



## Sinomax Announces 2016 Interim Results

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*Strengthens Market-leading Position across Geographical Markets*

*Continues to Explore Strategic Acquisition and Partnership Opportunities to Fuel Business Growth*

(Hong Kong, 22 August 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 China, North America, Europe and overseas markets, has today announced its unaudited interim results for the six months ended 30 June 2016 (“1H 2016” or the “Period”).

During 1H 2016, the Group achieved a growth in revenue of 11.3% to approximately HK\$1,533.8 million, which was mainly attributable to sales increases in the North America and Europe and overseas markets. After taking into account a net loss on the derecognition of an associate of HK\$13.5 million, the Group’s profit for the Period amounted to approximately HK\$41.8 million. Gross profit rose by 6.5% to approximately HK\$418.4 million with the gross profit margin recorded at 27.3%.

The Board of Directors has resolved to declare an interim dividend of 0.6 HK cents per share, in order to maintain stable returns for shareholders.

### **Business Review**

#### ***Bolsters Presence in Different Geographical Markets***

The segmental revenue generated from the **North American market** recorded a 20.2% growth during the Period to HK\$687.2 million. In response to the growing demand for “made in U.S.” products in that region, the Group has set up its first manufacturing facility at La Vergne, Tennessee, U.S.A. in November 2015. This manufacturing facility helps shorten the lead time between production and order delivery, forms a solid foundation to accelerate the Group’s business growth and greatly enhances its competitive advantages, and more importantly, during 1H 2016 it has shown evidence of attracting new customers with significantly larger orders in the region.

Despite the relatively weak consumer sentiment in China as compared with previous years, the Group managed to cope with the challenges, maintaining its sales performance and recorded a revenue of HK\$778.6 million from the **China market** during the Period. In 1H 2016, the Group continued to expand its sales network by opening two new Sinomax Life Stores in Hong Kong. Apart from the traditional sales channels, the Group has been exploring business opportunities through e-commerce sales channels to promote and distribute its products. Sales from the e-commerce channel recorded a substantial growth of 89.5% to approximately HK\$19.9 million as the Group continued to strengthen its e-commerce sales distribution networks and develop more products exclusively for e-commerce in order to attract online shoppers during the Period.

In **Europe and overseas markets**, although the macro-economy was weak due to various unforeseeable circumstances, the Group was able to achieve sales of HK\$68 million, soaring 207.3% compared to the same period last year mainly driven by the sales of innovative products and the launch of new products.

#### ***Carefully Evaluates Expansion and Acquisition Opportunities***

During the Period, Sinomax increased its ownership in Dormeo North America, LLC (“Dormeo NA”) by 14.81% in April 2016, after which Dormeo NA became a 51.31%-owned subsidiary of the Group. This investment effectively created powerful synergies with Sinomax in terms of customer base and product portfolio as well as broadened its sales distribution network in the North America market.

On 1 March 2016, the Group's indirect wholly-owned subsidiary completed an acquisition 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\$97.9 million). Chengdu Xingang is a company principally engaged in the manufacturing and sale of polyurethane foam as well as sale of decorative materials, sofa materials, cloth materials and mattress materials in Chengdu, China. The Group has capitalized on this opportunity to further grow its polyurethane foam production and to strengthen its revenue and profitability in the long run.

### **Prospects**

The establishment of the new manufacturing facility in the U.S. has strategically strengthened Sinomax's leadership position in the U.S. memory foam market by capturing more high-sales volume business opportunities there. Trial production has commenced in mid-2016 and the facility is now installing equipment for Phase II operation which is estimated to be completed and will be in full operation in early 2017. Upon completion, the Group believes that it could better fulfill customers' needs while further enhancing its vertically-integrated business model and cost efficiency.

Turning to the China market, in addition to opening more "Sinomax Life Stores," the Group will further strengthen its e-commerce sales channels dedicated for online shoppers. As a well-known brand for promoting the life concept of health, relaxation and comfort, the Group will steadfastly strive to enhance its brand management through a variety of marketing activities. The Group will also allocate greater resources to explore more business opportunities in the Europe and overseas market, given the huge demand among customers over there in pursuit of betterment of life.

On the operations front, Sinomax will regularly upgrade its machinery and has invested more resources in its R&D so as to introduce more innovative products and enhance its product features in order to satisfy the Group's customers.

**Mr. Lam Chi Fan, Chairman of Sinomax Group**, said, "Looking ahead, Sinomax will never stop searching for potential strategic business opportunities that match the Group's business vision to bolster its presence in different geographical markets. At the same time, we are well prepared for taking up a greater volume of orders and serving a wider range of customers by continuous improvement in manufacturing facilities in China and the U.S., with the ultimate goal to fortify our market-leading position and fuel sustainable business growth."

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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 China, North America, Europe and overseas markets. 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 30 June 2016, the Group had an estimated retail and distribution network comprising around 7,000 points of sale in the U.S. and 430 points of sale in Hong Kong, the PRC and Macau. For more information, please visit <http://www.sinomax.com/group/>.

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