



## Sinomax Announces 2016 Annual Results

\* \* \*

### Continuous Expansion Strengthens Competitive Stance Investment in the U.S. Serves as Growth Catalyst

(Hong Kong, 28 March 2017) – **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 2016 (“FY2016” or the “Year”).

In FY2016, the Group’s revenue increased by 21.9% to approximately HK\$3,499.8 million, which was mainly attributable to the substantial growth in sales across all geographical segments. Profit for the Year amounted to approximately HK\$100.5 million. Gross profit rose by 4.3% to approximately HK\$821.5 million, with gross profit margin at approximately 23.5%.

The Board of Directors resolved to declare a final dividend of 1.0 HK cents per share. Together with the interim dividend of 0.6 HK cent per share already paid during the Year, total dividends for FY2016 reached 1.6 HK cents per share.

#### **Business Review**

#### ***Sustainable Across-the-Board Revenue Growth Amid Challenging Operating Environment***

During the Year under review, **North American Market** recorded revenue of HK\$1,494.4 million, an approximately 33.6% growth as compared with FY2015. Work on the new manufacturing facility at Nashville, Tennessee, U.S. progressed smoothly during the year, with Phase II equipment installed and trial production starting in mid-2016. Full operation is expected to commence in the second quarter of 2017. Upon completion, the facility will enable the Group to better serve customer needs for “Made in U.S.” products, as well as enhance the Group’s vertically-integrated business model and cost efficiency. With strong relationship with customers in the region, the Group won several new and significantly large orders during the year. Sales of the Group’s own brands, “Zeopedic” and “PureLUX”, achieved satisfactory performance with revenue amounted to HK\$304 million.

In **China Market**, consumer sentiment remained relatively weak during the Year, however, the Group performed better than the market and achieved revenue of HK\$1,895.9 million, approximately 11.7% growth. During the Year, the Group continued to expand its traditional sales network by opening five Sinomax Life Stores, while kept strengthening its e-commerce sales channels to promote and distribute products. E-commerce sales recorded revenue of approximately HK\$66.3 million, a substantial growth of 133.5% as compared with FY2015.

Despite the challenging economy and difficult operating environment in **Europe and Other Overseas Markets**, the Group performed exceptionally well and achieved approximately 101.8% growth in revenue during the Year to HK\$109.5 million, thanks to its strong R&D competence.

The Group's R&D function is its growth engine, enabling it to deliver innovative products to corporate and retail customers.

### **Strategic Acquisition and Expansion to Fuel Business Growth**

In April 2016, Sinomax increased its ownership in Dormeo North America, LLC ("Dormeo NA") by 14.81%, after which Dormeo NA became a 51.31%-owned subsidiary of the Group. However, a loss of HK\$61.1 million was incurred from operations and de-recognition of Dormeo NA during the Year. The Group is positive that the demand for "Made in U.S." products will continue to grow and the investment in Dormeo NA and the U.S. factory will present powerful synergies to the Group in terms of customer base and product portfolio, plus the sales distribution network in the North American Market will broaden.

In March 2016, the Group acquired 51% equity interest of Chengdu Xingang Sponge Co., Ltd. ("Chengdu Xingang") at a cash consideration of approximately RMB81.7 million (equivalent to approximately HK\$97.9 million). The Group has capitalized on this opportunity to further grow its polyurethane foam production and to strengthen its revenue and the profitability of polyurethane foam sales in the long run.

### **Prospects**

Going forward, with the demand of polyurethane foam products in the **North American Market** remaining strong, the new US manufacturing facility will have better production and logistics management will strategically provide a vertically-integrated solution to customers and also strengthen Sinomax's leading position in the U.S. memory foam market. Currently, costs are incurred from the production trial runs in the new manufacturing facility at Nashville and recruiting a local sales team. With the facility scheduled to begin full operation in the second quarter of 2017, the Group believes production costs will be gradually decreased as economies of scale increase.

While the Group will continue to invest in the production lines in the U.S., it has also implemented various measures to reduce production costs and selling costs on the operation of Dormeo. The cost-cutting measures have already bore results with loss in the first two months in 2017 narrowed by a significant 77.8% comparing with the same period in 2016. These measures will be fully rolled out in the second half year of 2017.

In **China Market**, the Group will continue to enhance brand management with marketing activities that target to reinforce brand recognition and enhance the image of the "SINOMAX" brand to attract more corporate clients. Additionally, the Group's new polyurethane foam production facility in Shandong, China, is expected to commence operation by the end of 2017. By then, sales of polyurethane foam will be boosted and so will the Group's leading position in the polyurethane foam industry in China. As for **Europe and Other Overseas Markets**, the Group will put more resources into exploring more business opportunities in these regions to capture the huge demand among customers pursuing better quality of living.

**Mr. Lam Chi Fan, Chairman of Sinomax Group** said, "Going forward, the Group will bolster its presence in different geographical and horizontal markets by enhancing production capacity, improving product mix and expanding its sales network. Capitalising on its very strong R&D capabilities and well-known brand name, the Group is confident that it will remain the top choice of high-quality memory foam products among consumers and be able to keep increasing market penetration. Moreover, we will continue to explore possible strategic acquisition and partnership opportunities that agree with Sinomax's vision to grow its business, which will in turn bring better value and returns to shareholders."

- End -

**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", "PureLUX" and "Zeopedic" and licensed brands "Sharper Image", "Dormeo Octaspring" and "HoMedics". As at 31 December 2016, the Group had an estimated retail and distribution network comprising more than 8,000 points of sale in the U.S. and 441 points of sale in Hong Kong, the PRC and Macau.

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

**Media Enquiries**

Strategic Financial Relations Limited

Heidi So +852 2864 4826

Katrina Leung +852 2864 4857

Isabel Kwok +852 2864 4824

Website : <http://www.sprg.com.hk>

[heidi.so@sprg.com.hk](mailto:heidi.so@sprg.com.hk)

[katrina.leung@sprg.com.hk](mailto:katrina.leung@sprg.com.hk)

[isabel.kwok@sprg.com.hk](mailto:isabel.kwok@sprg.com.hk)