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)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

PERFORMANCE HIGHLIGHTS

- Revenue for the six months ended 30 June 2014 increased by approximately HK$220.8 million or 21.8% to approximately HK$1,233.3 million, as compared to approximately HK$1,012.5 million for the corresponding period last year.
- All three operating segments of the Group's business (export sales, retail and corporate sales and polyurethane foam sales) recorded substantial revenue growth for the six months ended 30 June 2014 comparing with the corresponding period last year.
- Gross profit increased by approximately HK$53.9 million or 19.9% to approximately HK$325.3 million for the six months ended 30 June 2014, as compared to approximately HK$271.3 million for the corresponding period last year.
- Profit for the six months ended 30 June 2014 increased by approximately HK$18.4 million or 27.5% to approximately HK$85.5 million, as compared to approximately HK$67.1 million for the corresponding period last year.
- The Board has resolved to declare an interim dividend of HK1.0 cent per share (2013 interim dividend: nil)

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Sinomax Group Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2014, together with the comparative figures for the corresponding period in 2013, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2014

		For the six months ended 30 June	
		2014	2013
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**1,233,265**	1,012,459
Cost of sales		**(908,011)**	(741,117)
Gross profit		**325,254**	271,342
Other income		**19,284**	12,789
Other gains and losses		**4,167**	922
Selling and distribution costs		**(152,516)**	(120,269)
Administrative expenses		**(70,626)**	(52,505)
Finance costs		**(4,037)**	(3,626)
Other expenses		**(15,266)**	(15,669)
Profit before taxation		**106,260**	92,984
Income tax expenses	*4*	**(20,715)**	(25,873)
Profit for the period	*5*	**85,545**	67,111
Other comprehensive (expenses) income that may be reclassified subsequently to profit or loss			
Exchange difference arising on translation of foreign operations		**(1,606)**	7,663
Total comprehensive income for the period		**83,939**	74,774
Profit for the period attributable to:			
Owners of the Company		**81,643**	62,740
Non-controlling interests		**3,902**	4,371
		85,545	67,111
Total comprehensive income for the period attributable to:			
Owners of the Company		**80,133**	69,809
Non-controlling interests		**3,806**	4,965
		83,939	74,774
Earnings per share	*7*		
– Basic		**HK5.44 cents**	HK4.18 cents
– Diluted		**HK5.44 cents**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2014

	NOTES	At 30 June 2014 HK$'000 (unaudited)	At 31 December 2013 HK$'000 (audited)
NON-CURRENT ASSETS			
Investment properties		**34,282**	28,830
Property, plant and equipment		**196,742**	202,241
Prepaid lease payments		**23,857**	24,258
Deposits paid for acquisition of property, plant and equipment		**14,685**	17,415
Rental deposits		**17,976**	17,657
Deferred tax assets		**15,690**	16,143
		303,232	306,544
CURRENT ASSETS			
Inventories		**413,411**	346,037
Prepaid lease payments		**605**	608
Trade and other receivables	*8*	**550,465**	508,519
Bills receivables	*9*	**16,114**	14,809
Amounts due from related parties		**–**	31,532
Tax recoverable		**7,961**	–
Pledged bank deposits		**14,056**	14,916
Structured bank deposits		**39,029**	40,452
Bank balances and cash		**102,720**	165,248
		1,144,361	1,122,121
CURRENT LIABILITIES			
Trade and other payables	*10*	**375,925**	328,538
Bills payables	*11*	**61,679**	113,547
Dividend payable		**–**	60,000
Amounts due to related parties		**–**	77,302
Taxation payable		**97,992**	102,557
Bank borrowings		**241,848**	162,532
		777,444	844,476
NET CURRENT ASSETS		**366,917**	277,645
TOTAL ASSETS LESS CURRENT LIABILITIES		**670,149**	584,189
NON-CURRENT LIABILITY			
Deferred tax liabilities		**9,389**	8,933
		9,389	8,933
NET ASSETS		**660,760**	575,256

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – continued
AT 30 JUNE 2014

	At 30 June 2014 *HK$'000* (unaudited)	At 31 December 2013 *HK$'000* (audited)
CAPITAL AND RESERVES		
Share capital	**5**	5
Reserves	**621,964**	540,266
Equity attributable to owners of the Company	**621,969**	540,271
Non-controlling interests	**38,791**	34,985
TOTAL EQUITY	**660,760**	575,256

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

1. GENERAL AND BASIS OF PREPARATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 5 June 2012. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 10 July 2014. Its immediate holding company is Sinomax Enterprises Limited ("**Sinomax Enterprises**"), a company incorporated in the British Virgin Island (the "**BVI**") which is currently legally owned as to 50%, 16.67%, 16.67% and 16.67% by Chi Fan Holding Limited, Wing Yiu Investments Limited, The James' Family Holding Limited and Venture Win Holdings Limited, respectively, and beneficially owned in the same proportion by The Frankie Trust, The Cheung's Family Trust, The James' Family Trust and The Feng Chen's Family Trust, respectively.

The address of the registered office and the principal place of business of the Company are P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands and Units 2005-2007, Level 20 Tower 1, MegaBox Enterprise Square Five, 38 Wang Chiu Road, Kowloon Bay, Hong Kong, respectively.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are manufacture and sale of health and household products and polyurethane foam.

The condensed consolidated financial statements is presented in Hong Kong dollar ("**HK$**"), which is also the functional currency of the Company.

Prior to a group reorganisation, the Company and its present subsidiaries were ultimately controlled by the then shareholders of Sinomax Enterprises (the "**Individual Shareholders**"). Except for Trade Sincere Limited ("**Trade Sincere**") and its subsidiaries, Sinomax Kuka (Zhejiang) Foam Co. Limited ("**Sinomax Kuka**") and Haining Sinomax Trading Co., Ltd. ("**Haining Sinomax**"), the companies now comprising the Group were beneficially and wholly owned by the Individual Shareholders. Sinomax Kuka is a 60% owned subsidiary of Trade Sincere. Trade Sincere is owned by a company beneficially owned by the Individual Shareholders collectively and a non-controlling shareholder as to 85% and 15% equity interests, respectively. Sinomax Kuka established Haining Sinomax as its wholly owned subsidiary in December 2012.

In the preparation for the listing of the Company's shares on the Stock Exchange, the companies now comprising the Group underwent a group reorganisation. On 31 July 2013, the group reorganisation was completed by interspersing the Company and its wholly owned subsidiary, Treasure Range Holdings Limited, between the Individual Shareholders and the remaining companies now comprising the Group. Part of the group reorganisation also involved business combinations under common control and these combinations are accounted for under merger accounting.

The condensed consolidated statement of profit or loss and other comprehensive income which include the financial results of the companies now comprising the Group for the six months ended 30 June 2013 have been prepared as if the Company had always been the holding company of the Group.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies applied and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Company's accountants' report as set out in the prospectus of the Company dated 30 June 2014 for the three years ended 31 December 2011, 2012 and 2013.

2. PRINCIPAL ACCOUNTING POLICIES – continued

(i) Application of new accounting policy in respect of equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When the share options are exercised, the amount previously recognised in the share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits.

(ii) Application of a new Interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied, for the first time, a new Interpretation and certain amendments to HKFRSs issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the above new Interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the business of manufacture and sale of health and household products and polyurethane foam. Health and household products mainly represent quality visco-elastic pillows, mattress toppers and mattresses.

The Group mainly sells its visco-elastic products on a wholesale basis primarily to retailers in the United States of America (the "**US**"), who typically resell the products to consumers through their own country-wide retail networks. The products are sold under own, licensed or third-party brands.

The Group also sells its products under "SINOMAX" brand through its retail network comprising stand-alone retail shops and concession counters in department stores in the People's Republic of China (the "**PRC**") (other than Hong Kong and Macau), Hong Kong and Macau. In addition to the retail network, the Group also conducts direct sales to corporates and financial institutions in Hong Kong and the PRC, and maintains online sales.

As a separate business line, the Group also supplies quality polyurethane foam tailored to customers' specific needs and requirements under "Tung Ah" (東亞) brand primarily to furniture manufacturers in the PRC on a wholesale basis.

Taking into account the different types of products, the Group's operating segments, based on information reported to the chief operating decision maker ("**CODM**") (i.e. the executive directors of the Company) for the purposes of resource allocation and performance assessment, are as follows:

Export sales	–	wholesales of products to overseas customers;
Retail and corporate sales	–	sales of products through self-operated retail network, third-party distributors, direct sales to corporates and other customers and e-commerce sales channel; and
Polyurethane foam sales	–	wholesales of polyurethane foam to furniture manufacturers in the PRC.

3. REVENUE AND SEGMENT INFORMATION – continued

These operating segments also represent the Group's reportable segments.

The accounting policies of the operating segments are the same as the Group's accounting policies.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating segments:

For the six months ended 30 June 2014

	Export sales	**Retail and corporate sales**	**Polyurethane foam sales**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT REVENUE				
External sales	**625,495**	**189,829**	**417,941**	**1,233,265**
Segment profit	**156,197**	**40,896**	**39,970**	**237,063**
Unallocated other income				**16,835**
Unallocated costs and expenses				**(147,638)**
Profit before taxation				**106,260**

For the six months ended 30 June 2013

	Export sales	Retail and corporate sales	Polyurethane foam sales	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT REVENUE				
External sales	535,965	127,432	349,062	1,012,459
Segment profit	133,705	14,919	37,420	186,044
Unallocated other income				11,112
Unallocated costs and expenses				(104,172)
Profit before taxation				92,984

There were no inter-segment sales during both periods.

In the preparation of the segment profit, certain other income items, costs of goods sold and expenses are unallocated and not included in the profit earned by each segment. Unallocated costs and expenses mainly represent unallocated costs of goods sold (representing manufacturing overhead attributable to manufacturing process undertaken in certain of the subsidiaries and allowance made for inventories), unallocated selling and distribution costs, corporate and headquarter expenses and other expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

No further analysis is presented for certain amounts included or excluded in the measure of segment profit or loss and segment assets and liabilities as the information are not regularly provided to the CODM for review.

4. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax *(Note i)*	**2,888**	6,708
PRC Enterprise Income Tax ("**EIT**") *(Note ii)*	**13,505**	21,736
US income tax *(Note iii)*	**3,054**	4,560
	19,447	33,004
(Over)/under provision in prior years		
PRC EIT	**(97)**	(34)
US income tax	**470**	–
	373	(34)
Deferred taxation	**895**	(7,097)
	20,715	25,873

Notes:

(i) Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the period.

(ii) PRC

PRC EIT is calculated based on the statutory rate of 25% of the assessable profit for those subsidiaries established in the PRC for both periods.

(iii) US

The US income tax includes (a) federal income tax calculated at 34% on the estimated US federal taxable income and (b) state income tax calculated at various state income tax rates on the estimated state taxable income for both periods. The income subject to tax in a specific state (i.e. state taxable income) is calculated from adjusting the federal taxable income with state modifications and apportionment (i.e. percentage of taxable income that should be allocated to each state in which the Group operates in).

(iv) Macau

Under Decree-Law no. 58/99/M, the Group's Macau subsidiary incorporated under the Decree-Law, is exempted from Macau Complementary tax as it satisfies the relevant conditions as specified in the Decree-Law, one of which being that it does not sell its products to any Macau resident company during the reporting period.

The Hong Kong Inland Revenue Department (the "**IRD**") commenced a tax audit on certain subsidiaries of the Group in prior period. The IRD has issued estimated profits tax assessments of HK$14,100,000, HK$24,000,000 and HK$26,725,000 to the Group relating to the years of assessment 2005/06, 2006/07 and 2007/08 for the financial years ended 31 December 2005, 2006 and 2007, respectively. The Group has lodged objection with the IRD against the assessments and the IRD agreed that the relevant subsidiaries can completely holdover all the tax demanded for the said years of assessment, except for amounts of HK$175,000 and HK$2,275,000 which were required to be paid by one of the subsidiaries concerned for the years of assessment 2006/07 and 2007/08 respectively for which the relevant amounts were settled by the Group in prior period.

4. **INCOME TAX EXPENSES – continued**

The Group has provided various information and supporting documents to address the enquiries raised by the IRD and to defend its tax position (i.e. offshore claim in relation to certain of its profits, as well as the tax deductibility of various expenses). The IRD is still in the process of reviewing the case and has not expressed any formal opinion on the potential tax liability.

In the opinion of the directors of the Company and based on their best estimate, the Group has made adequate provisions for Hong Kong Profits Tax and related potential penalty and/or interest for the tax audit as at 31 December 2013 and 30 June 2014.

5. **PROFIT FOR THE PERIOD**

	For the six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging:		
Total staff costs, including share option expenses (included in selling and distribution expenses and administrative expenses)	**125,254**	103,143
(Reversal of) allowance for inventories (included in cost of sales)	**(6,374)**	9,021
(Reversal of) allowance for trade receivables (included in other gains and losses)	**(6,100)**	3,144
Exchange losses (gains)	**2,011**	(4,112)
Amortisation of prepaid lease payments	**301**	396
Depreciation of property, plant and equipment	**10,453**	8,419
Depreciation of investment properties	**658**	836
Listing expenses (included in other expenses)	**2,392**	5,388

6. **DIVIDEND**

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK1.0 cent per share (interim dividend for 2013: nil) will be paid to shareholders of the Company (the "**Shareholders**") whose names appear in the Company's register of member as at the close of business on 17 September 2014.

7. **EARNINGS PER SHARE**

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	For the six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the period attributable to owners of the Company	**81,643**	62,740

7. EARNINGS PER SHARE – continued

	For the six months ended 30 June	
	2014	2013
	'000	*'000*
Number of shares:		
Number of ordinary shares for the purpose of basic and diluted earnings per share	**1,500,000**	1,500,000

The number of ordinary shares for the purpose of basic and diluted earnings per share for both periods has taken into account the shares issued pursuant to the group reorganisation as set out in note 1.

The impact of the outstanding share options on diluted earnings per share for the six months ended 30 June 2014 is insignificant.

No diluted earnings per share was presented for the period ended 30 June 2013 as there was no potential ordinary share outstanding during that period.

8. TRADE AND OTHER RECEIVABLES

	At 30 June 2014	At 31 December 2013
	HK$'000	*HK$'000*
Trade receivables	**486,365**	441,456
Deposits, prepayments and other receivables	**64,100**	67,063
	550,465	508,519

The Group's online sales, retail sales at self-operated retail shops and sales through retailers in the PRC are transacted either by cash or credit cards. For retail sales made at concession counters for which the department stores collect cash from the ultimate customers and then repay the balance after deducting the concessionaire commission to the Group, the credit period granted to the department stores ranges from 30 days to 120 days. For sales to wholesalers, retailers and other manufacturers, the credit period ranges from 7 days to 90 days.

The aged analysis of the Group's trade receivables net of allowance for doubtful debts, presented based on the revenue recognition date at the end of the reporting period, is as follows:

	At 30 June 2014	At 31 December 2013
	HK$'000	*HK$'000*
Within 30 days	**220,420**	214,339
31 – 60 days	**117,519**	129,914
61 – 90 days	**62,668**	64,755
91 – 180 days	**70,609**	19,809
181 – 365 days	**13,118**	5,380
Over 365 days	**2,031**	7,259
	486,365	441,456

9. BILLS RECEIVABLES

The amount represents bills receivables on hand which are not yet due at the end of the reporting period. The management considers the default rate is low based on past experience as the Group seldom encounters default on bills receivables.

The following is an analysis of bills receivables at the end of the reporting period presented based on their time to maturity:

	At 30 June 2014	At 31 December 2013
	HK$'000	*HK$'000*
Within 30 days	**2,728**	3,534
31 to 60 days	**4,267**	5,557
61 to 90 days	**2,203**	4,197
91 to 180 days	**6,916**	1,385
181 to 365 days	**–**	136
	16,114	14,809

10. TRADE AND OTHER PAYABLES

	At 30 June 2014	At 31 December 2013
	HK$'000	*HK$'000*
Trade payables	**246,390**	196,518
Other payables and accrued expenses	**129,535**	132,020
	375,925	328,538

The aged analysis of the Group's trade payables presented based on the invoice date at the end of the reporting period, is as follows:

	At 30 June 2014	At 31 December 2013
	HK$'000	*HK$'000*
Within 30 days	**146,560**	136,604
31 to 60 days	**71,852**	52,118
61 to 90 days	**20,981**	3,020
91 to 180 days	**6,276**	1,438
Over 180 days	**721**	3,338
	246,390	196,518

11. BILLS PAYABLES

All the bills payables of the Group are not yet due at the end of the reporting period.

The following is an aged analysis of bills payables at the end of the reporting period:

	At 30 June 2014 *HK$'000*	At 31 December 2013 *HK$'000*
Within 30 days	**21,674**	38,342
31 – 60 days	**7,433**	44,422
61 – 90 days	**15,558**	10,438
91 – 180 days	**17,014**	20,345
	61,679	113,547

12. CONTINGENCIES AND COMMITMENTS

At the end of the reporting period, the Group had the following contingencies and commitments:

(i) Contingencies

As at 30 June 2014, certain subsidiaries of the Company had provided corporate guarantees to a bank to secure the banking facilities granted to a fellow subsidiary of the Company, and the utilisation of such facilities amounted to HK$32,785,000 (31 December 2013: HK$39,793,000). In the opinion of the directors of the Company, the fair value of such guarantees was insignificant and the guarantees were released on 10 July 2014.

(ii) Commitments

	At 30 June 2014 *HK$'000*	At 31 December 2013 *HK$'000*
Capital expenditure contracted for but not provided in respect of acquisition of property, plant and equipment	**13,459**	11,881

BUSINESS REVIEW

Revenue by operating segments

For the six months ended 30 June 2014 (the "**Period**"), revenue of the Group increased by approximately HK$220.8 million or 21.8% to approximately HK$1,233.3 million (six months ended 30 June 2013: approximately HK$1,012.5 million). All three operating segments of the Group's business, namely export sales, retails and corporate sales and polyurethane foam sales, recorded substantial revenue growth for the Period comparing with the corresponding period last year:

	For the six months ended 30 June		
	2014	2013	Changes
	HK$'000	*HK$'000*	*%*
Export sales	**625,495**	535,965	+16.7
Retail and corporate sales	**189,829**	127,432	+49.0
Polyurethane foam sales	**417,941**	349,062	+19.7
Total	**1,233,265**	1,012,459	+21.8

Export sales

The Group sells its visco-elastic products on a wholesale basis primarily to leading retailers in the US, who typically resell the products to consumers through their own country-wide retail networks. The products are sold under own, licensed or third-party brands.

During the Period, the main driver of the growth in revenue from export sales was the increase in product sales under own brands, namely "ComforZen" and "Dream Serenity", as well as under licensed brands. For the Period, revenue from export sales under own and licensed brands increased by approximately HK$89.5 million or 39.3% to approximately HK$317.4 million, comparing with approximately HK$227.9 million for the corresponding period last year, which contributed to approximately 54.8% of the Group's revenue from export sales during the Period (six months ended 30 June 2013: approximately 49.2%).

Retail and corporate sales

The Group sells its products under its "SINOMAX" brand through its retail network comprising stand-alone retail shops (the "**Sinomax Life Stores**") and concession counters in department stores in Hong Kong, the PRC and Macau. The Group also conducts direct sales to corporates and other customers in Hong Kong and the PRC, and maintain online sales.

The strong growth in revenue from retail and corporate sales was mainly driven by the increased sales of products under the Group's flagship brand "SINOMAX". During the Period, sales of "SINOMAX" branded products to two corporate customers amounted to approximately HK$58.8 million.

In terms of sales channel, the "Sinomax Life Stores" recorded a same-store sales growth of approximately 18.1% for the Period. However, same-store sales for concession counters in Hong Kong and the PRC experienced a slight drop of approximately 6.2% and 5.3% respectively for the Period. During the Period, the Group opened two new "Sinomax Life Stores" in Hong Kong and the PRC.

Polyurethane foam sales

The Group supplies quality polyurethane foam on a wholesale basis to furniture manufacturers in the PRC under the "Tung Ah" (東亞) brand.

Revenue from polyurethane foam sales increased by approximately HK$68.8 million or 19.7% (from approximately HK$349.1 million for the six months ended 30 June 2013 to approximately HK$417.9 million for the Period) as there was an increasing demand for high quality furniture and home accessories in the PRC market, thus driving the rise in demand for the Group's polyurethane foam products during the Period.

Gross profit

With an increase of approximately 21.8% in the Group's revenue, gross profit increased by approximately HK$53.9 million or 19.9% to approximately HK$325.3 million during the Period as compared to approximately HK$271.3 million for the corresponding period last year. The gross profit margin of approximately 26.4% for the Period was at a level similar to that for the corresponding period last year, i.e. approximately 26.8%.

Costs and expenses

Selling and distribution costs for the Period increased by approximately HK$32.2 million or 26.8% to approximately HK$152.5 million, as compared to approximately HK$120.3 million for the six months ended 30 June 2013. The increase was mainly due to increased staff costs and rental as a result of the newly opened "Sinomax Life Stores". In addition, the Group paid higher royalty fees to its licensors as a result of an increase in sales of products under licensed brands.

Administrative expenses for the Period increased by approximately HK$18.1 million or 34.5% to approximately HK$70.6 million, as compared to approximately HK$52.5 million for the six months ended 30 June 2013. The increase was mainly due to recognition of share option expenses under the Pre-IPO Share Option Scheme (as defined in the Prospectus) of approximately HK$1.6 million, increased in staff costs and staff benefit of approximately HK$9.6 million and increased in non-IPO related legal and professional expenses of approximately HK$1.4 million.

Other expenses mainly consisted of listing expenses and costs for research and development amounting to approximately HK$2.4 million and HK$6.4 million, respectively.

Profit for the Period

Profit for the Period increased by approximately HK$18.4 million or 27.5% to approximately HK$85.5 million, as compared to approximately HK$67.1 million for the six months ended 30 June 2013. If the one-off listing expenses of approximately HK$2.4 million and the share option expenses under the Pre-IPO Share Option Scheme of approximately HK$1.6 million were both excluded, profit for the Period would have been approximately HK$89.5 million.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The issued ordinary shares of the Company were listed on the Main Board of the Stock Exchange with effect from 10 July 2014 (the "**Listing Date**") with net proceeds received by the Group from the Global Offering (as defined in the Prospectus) amounted to approximately HK$127.1 million after deducting underwriting commissions and all related expenses. The Group has not yet utilized the net proceeds as at the date of this announcement. The unutilized net proceeds have been placed in deposits with banks in Hong Kong and the PRC.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The financial position of the Group was healthy as at 30 June 2014 and was further enhanced by the net proceeds received by the Company via the Global Offering. As at 30 June 2014, the Group has net current assets of approximately HK$366.9 million, as compared to approximately HK$277.6 million as at 31 December 2013.

Borrowings and pledge of assets

As at 30 June 2014, the Group had banking facilities amounting to approximately HK$874.9 million of which approximately HK$303.5 million was utilized (31 December 2013: banking facilities amounting to approximately HK$825.6 million of which approximately HK$276.1 million was utilized) (which amount includes bank borrowings and bills payables).

The bills payable of the Group was secured by bank deposits of HK$14.1 million (31 December 2013: approximately HK$14.9 million).

Capital expenditure

The Group's capital expenditure for the Period amounted to approximately HK$13.7 million mainly for the purchasing of the Group's plant and machinery.

Financial ratios

	As at	
	30 June 2014	31 December 2013
Current ratio[(1)]	**147.2%**	132.9%
Quick ratio[(2)]	**94.0%**	91.9%
Gearing ratio[(3)]	**36.6%**	28.3%
Debt to equity ratio[(4)]	**21.1%**	N/A

(1) Current ratio is equal to current assets divided by current liabilities.

(2) Quick ratio is equal to current assets less inventories and divided by current liabilities.

(3) Gearing ratio is derived by dividing interest-bearing debt incurred in the ordinary course of business by total equity.

(4) Debt to equity ratio is calculated by dividing net debt by total equity. Net debt is defined to include all borrowings net of cash and cash equivalents.

FOREIGN CURRENCY EXPOSURE

The Group carries on business mainly in Hong Kong, the PRC and the US. The Group is exposed to foreign exchange risk principally in Renminbi which can be largely offset by its revenue and expenditure in the PRC. The Group does not expect any appreciation or depreciation of the Hong Kong Dollar against Renminbi which could materially affect the Group's results on operations, and therefore no hedging instrument has been employed. The Group will closely monitor the trends of the Renminbi and take appropriate measures to deal with the foreign exchange exposure if necessary.

TREASURY POLICY AND MARKET RISKS

The Group has a treasury policy that aims to better control its treasury operations and lower borrowing cost. Such treasury policy requires the Group to maintain an adequate level of cash and cash equivalents, and sufficient available banking facilities to finance the Group's daily operations and to address short term funding needs. The Group reviews and evaluates its treasury policy from time to time to ensure its adequacy and effectiveness.

PROSPECTS

We have been very successful in developing the market in the US. In the near future, we plan to acquire or set up production facilities in the US, with which we will be able to provide products made in the US to capture different market segments in the country and also shorten the lead time between production and delivery and thus better serve our customers.

We offer a wide range of health and household products in Hong Kong, the PRC and Macau under our flagship brand "SINOMAX". We will further enhance brand management through various marketing activities to reinforce brand recognition and enhance the image of health, relaxation and comfort of our "SINOMAX" brand. We plan to promote our "SINOMAX" brand in the US as well, focusing on the middle to high-end retail markets.

During the Period, we opened two "Sinomax Life Stores" in Hong Kong and the PRC. We plan to open eight additional "Sinomax Life Stores" in Hong Kong and the PRC in the second half of 2014. We will also expand e-commerce sales channels to promote and distribute our products.

We plan to continue to grow our business by exploring attractive acquisitions and collaboration opportunities that are compatible with our business vision, though we currently do not have any such targets.

MATERIAL ACQUISITIONS AND DISPOSALS

During the Period, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group does not have other plans for material investments or capital assets.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

As the Company was not listed on the Stock Exchange during the six months ended 30 June 2014, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2014.

SUBSEQUENT EVENTS AFTER THE INTERIM PERIOD

On 4 March 2014, the Company has approved the issuance of 1,499,950,000 shares standing to the credit of the share premium of the Company conditional on the share premium account of the Company being credited as a result of the Global Offering ("**Capitalisation Issue**"). The Capitalisation Issue was completed on 9 July 2014.

In connection with the Global Offering, 150,000,000 shares with a nominal value of HK$0.10 each were issued at a price of HK$1.06 per share for a total cash consideration, before underwriting fees, commissions and related expenses, of approximately HK$159 million. Dealings in the shares of the Company on the Stock Exchange commenced on the Listing Date.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK1.0 cent per share (interim dividend for 2013: nil). The interim dividend will be distributed on 24 September 2014 to the Shareholders whose names appear on the Company's register of members as at the close of business on 17 September 2014.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members as at the close of business on 17 September 2014 will be eligible for the interim dividend. The transfer books and the register of members of the Company will be closed from 15 September 2014 to 17 September 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch registrar in Hong Kong, Tricor Investor Services Limited of Level 22 Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30pm on 12 September 2014.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2014, the employee headcount of the Group was 2,685 (30 June 2013: 2,739) and the total staff costs, including Directors' remuneration and share option expenses, amounted to approximately HK$125.3 million for the Period (six months ended 30 June 2013: approximately HK$103.1 million). The significant increase in staff cost was primarily due to salary increment, increase in social insurance contributions and housing provident fund and share option expenses.

The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to employees including housing and travel allowances depending on their grade and ranking within the Group. The Group also maintains medical insurance for the benefit of its employees. The Group conducts induction training for all of its new employees and on-going training from time to time during their employment. The nature of training offered depends on their specific field of operation. The Group also operates an employee incentive scheme pursuant to which rewards take the form of promotions, salary raises and monetary bonuses, and a share option scheme.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of its Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own code of corporate governance since the Listing Date.

The shares of the Company were listed on the Stock Exchange with effect from the Listing Date. As the Company was not a listed company during the six months ended 30 June 2014, the CG Code was not applicable to it during the Period. The CG Code has been applicable to the Company with effect from the Listing Date. The Board is of the view that the Company has met the code provisions set out in the CG Code from the Listing Date to the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") of Appendix 10 to the Listing Rules. As the Company was not listed on the Stock Exchange during the six months ended 30 June 2014, the provisions under the Listing Rules in relation to compliance with the Model Code by the Directors were not applicable to the Company for the Period but were applicable with effect from the Listing Date. In response to a specific enquiry by the Company, all Directors confirmed that they complied with the requirements of the Model Code since the Listing Date and up to the date of this announcement.

REVIEW OF INTERIM RESULTS

The audit committee has reviewed, with the management, the accounting principles and policies adopted by the Group, and discussed the unaudited condensed consolidated financial statements and interim results announcement of the Group for the six months ended 30 June 2014 and recommended its adoption by the Board.

In addition, the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2014 have been reviewed by the independent auditors of the Company, Messrs. Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

PUBLICATION OF THE INTERIM RESULTS AND 2014 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinomax.com/group), and the 2014 interim report containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

On behalf of the Board
Sinomax Group Limited
Lam Chi Fan
Chairman

Hong Kong, 28 August 2014

As at the date of this announcement, the Board comprises Lam Chi Fan, Cheung Tung, Chen Feng, Lam Kam Cheung and Lam Fei Man, as executive Directors; Wong Chi Keung, Professor Lam Sing Kwong Simon, Fan Chun Wah Andrew, Zhang Hwo Jie and Wu Tak Lung, as independent non-executive Directors.