



Sinomax Announces 2017 Interim Results

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Strategic Partnership Opportunities and Investment in U.S. Drive Growth

(Hong Kong, 29 August 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 China, today announced its unaudited interim results for the six months ended 30 June 2017 (“1H 2017” or the “Period”).

During 1H 2017, the Group achieved a 26.9% growth in revenue to approximately HK\$1,946.8 million, mainly attributable to the substantial growth in sales in the North America and China markets. Impacted by the trial-run costs incurred in the U.S. Factory and the higher price of TDI (a major material for polyurethane foam manufacturing), profit for the Period and gross profit amounted to approximately HK\$9.9 million and approximately HK\$394.9 million, with gross profit margin at approximately 20.3%.

Business Review

For the Period under review, the **North American Market** recorded revenue of HK\$838.8 million, representing a satisfactory 22.1% growth as compared with the same period last year. Sinomax has stepped into a new era of business development, marked by its first manufacturing facility at Nashville, Tennessee, the U.S. commencing production in June. The factory equipped with state-of-the-art automated equipment 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. Armed with additional manufacturing capacity, the Group forged a three-year strategic partnership with Serta Simmons Bedding, LLC, the largest manufacturer and distributor of mattresses in the U.S., to develop new “Bed-in-a-box” offerings for Serta Simmons Bedding, LLC’s Serta® and Beautyrest® brands and capture more business opportunities in the U.S. Leveraging the strong relationship it has with customers in the region, the Group also won a new contract with Mattress Firm, a mattress retailer in the U.S. during the Period. All these achievements combined have presented the Group with a strong growth engine.

Consumer sentiment gradually recovered in the **China Market** during 1H 2017. The Group achieved a significant revenue growth of approximately 37.3% to HK\$1,069.0 million, driven by its dual-emphasis – retail and corporate sales -- continuing to bear fruit. In addition to employing traditional sales channels, the Group has been using e-commerce sales channels to promote and distribute products in the market. Revenue from e-commerce sales in China was approximately HK\$34.9 million, a substantial growth of 75.4%, for the Period. The Group will continue to expand more e-commerce sales channels and develop more new products specifically suitable for e-commerce sales in the coming years.

The challenging economy and difficult operating environment in **Europe and Other Overseas Markets** impacted sales performance of the geographic segment. The Group recorded HK\$38.9 million in revenue from this segment for the Period.

Prospects

With the new manufacturing facility in the U.S. starting operation with production volume and economies of scale expected to increase gradually, production costs will gradually decrease. The Group will continue to invest in the production lines in the U.S. and at the same time will roll out in full in 2H 2017 the cost-cutting measures which bore fruit during the Period. With the demand of polyurethane foam products in the **North American Market** remaining strong, “Made in U.S.” products will give an additional income stream to the Group. The new manufacturing facility presents powerful synergies to the Group in terms of customer base and product portfolio, and has also helped broaden the Group’s sales distribution network in the North American Market, promising the Group a turnaround by the end of 2017 and sustainable growth thereafter.

In the **China Market**, the Group will continue to strengthen brand management with various marketing activities to reinforce brand recognition and enhance the image of the “SINOMAX” brand. Products of “Zeopedic” brand from the U.S. will be launched in the China Market in 2H 2017, targeting high-end customers. Recently, the Chinese environmental protection regulator announced a series of production material ban, which is expected to see the polyurethane foam industry consolidate with leading players like Sinomax standing out and gaining market share and some smaller and inefficient manufacturers ousted. The Group believes the entry barrier to polyurethane foam manufacturing industry will be raised gradually to safeguard product quality. Confident of its capability in quality production, the Group’s new polyurethane foam production facility in Shandong, China, is expected to commence operation by the end of 2017, which is going to boost sales of polyurethane foam and help solidify the Group’s leadership in the polyurethane foam industry in China.

Turning to the **Europe and Overseas Markets**, the Group will continue to invest resources in exploring more business opportunities in these regions to cater to the demand of customers for better quality of living.

Mr. Lam Chi Fan, Chairman of Sinomax, said, “Moving forward, the Group will continue to improve production efficiency and its product mix and boost its competitiveness by capitalising on its very strong R&D capabilities and well-known brand name. Seeing encouraging signs of business growth, we are confident that our sound growth strategies and fully geared business model can effectively and continuously fuel our sustainable business growth and help strengthen our market position.”

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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 China. It is a well-known brand in both Hong Kong and China 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 30 June 2017, the Group had an estimated retail and distribution network comprising more than 10,000 points of sale in the U.S. and 385 points of sale in Hong Kong, China and Macau.

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

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