilities located on the Site, comprise:
- (i) the Factory with an area of 11,676.36 sq.m.;
  - (ii) the Office with an area of 553.72 sq.m.;
  - (iii) the guard house and sanitary works (the “**Other Area**”)
- (collectively, the “**Premises**”).
- Term : Five years from the Effective Date (being 28 June 2024) to 27 June 2029 (the “**Term**”).
- Uses : Sinomax Vietnam shall use the Factories, Offices and Ancillary Facilities built on the Site in accordance with the purpose and scope registered and specified in the Investment Registration Certificate and other acceptance and approvals obtained from the relevant authorities.
- Security Deposit : A deposit of VND 6,849,987,974 (equivalent to approximately HK\$2,099,549) (the “**Security Deposit**”) shall be payable by Sinomax Vietnam to Ha An Phuc, representing approximately seven months’ rent in respect of the Factory and the Office for the first year of the Term.

After the termination of the Factory and Office Lease Agreements, Ha An Phuc shall return the Security Deposit to Sinomax Vietnam 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 arising from the use of the Site such as water and electricity supply, or any rent owed by Sinomax Vietnam to Ha An Phuc.

Ha An Phuc shall return to Sinomax Vietnam the Security Deposit without any interest and within ten days from the date of return of the Site by Sinomax Vietnam to Ha An Phuc.

In case Ha An Phuc fails to return the Security Deposit to Sinomax Vietnam within the specified period, Ha An Phuc agrees to pay a late payment interest of 1% per month to Sinomax Vietnam from the due date until the date of return of the Security Deposit to Sinomax Vietnam.

Monthly rent : In respect of the Factory, Sinomax Vietnam shall pay to Ha An Phuc a monthly rent (excluding VAT, the management fee and utilities charges) as set forth below:

- (i) approximately US\$35,029.08 (equivalent to approximately HK\$273,226.82) for the first year of the Term;
- (ii) approximately US\$36,780.53 (equivalent to approximately HK\$286,888.13) for the second year of the Term;
- (iii) approximately US\$38,648.75 (equivalent to approximately HK\$301,460.25) for the third year of the Term;
- (iv) approximately US\$40,633.73 (equivalent to approximately HK\$316,943.09) for the fourth year of the Term; and
- (v) approximately US\$42,618.71 (equivalent to approximately HK\$332,425.94) for the fifth year of the Term.

In respect of the Office, Sinomax Vietnam shall pay to Ha An Phuc a monthly rent (excluding VAT, the management fee and utilities charges) as set forth below:

- (i) approximately US\$3,599.18 (equivalent to approximately HK\$28,073.60) for the first year of the Term;
- (ii) approximately US\$3,781.91 (equivalent to approximately HK\$29,498.90) for the second year of the Term;
- (iii) approximately US\$3,970.17 (equivalent to approximately HK\$30,967.33) for the third year of the Term;
- (iv) approximately US\$4,169.51 (equivalent to approximately HK\$32,522.18) for the fourth year of the Term; and
- (v) approximately US\$4,379.93 (equivalent to approximately HK\$34,163.45) for the fifth year of the Term.

In respect of the Other Area, there is no monthly rent.

Sinomax Vietnam shall pay the rent and other charges in VND at the firstly published average exchange rate issued by the bank chosen by Ha An Phuc on the date of payment.

Payment term : The rent shall be paid on a monthly basis. Unless otherwise agreed by the parties, all payments or refunds from one party to the other under the Factory and Office Lease Agreements or any agreement between the parties shall be made within ten days from the date of receipt of the invoice.

In the event a party delays in making a payment, the relevant party shall pay a monthly interest of 1% on the total amount due at each time for the duration between the due date and the payment date, and all related expenses.

Other charges : An annual management fee (exclusive of VAT) shall be payable by Sinomax Vietnam to Ha An Phuc.

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 Site shall be payable by Sinomax Vietnam to Ha An Phuc. Subject to agreement between Ha An Phuc and related utility suppliers, Sinomax Vietnam may pay these costs directly to the utility supplier. In the event that Ha An Phuc collects the utility costs on behalf of the utility suppliers, Ha An Phuc shall provide Sinomax Vietnam with the VAT invoice(s) for the relevant utility costs before payment.

Costs, taxes and expenses : Sinomax Vietnam shall pay the Rent, infrastructure charges and utilities charges along with VAT, taxes on goods and services or other costs, taxes and expenses that are levied thereon.

- Factories and Ancillary Facilities : Sinomax Vietnam shall build Factories and Ancillary Facilities for the purpose and scope approved in accordance with the Investment Registration Certificate, construction permits, environmental protection plans, and the relevant regulations, requirements and guidelines set out by the management board of Binh Duong Industrial Park and other relevant authorities of Vietnam.
- Priority to renewal : Before the expiration of the Term under the Factory and Office Lease Agreements, Sinomax Vietnam shall have priority in renewal of the Term, and Ha An Phuc shall ensure Sinomax Vietnam's right of renewal, unless Sinomax Vietnam provides a written notice of non-renewal at least 90 days prior to the expiration of the Term.

The terms of the Factory and Office Lease Agreements were determined after arm's length negotiations between the parties thereto. The Rent payable by Sinomax Vietnam under the Factory and Office Lease Agreements 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 AND OFFICE LEASE AGREEMENTS**

The Group has been leasing the Premises from Ha An Phuc since 2019 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 the Factories and Ancillary Facilities on the Site to meet its operational requirement, and the production facilities have been approved by various customers of the Group for producing their products in Vietnam. The relevant factory and office lease contract between Sinomax Vietnam and Ha An Phuc will expire on 27 June 2024. With a view to ensuring the Group's smooth business operations in Vietnam, the Board considers that the Group has the operational needs to continue leasing the Premises.

Taking into consideration that, among other things, (i) the entering into of the Factory and Office Lease Agreements would enable the Group to facilitate its business activities on the Site without incurring unnecessary relocation expenses or causing disruption to its operations; and (ii) the Rent payable by Sinomax Vietnam under the Factory and Office Lease Agreements 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 and Office Lease Agreements 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 and Office Lease Agreements 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 and Office Lease Agreements and the transactions contemplated thereunder.

#### **INFORMATION ON HA AN PHUC**

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Ha An Phuc is a company established under Vietnamese law which is principally engaged in the business of real estate investments. Ha An Phuc is ultimately beneficially owned by Dang Thi Hao and Nguyen Anh Tuan.

The Directors confirm that, to the best of their knowledge, information and belief, and having made all reasonable enquiries, Ha An Phuc 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**

Sinomax Vietnam is a company established under Vietnamese law and is principally engaging in the manufacturing and sale of polyurethane foam. Sinomax Vietnam 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 and Office Lease Agreements 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 and Office Lease Agreements shall be approximately US\$2,264,907 (equivalent to approximately HK\$17,666,275), one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Factory and Office Lease Agreements exceed 5% but are less than 25%. Accordingly, the Factory and Office Lease Agreements 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”	any complex or single ancillary facilities including but not limited to sanitary works, guard house and other facilities, which were built on and around the Site, together with any fixtures, fittings and installations thereon
“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
“Delivery Date”	the date on which the Factory and the Office shall be delivered by Party A to Party B. The Factory and the Office shall be delivered within 10 days after signing the Factory and Office Lease Contract and not later than end of June 2024
“Director(s)”	the director(s) of the Company
“Effective Date”	28 June 2024
“Factory”	any complex or single factory, which were built on and around the Site, together with any fixtures, fittings and installations thereon
“Factory and Office Lease Agreements”	the Factory and Office Lease Contract and the MOU
“Factory and Office Lease Contract”	the factory and office lease contract entered into between Ha An Phuc as the landlord and Sinomax Vietnam as the tenant dated 13 June 2024 in relation to the Premises
“Group”	the Company and its subsidiaries
“Ha An Phuc”	Ha An Phuc Company Limited, a company established under the laws of Vietnam, being the landlord under the Factory and Office Lease Agreements
“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
“Investment Registration Certificate”	the investment registration certificate issued by the management board of Binh Duong Industrial Park on 4 January 2019 to “The Project of Sinomax (Vietnam) Polyurethane Technology Limited”, including any of its amendments and/or supplements from time to time
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the memorandum of understanding entered into between Ha An Phuc as the landlord and Sinomax Vietnam as the tenant dated 13 June 2024 in relation to the leasing arrangements
“Office”	any complex or single offices, which were built on and around the Site, together with any fixtures, fittings and installations thereon
“Other Area”	has the meaning given to it in the section headed “THE FACTORY AND OFFICE LEASE AGREEMENTS” 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 AND OFFICE LEASE AGREEMENTS” in this announcement
“Rent”	the rent in respect of the Factory as set out in the section headed “THE FACTORY AND OFFICE LEASE AGREEMENTS” in this announcement

“Security Deposit”	has the meaning given to it in the section headed “THE FACTORY AND OFFICE LEASE AGREEMENTS” 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”	Sinomax (Vietnam) Polyurethane Technology Limited, a company established under the laws of Vietnam and an indirect wholly-owned subsidiary of the Company, being the tenant under the Factory and Office Lease Agreements
“Site”	the factory at Lot 2A3, CN5A and CN7 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 AND OFFICE LEASE AGREEMENTS” 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

“VND” Vietnamese Dong, the lawful currency of Vietnam

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

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

Hong Kong, 13 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 and the conversion of VND into HK\$ has been made at an exchange rate of HK\$1: VND3,262.6. 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.*