



Sinomax Announces 2015 Annual Results

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Revenue Increases Approximately 6.9% to HK\$2,869.8 Million Declares a Final Dividend of 2.5 HK Cents Per Share

(Hong Kong, 18 March 2016) – **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.”), Hong Kong and the P.R.C., today announced its audited consolidated annual results for the year ended 31 December 2015 (“FY2015” or the “Year”).

In FY2015, the Group’s revenue increased by 6.9% to approximately HK\$2,869.8 million, which was mainly attributable to the substantial growth in segmental revenue of both retail and corporate sales, and polyurethane foam sales. Profit for the Year amounted to approximately HK\$184.7 million. Gross profit rose by 6.9% to approximately HK\$787.5 million, with gross profit margin standing at 27.4%.

The Board of Directors resolved to declare a final dividend of 2.5 HK cents per share. Together with the interim dividend of 1.5 HK cent per share already paid during the Year, total dividends for FY2015 reached 4.0 HK cents per share (FY2014: 3.5 HK cents per share).

Mr. Lam Chi Fan, Chairman of Sinomax Group, said, “Sinomax has made a few important footprints in extending its business development in FY2015. By expanding the retail network in Hong Kong and the P.R.C. markets along with the successful acquisition of a polyurethane foam manufacturing company, the Group was equipped with a broader customer outreach and a stable core material supply to fuel further business growth. We have also taken essential steps in the U.S. through investment in a company having a well-known brand and set-up of a manufacturing facility to increase our market share and capture the enormous business opportunities there. We will not rest on our laurels but are striving to gear up the Group to advance even further.”

Business Review

Export Sales – Business Development in the US Market Continued

The segmental revenue generated from export sales was approximately HK\$1,198.7 million. During the Year, a slight increase in terms of quantity sold was recorded. However, the Group is facing strict U.S.-only buying guidelines and retailer preferences for “made in U.S.” products which have restricted its growth in that market.

The Group has been developing its business in the U.S. for years, and continued to progress well. In response to the growing demand for “made in U.S.” products in the country, the Group announced that the set up of its very first manufacturing facility at La Vergne, Tennessee, the U.S. in November 2015. It covers approximately 505,000 square feet with an estimated aggregate annual production capacity of 33,000 tons. The estimated total investment of this new manufacturing facility is expected to be around US\$28 million to be incurred in different phases over a number of years. Trial production is to commence in mid-2016 and the facility will be in full operation in early 2017.

This new manufacturing facility would significantly shorten the lead time between production and product delivery, as well as further enhance the Group's vertically-integrated business model and cost efficiency. The "made in U.S." products will also be shipped and available to customers in the Hong Kong and the P.R.C. markets.

In September 2015, the Group's wholly-owned subsidiary, Sinomax USA, has invested in Dormeo North America, LLC ("Dormeo NA"), a company having a well-known brand in the U.S. With Dormeo NA's brand recognition in the U.S., patented technology and sales network, Sinomax made significant progress in enriching Sinomax's brand recognition, product diversity and broadening the sales network in the North America memory foam market. When the above business developments are completed, Sinomax would be strongly poised for long-term growth and would greatly enhance its competitive advantage in the U.S. market.

Retail and Corporate Sales – Remained as the Group's Key Revenue Growth Driver

Revenue from this segment in FY2015 surged by 49% to HK\$567.1 million, which was driven by the increased sales of products under the Group's flagship brand "SINOMAX," and the Group's two-pronged strategy in both retail and corporate sales continued to bear fruit. In FY2015, the Group has actively expanded its retail network by opening 17 Life Stores in Hong Kong and the P.R.C. markets.

Apart from the traditional sales channels, the Group has been exploring business opportunities through e-commerce sales channels under this segment to promote and distribute its products. During the Year, e-commerce sales recorded a substantial growth of 44.2% to approximately HK\$28.4 million as compared to FY2014. The Group will continue to expand more e-commerce sales channels to promote its products and continue to develop more new products for e-commerce sale in the coming years.

Polyurethane Foam Sales – Successful Acquisition Drove the Rise in Segmental Revenue

To increase production capacity and enhance its leading position in the polyurethane foam market, the Group has acquired 100% equity interests in Shanghai Luen Tai Polyurethane Co. Ltd. ("Shanghai Luen Tai") through its indirect wholly-owned subsidiary Sinomax (Zhejiang) Polyurethane Household Products Limited ("Sinomax Zhejiang") in April 2015. Shanghai Luen Tai is principally engaged in the processing, manufacturing and sales of polyurethane foam and products including mattresses, sofas and pillows. The successful acquisition not only creates powerful synergies with Sinomax in terms of customer base and product portfolio, but also secures a steady supply of core materials for the Group's products in the long run.

In FY2015, revenue from polyurethane foam sales grew by 18.9% to HK\$1,104.0 million (FY2014: HK\$928.3 million), of which approximately RMB162.7million (equivalent to approximately HK\$200.4 million) was contributed by Shanghai Luen Tai upon completion of the acquisition. Increasing demand for high quality furniture and home accessories in the P.R.C. market also led to the growth in demand for the Group's polyurethane foam during FY2015.

Prospects

Going forward, to effectively elevate Sinomax's overall development, spur business growth and boost the sales and market share in the long term, the Group will **continue to expand its retail network and sales channels in offering a wide range of health and household products** to its customers. In Hong Kong, the P.R.C. and Macau markets, its flagship brand "SINOMAX" stays as the main focus, featuring self-developed "X-FOAM™," the second generation space foam, which is widely used in different product lines. Moreover, new brands including "Customizer" and "Zeopedic" will be launched and together with flagship brand "SINOMAX" will be further promoted in the U.S. market, focusing on the mid-range to high-end retail segments to further enlarge the customer base. The Group will **continue to carry out various marketing activities** in order to reinforce brand recognition and enhance the image of health, relaxation and comfort of the Group's products.

On the operational front, the Group has been **exploring strategic acquisition and collaboration opportunities** that are in line with its business vision. In February 2016, the Group's indirect wholly-owned subsidiary entered into an agreement with an independent third party to acquire 51% equity interest in Chengdu Xingang Sponge Co., Ltd. ("Chengdu Xingang"), for a cash consideration of approximately RMB81.7 million (equivalent to approximately HK\$97.3 million). The acquisition was completed on 1 March 2016. Chengdu Xingang is a company established in the P.R.C. with limited liability and is principally engaged in the manufacturing and sale of polyurethane foam as well as sales of decorative materials, sofa materials, cloth materials and mattress materials in Chengdu. The Group aims to capitalize on this opportunity to further grow its polyurethane foam business and to strengthen its revenue and profitability in the long run.

Furthermore, the Group will **upgrade its machinery** consistently so as to improve the production efficiency and boost its competitiveness. **More resources will be devoted in research and development** to introduce more innovative products and to enhance its product features.

Mr. Eric Cheung, President of Sinomax Group, concluded, "To maximize the potential of Sinomax, we continue to carefully evaluate expansion and acquisition opportunities which match the Group's experience, resources and capabilities. At the same time, we are bolstering the presence in different geographical markets and driving sustainable business growth of Sinomax."

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About Sinomax Group Limited (stock code: 1418)

Sinomax is a leading marketer, manufacturer and distributor of quality memory foam pillows, mattress toppers and mattresses in the U.S., 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 U.S. The Group sells its comprehensive product line in different markets under its own brands "SINOMAX", "ComforZen", "Dream Serenity", "SPA Supreme", "Customizer" and "Zeopedic" and licensed brands "Sharper Image", "Awaken by Joan Lunden" and "HoMedics". As at 31 December 2015, the Group had an estimated retail and distribution network comprising more than 6,000 points of sale in the U.S. and 408 points of sale in Hong Kong, the PRC and Macau.

For more information, please visit <http://www.sinomax.com/group/>.