



## **Sinomax to Acquire Polyurethane Foam Manufacturer in the PRC**

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### **Increases Production Capacity and Enhances Leading Position in the Polyurethane Foam Market**

(Hong Kong, 25 January 2015) – **Sinomax Group Limited** (“Sinomax” and together with its subsidiaries, the “Group”) (stock code: 1418), a leading marketer, manufacturer and distributor of quality visco-elastic pillows, mattress toppers and mattresses in the United States (the “U.S.”), announced on 23 January 2015 that its indirect wholly-owned subsidiary Sinomax (Zhejiang) Polyurethane Household Products Limited (“Sinomax Zhejiang”) has entered into the Acquisition Agreement with Mil-ton Company Limited (“Mil-ton”) and Chori Co., Ltd. (“Chori”) to acquire 60% and 40% equity interests in Shanghai Luen Tai Polyurethane Co. Ltd. (“Shanghai Luen Tai”) respectively, at an aggregate consideration of RMB35,000,000 (“Acquisition”). This consideration will be funded from the Group’s internal resources. Upon completion, Shanghai Luen Tai will be an indirect wholly-owned subsidiary of Sinomax.

Shanghai Luen Tai is a company established in the PRC with limited liability on 30 January 2003, and is principally engaged in the processing, manufacturing and sales of polyurethane foam and products including mattress, sofa and pillows. It has manufacturing facilities and office premises located in Songjiang District, Shanghai, the PRC, with a total gross floor area of 15,829 square meters (the “Land and the Premises”).

**Mr. Lam Chi Fan, Chairman of Sinomax Group**, said, “We are pleased to strategically enhance Sinomax’s leadership position in the PRC polyurethane foam market. The Acquisition would create powerful synergies with Sinomax in terms of customer base and product portfolio. It also would secure a steady supply of core materials for the Group’s products. Looking ahead, we will continue to carefully evaluate acquisitions opportunities which match the Group’s experience, resources and capabilities. We aim to capitalize on this opportunity to grow our polyurethane foam business and to strengthen the Group’s revenue and profitability.”

According to audited financial statements, Shanghai Luen Tai has recorded a net profit after taxation and extraordinary items of RMB1,963,000 for the year ended 31 December 2013. As at 30 September 2014, the net asset value of Shanghai Luen Tai was RMB37,786,000 based on its unaudited management accounts. Shanghai Luen Tai has already been using the Land and the Premises owned by Modern Time Industrial Limited (“Modern Time”) for its manufacturing

operation and office premises. Mil-ton and Chori shall procure Shanghai Luen Tai to enter into a three-year lease agreement with Modern Time for the continued leasing of the Land and the Premises on or before the completion of this transaction. A fixed monthly rental payment of RMB145,833.33 to be paid in cash on the last day of each month.

According to the report issued by Frost & Sullivan, Sinomax is the largest supplier of polyurethane foam in PRC with a market share of 5.9% in 2013. Revenue generated from the Group's polyurethane foam sales for the six months ended 30 June 2014 amounted to HK\$417,900,000, representing an increase of 19.7% compared to the last corresponding period. In view of the continuous surge in demand for high quality furniture and home accessories in the PRC, total sales of the PRC polyurethane foam market are expected to reach RMB23,400,000,000 in 2018, with a CAGR of 12.1% from 2014 to 2018. The management believes that the acquisition would increase demand for the Group's quality polyurethane foam products and presents a huge opportunity for Sinomax to further increase its market share.

#### **About Sinomax Group Limited**

Sinomax Group Limited is a leading marketer, manufacturer and distributor of quality visco-elastic pillows, mattress toppers and mattresses in the US, Hong Kong and the PRC. It is a well-known brand in both Hong Kong and the PRC retail markets for visco-elastic health and wellness products and it is also one of the leading suppliers of mainstream visco-elastic health and wellness products in the US. The Group sells its comprehensive product line in different markets under its own brands "SINOMAX," "ComforZen" and "Dream Serenity" and licensed brands "Sharper Image," "Awaken by Joan Lunden" and "HoMedics." As at 30 June 2014, the Group had an estimated retail and distribution network comprising more than 6,000 points of sale in the US and 470 points of sale in Hong Kong, the PRC and Macau.