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**Sinomax Group Limited**

**盛諾集團有限公司**

*(Incorporated under the laws of the Cayman Islands with limited liability)*

**(Stock Code: 1418)**

## **BUSINESS UPDATE**

This announcement is made by Sinomax Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

## **BUSINESS PERFORMANCE UPDATE**

Reference is made to the announcement of the Company dated 21 February 2017 in respect of the profit warning for the year ended 31 December 2016 (the “**February Announcement**”). As disclosed by the Company in the February Announcement, the estimated decrease in the Group’s profit for the year ended 31 December 2016 was mainly attributable to, among others, the costs incurred in setting up trial run of production in the Group’s new factory in Nashville, Tennessee, the United States of America (the “**US Factory**”) and recruiting local sales force as well as the significant increase in the purchase price of a key raw material of polyurethane foam (namely toluene diisocyanate) in the 4th quarter of 2016.

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company and the potential investors that in the first half of 2017, the Group’s operation costs remained high largely due to the trial-run costs of the US Factory and the high price of toluene diisocyanate. Besides, in order to meet the expected increase in customers’ orders in the second half of 2017, the Group incurred additional marketing and logistics expenses in the first half of 2017. The Board anticipates that the high costs of production and operation of the Group will have an adverse impact on the overall financial performance of the Group for the six months ending 30 June 2017.

## **STRATEGIC PARTNERSHIP WITH SERTA SIMMONS BEDDING, LLC**

The Board is pleased to announce that in June 2017, Sinomax USA, Inc., a wholly-owned subsidiary of the Company entered into a three-year strategic partnership with Serta Simmons Bedding, LLC (“**Serta Simmons Bedding**”), one of the largest manufacturers and distributors of mattresses in the United States of America, for developing new bed-in-a-box offerings for Serta Simmons Bedding’s Serta® and Beautyrest® brands. The new product offerings will be available for sale through existing and prospective retailer channels of Serta Simmons Bedding as early as July 2017. Under the strategic partnership arrangement with Serta Simmons Bedding, the boxed mattress offerings under Serta® and Beautyrest® brands will be manufactured in the US Factory.

## **GRAND OPENING OF THE US FACTORY**

The Board is also pleased to announce that a grand opening of the US Factory was held on 6 June 2017. Although the Group has been experiencing a delay in ramping up the US Factory to full commercial production as additional time is required for the development and trial production of new and innovative products, the Group has closely monitored the progress of trial production and has been tackling any challenge proactively to smooth out its production and operation in the US Factory. Commercial production starts in June and the production output will be increased gradually.

Despite the Group’s operation in a high-cost environment in the first half of 2017, the Board considers that the Group’s overall financial position is healthy and the Board remains positive about the long term prospects of the Group.

The Company will update its shareholders and potential investors by way of announcement(s) for any further business update(s) as and when appropriate.

**Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

By order of the Board  
**Sinomax Group Limited**  
**Lam Chi Fan**  
*Chairman*

Hong Kong, 12 June 2017

*As at the date of this announcement, the executive Directors are Mr. Lam Chi Fan (Chairman of the Board), Mr. Cheung Tung (President), Mr. Chen Feng, Mr. Lam Kam Cheung (Chief Financial Officer and Company Secretary) and Ms. Lam Fei Man; and the independent non-executive Directors are Mr. Wong Chi Keung, Professor Lam Sing Kwong Simon, Mr. Fan Chun Wah Andrew, Mr. Zhang Hwo Jie and Mr. Wu Tak Lung.*