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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)

PROFIT WARNING

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

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders and potential investors of the Company that, based on the unaudited consolidated financial statements of the Group and other information currently available to the Board, it is expected that the Group’s profit for the year ended 31 December 2016 will decrease over 40.0% as compared to the year ended 31 December 2015. Such decrease was mainly attributable to:

- (1) losses arising from operations and derecognition of an associate, Dormeo North America, LLC, a company which initially became the Company’s associate company after an acquisition of its 36.5% membership interest in September 2015 and subsequently became the Company’s indirect non-wholly-owned subsidiary after a further acquisition of its 14.81% membership interest in April 2016;
- (2) the costs incurred in setting up trial run of production in a new factory and recruiting sales force in the United States of America;
- (3) the decreases in corporate customer sales in Hong Kong and mainland China due to factors such as weak consumer demand; and
- (4) 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 Company is in the process of finalizing the Group’s audited consolidated financial results for the year ended 31 December 2016. The information contained in this announcement is only a preliminary assessment by the Board based on the information currently available to it and such information has not been audited or reviewed by the Company’s auditors or the audit committee. Shareholders and potential investors of the Company are advised to read the annual results announcement of the Company for the year ended 31 December 2016 carefully, which is expected to be published on 28 March 2017.

Shareholders and potential investors of the Company 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, 21 February 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.