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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

PERFORMANCE HIGHLIGHTS

- Revenue for FY2014 increased by approximately HK$313.9 million or 13.2% to approximately HK$2,683.4 million, as compared to approximately HK$2,369.5 million for FY2013.
- All three operating segments of the Group's business (export sales, retail and corporate sales and polyurethane foam sales) recorded substantial revenue growth for FY2014 comparing with FY2013.
- Gross profit increased by approximately HK$115.8 million or 18.7% to approximately HK$736.4 million for FY2014, as compared to approximately HK$620.6 million for FY2013.
- Profit for FY2014 increased by approximately HK$57.9 million or 39.9% to approximately HK$202.9 million, as compared to approximately HK$145.0 million for FY2013.
- The Board has resolved to propose a final dividend of HK2.5 cents per share.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Sinomax Group Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2014 ("**FY2014**" or the "**Reporting Period**"), together with the comparative figures for the previous financial year ended 31 December 2013 ("**FY2013**"), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	**2014** **HK$'000**	2013 *HK$'000*
Revenue	*3*	**2,683,408**	2,369,539
Cost of sales		**(1,947,024)**	(1,748,912)
Gross profit		**736,384**	620,627
Other income		**43,152**	27,882
Other gains and losses		**(3,673)**	(5,497)
Selling and distribution costs		**(331,756)**	(280,750)
Administrative expenses		**(155,519)**	(124,498)
Finance costs		**(8,779)**	(6,879)
Other expenses		**(32,942)**	(41,307)
Profit before taxation	*4*	**246,867**	189,578
Income tax expenses	*5*	**(43,920)**	(44,545)
Profit for the year		**202,947**	145,033
Other comprehensive income that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**571**	10,323
Total comprehensive income for the year		**203,518**	155,356
Profit for the year attributable to:			
Owners of the Company		**194,393**	135,761
Non-controlling interests		**8,554**	9,272
		202,947	145,033
Total comprehensive income for the year attributable to:			
Owners of the Company		**194,793**	145,261
Non-controlling interests		**8,725**	10,095
		203,518	155,356
Earnings per share	*7*		
– Basic		**HK12.37 cents**	HK9.05 cents
– Diluted		**HK12.35 cents**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2014

	NOTES	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Investment properties		**22,274**	28,830
Property, plant and equipment		**221,392**	202,241
Prepaid lease payments		**23,630**	24,258
Deposits paid for acquisition of property, plant and equipment		**7,791**	17,415
Rental deposits		**18,482**	17,657
Deferred tax assets		**18,230**	16,143
		311,799	306,544
CURRENT ASSETS			
Inventories		**398,050**	346,037
Prepaid lease payments		**607**	608
Trade and other receivables	*8*	**584,740**	508,519
Bills receivables	*9*	**10,422**	14,809
Amounts due from related parties		**–**	31,532
Tax recoverable		**6,426**	–
Pledged bank deposits		**14,786**	14,916
Fixed bank deposits		**15,156**	–
Structured bank deposits		**25,260**	40,452
Bank balances and cash		**254,020**	165,248
		1,309,467	1,122,121
CURRENT LIABILITIES			
Trade and other payables	*10*	**275,730**	328,538
Bills payables	*11*	**92,335**	113,547
Dividend payable		**–**	60,000
Amounts due to related parties		**–**	77,302
Taxation payable		**97,060**	102,557
Unsecured bank borrowings		**233,016**	162,532
		698,141	844,476
NET CURRENT ASSETS		**611,326**	277,645
TOTAL ASSETS LESS CURRENT LIABILITIES		**923,125**	584,189
NON-CURRENT LIABILITY			
Deferred tax liabilities		**10,012**	8,933
		10,012	8,933
NET ASSETS		**913,113**	575,256

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – continued
AT 31 DECEMBER 2014

	2014	2013
	HK$'000	*HK$'000*
CAPITAL AND RESERVES		
Share capital	**165,000**	5
Reserves	**711,320**	540,266
Equity attributable to owners of the Company	**876,320**	540,271
Non-controlling interests	**36,793**	34,985
TOTAL EQUITY	**913,113**	575,256

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 ultimate holding company is Sinomax Enterprises Limited ("**Sinomax Enterprises**"), a company incorporated in the British Virgin Islands (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 consolidated financial statements are presented in Hong Kong dollar ("**HK$**"), which is also the functional currency of the Company.

Basis of preparation

Prior to a group reorganisation, the Company and its current subsidiaries were ultimately controlled by the individual 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., Limited. ("**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 consolidated statement of profit or loss and other comprehensive income which include the financial results of the companies now comprising the Group for the year ended 31 December 2013 have been prepared as if the Company had always been the holding company of the Group.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs and the new Interpretation that are mandatorily effective for the current year

The Group has applied for the first time in the current year the following amendments to HKFRSs and a new Interpretation issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"):

Amendments to HKFRS 10, HKFRS 12 and HKFRS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of these amendments to HKFRSs and the new Interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New or revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 1	Disclosure Initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[5]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

[2] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

[3] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

[4] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

[5] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

[6] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

The directors of the Company anticipate that the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

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 (other than Hong Kong and Macau) (the "**PRC**"), Hong Kong and Macau. In addition to the retail network, the Group also conducts direct sales to corporates 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.

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 year ended 31 December 2014

	Export sales *HK$'000*	**Retail and corporate sales** *HK$'000*	**Polyurethane foam sales** *HK$'000*	**Consolidated** *HK$'000*
SEGMENT REVENUE				
External sales	**1,374,634**	**380,522**	**928,252**	**2,683,408**
Segment profit	**354,571**	**70,638**	**112,556**	**537,765**
Unallocated other income				**16,314**
Unallocated costs and expenses				**(307,212)**
Profit before taxation				**246,867**

3. REVENUE AND SEGMENT INFORMATION – continued

Segment revenues and results – continued

For the year ended 31 December 2013

	Export sales *HK$'000*	Retail and corporate sales *HK$'000*	Polyurethane foam sales *HK$'000*	Consolidated *HK$'000*
SEGMENT REVENUE				
External sales	1,254,223	284,057	831,259	2,369,539
Segment profit	264,653	52,123	111,354	428,130
Unallocated other income				26,212
Unallocated costs and expenses				(264,764)
Profit before taxation				189,578

There were no inter-segment sales during both years.

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 or segment assets and liabilities as the information are not regularly provided to the CODM for review.

Geographical information

Information about the Group's revenue from external customers is presented based on the location of the retail shops and concession counters for retail sales and location of customers for other sales.

	2014 ***HK$'000***	2013 *HK$'000*
The US	**1,280,811**	1,143,165
The PRC	**1,137,157**	986,202
Hong Kong	**164,403**	118,364
Macau	**7,406**	9,958
Europe	**47,594**	56,613
Other Asian countries	**19,780**	41,872
Other American countries	**22,828**	10,703
Others	**3,429**	2,662
	2,683,408	2,369,539

3. REVENUE AND SEGMENT INFORMATION – continued

Geographical information – continued

Information about the Group's non-current assets (excluding deferred tax assets) is presented based on the location of the assets:

	2014	2013
	HK$'000	*HK$'000*
The PRC	**264,464**	269,770
Hong Kong	**17,218**	14,596
The US	**9,211**	6,004
Macau	**2,676**	31
	293,569	290,401

Information about major customers:

An analysis of revenue from a customer in the segment of export sales contributing over 10% of the Group's total revenue during the years is as follows:

	2014	2013
	HK$'000	*HK$'000*
Customer A	**833,673**	685,344

4. PROFIT BEFORE TAXATION

	2014	2013
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Directors' remuneration	**16,066**	5,975
Other staff costs	**215,105**	203,152
Retirement benefit scheme contributions for other staff	**29,816**	17,928
Share based payment expenses, excluding those of directors	**3,125**	–
Total staff costs	**264,112**	227,055
Amortisation of prepaid lease payments	**603**	601
Depreciation of investment properties	**905**	1,446
Depreciation of property, plant and equipment	**25,980**	17,761
Total depreciation and amortisation	**27,488**	19,808
Operating lease rentals in respect of		
– rented premises	**27,847**	23,264
– retail stores (included in selling and distribution costs)	**15,582**	6,217
	43,429	29,481
Department store counters concessionaire commission (included in selling and distribution costs) *(Note a)*	**58,279**	61,994
	101,708	91,475
Auditor's remuneration	**2,200**	1,800
Reversal of allowance for inventories (included in cost of sales) *(Note b)*	**(5,120)**	(7,824)
Cost of inventories recognised as expenses (included in cost of sales)	**1,952,144**	1,756,736
Research and development expenses (included in other expenses) *(Note c)*	**16,038**	5,809
Listing expenses (included in other expenses)	**2,392**	20,812

4. PROFIT BEFORE TAXATION – continued

Notes:

(a) Concessionaire commission in respect of department store counters is generally calculated by applying pre-determined percentages to actual sales made through respective counters.

(b) The reversal of allowance for inventories for both years was mainly resulted from the utilisation of the inventories of which allowance had previously been provided.

(c) Research and development expenses comprised staff salaries of HK$5,862,000 (2013: HK$4,713,000), which were also included in the staff costs disclosed above.

5. INCOME TAX EXPENSES

	2014	2013
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax *(Note i)*	**2,119**	11,419
PRC Enterprise Income Tax (the "**EIT**") *(Note ii)*	**31,756**	29,544
US income tax *(Note iii)*	**9,666**	10,405
	43,541	51,368
(Over) under provision in prior years		
Hong Kong Profits Tax	**(157)**	(77)
PRC EIT	**1,429**	(48)
US income tax	**110**	443
	1,382	318
Deferred taxation	**(1,003)**	(7,141)
	43,920	44,545

Notes:

(i) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

The amounts include PRC withholding tax on distributed profits of a PRC subsidiary of HK$466,000 (2013: HK$1,357,000).

(iii) 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 years. 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) 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 both years.

5. INCOME TAX EXPENSES – continued

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$2,275,000 which were required to be paid during the year by one of the subsidiaries concerned for the year of assessment 2007/08 (2013: HK$175,000 paid for the year of assessment 2006/07).

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 2014 and 2013.

6. DIVIDENDS

	2014 ***HK$'000***	2013 *HK$'000*
Interim, paid – HK1.0 cent per share for 2014 *(2013: Note a)*	**16,500**	60,000
Final, proposed – HK2.5 cents per share for 2014 *(Note b)* *(2013: nil)*	**41,250**	–
	57,750	60,000

Notes:

(a) An interim dividend with aggregate amount of HK$60,000,000 was declared to the then sole shareholder of the Company on 19 September 2013, the amount has been paid to the then shareholder in February 2014.

(b) Subsequent to the end of reporting period, a final dividend of HK2.5 cents per share in respect of the year ended 31 December 2014, amounting to approximately HK$41,250,000 has been proposed by the board of directors and is subject to approval by the shareholders in the forthcoming annual general meeting. The proposed final dividend is not recognised as a liability in these consolidated financial statements.

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:

	2014 ***HK$'000***	2013 *HK$'000*
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	**194,393**	135,761

	2014	2013
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,571,918,438**	1,500,000,000
Effect of dilutive potential ordinary shares in respect of outstanding share options	**2,015,487**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,573,933,925**	1,500,000,000

7. **EARNINGS PER SHARE – continued**

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

No diluted earnings per share was presented for the year ended 31 December 2013 as there was no potential ordinary share outstanding during that year.

8. **TRADE AND OTHER RECEIVABLES**

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**552,264**	473,589
Less: allowance for doubtful debts	**(28,316)**	(32,133)
	523,948	441,456
Other receivables		
Prepayments for purchase of raw materials and operating expenses	**33,137**	35,286
Other taxes recoverable	**15,766**	17,518
Others	**11,889**	14,259
	60,792	67,063
Total trade and other receivables	**584,740**	508,519

The Group's retail sales are made through its retail network comprising stand-alone retail shops and concession counters in department stores. The Group also sells the health and household products directly to overseas wholesalers and retailers and the polyurethane foam to furniture manufacturers in the PRC. Sales at self-operated retail shops and sales through retailers in the PRC are transacted either by cash or credit cards. For sales made at concession counters, 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 department stores ranges from 30 days to 120 days. For sales to wholesalers, retailers and other manufacturers, the Group generally allows a credit period ranging from 7 days to 90 days.

The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the revenue recognition date at the end of each reporting period.

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**244,454**	214,339
31 to 60 days	**133,808**	129,914
61 to 90 days	**52,783**	64,755
91 to 180 days	**49,513**	19,809
181 to 365 days	**35,126**	5,380
Over 365 days	**8,264**	7,259
	523,948	441,456

For sales to wholesalers, retailers and other manufacturers, before accepting any new customer, the Group will internally assess the potential customers' credit quality and define the credit limits based on results from investigation of historical credit records of these customers.

The management of the Group closely monitors the credit quality of trade receivables and considers the debts that are neither past due nor impaired to be of a good credit quality. Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no history of default.

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 aged analysis of bills receivables based on their time to maturity as at the respective reporting dates.

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**1,253**	3,534
31 to 60 days	**255**	5,557
61 to 90 days	**2,237**	4,197
91 to 180 days	**6,046**	1,385
181 to 365 days	**631**	136
	10,422	14,809

10. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**130,691**	196,518
Deposits received from customers	**6,441**	11,763
Accrued expenses/provision for expenses	**92,949**	81,139
Accrued listing expenses	**–**	7,354
Other taxes payable	**17,068**	18,622
Amount due to a non-controlling shareholder of a subsidiary *(Note)*	**6,543**	6,543
Others	**22,038**	6,599
	145,039	132,020
Total trade and other payables	**275,730**	328,538

Note: The amount was unsecured, interest-free and repayable on demand.

The credit period of trade payables is from 30 to 60 days.

The following is an aged analysis of trade payables based on the invoice date at the end of each reporting period.

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**75,329**	136,604
31 to 60 days	**50,342**	52,118
61 to 90 days	**1,120**	3,020
91 to 180 days	**1,568**	1,438
Over 180 days	**2,332**	3,338
	130,691	196,518

11. BILLS PAYABLES

All the bills payables of the Group are not yet due at the end of each reporting period. Bills payables as at 31 December 2014 were secured by pledged bank deposits of HK$14,786,000 (2013: HK$14,916,000).

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

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**34,724**	38,342
31 – 60 days	**19,014**	44,422
61 – 90 days	**12,624**	10,438
91 – 180 days	**22,057**	20,345
Over 180 days	**3,916**	–
	92,335	113,547

12. COMMITMENTS

	2014	2013
	HK$'000	*HK$'000*
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**7,075**	11,881

13. CONTINGENT LIABILITIES

As at 31 December 2013, 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$39,793,000. In the opinion of the directors of the Company, the fair value of such guarantees was insignificant. The guarantees were released on 10 July 2014.

BUSINESS REVIEW

Revenue by operating segments

During FY2014, revenue of the Group increased by approximately HK$313.9 million or 13.2% to approximately HK$2,683.4 million (FY2013: approximately HK$2,369.5 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 Reporting Period comparing with FY2013:

	For the year ended 31 December		
	2014	2013	Changes
	HK$'000	*HK$'000*	*%*
Export sales	**1,374,634**	1,254,223	+9.6
Retail and corporate sales	**380,522**	284,057	+34.0
Polyurethane foam sales	**928,252**	831,259	+11.7
Total	**2,683,408**	2,369,539	+13.2

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 Reporting 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 Reporting Period, revenue from export sales under own and licensed brands increased by approximately HK$417.9 million or 69.3% to approximately HK$1,021.1 million, comparing with approximately HK$603.2 million for FY2013, which contributed to approximately 74.3% of the Group's revenue from export sales during the Reporting Period (FY2013: approximately 48.1%).

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 Reporting Period, sales of "SINOMAX" branded products to three corporate customers amounted to approximately HK$83.5 million.

In terms of sales channel, Sinomax Life Stores recorded a same-store sales growth of approximately 5.0% for the Reporting Period. However, same-store sales for concession counters in Hong Kong and the PRC experienced a slight drop of approximately 2.0% and 5.3% respectively for the Reporting Period. During the Reporting Period, the Group opened ten 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$97.0 million or 11.7% from approximately HK$831.3 million for FY2013 to approximately HK$928.3 million for the Reporting Period due to 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 during the Reporting Period.

Gross profit

With an increase of approximately 13.2% in the Group's revenue, gross profit increased by approximately HK$115.8 million or 18.7% to approximately HK$736.4 million during the Reporting Period as compared to approximately HK$620.6 million for FY2013.

The gross profit margin of the Group was approximately 27.4% for the Reporting Period, compared to approximately 26.2% for FY2013. The increase in gross profit margin was mainly attributable to the increased sales of the Group's own branded and licensed products as well as our retail and corporate sales which had a higher profit margin.

Costs and expenses

Selling and distribution costs for the Reporting Period increased by approximately HK$51.0 million or 18.2% to approximately HK$331.8 million, as compared to approximately HK$280.8 million for FY2013. 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 licensed brands products.

Administrative expenses for the Reporting Period increased by approximately HK$31.0 million or 24.9% to approximately HK$155.5 million, as compared to approximately HK$124.5 million for FY2013. The increase was mainly due to recognition of share option expenses under the Pre-IPO Share Option Scheme (as defined in the prospectus of the Company dated 30 June 2014 (the "**Prospectus**")) of approximately HK$7.4 million and increase in staff costs and staff benefit (excluding share option expenses) of approximately HK$16.7 million.

Other expenses for the Reporting Period mainly consisted of listing expenses and research and development expenses amounting to approximately HK$2.4 million and HK$16.0 million, respectively.

Profit for the year

Profit for the Reporting Period increased by approximately HK$57.9 million or 39.9% to approximately HK$202.9 million, as compared to approximately HK$145.0 million for FY2013. 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$7.4 million were both excluded, profit for the Reporting Period would have been approximately HK$212.7 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 on 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 utilized approximately HK$20.6 million of the net proceeds as at 31 December 2014. The unutilized net proceeds have been placed in deposits with banks in Hong Kong and the PRC.

Use of proceeds	Net proceeds *HK$ million*	Utilized up to 31 December 2014 *HK$ million*	Unutilized as of 31 December 2014 *HK$ million*
1. Brand building and promotion from 2014 to 2016	34.3	5.6	28.7
2. Strategic acquisitions and business opportunities	35.6	–	35.6
3. Expanding the distribution network of the Group and diversifying sales channels	15.3	5.8	9.5
4. Upgrading or acquisition of production equipment and building new production facilities and warehouse in Dongguan and Jiashan	17.8	5.4	12.4
5. Acquiring or setting up production facilities in the US	7.6	–	7.6
6. Expenses in design, research and development from 2014 to 2016	3.8	3.8	–
7. General working capital	12.7	–	12.7
	127.1	20.6	106.5

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The financial position of the Group was healthy as at 31 December 2014 and was further enhanced by the net proceeds received by the Company from the Global Offering. As at 31 December 2014, the Group has net current assets of approximately HK$611.3 million, as compared to approximately HK$277.6 million as at 31 December 2013.

Borrowings and pledge of assets

As at 31 December 2014, the Group had banking facilities amounted to approximately HK$1,011.7 million of which approximately HK$325.4 million was utilized (31 December 2013: banking facilities amounted to approximately HK$825.6 million of which approximately HK$276.1 million was utilized) (which amount includes bank borrowings and bills payables).

As at 31 December 2014, the bills payable of the Group was secured by bank deposits of HK$14.8 million (31 December 2013: approximately HK$14.9 million).

Capital expenditure

The Group's capital expenditure for the Reporting Period amounted to approximately HK$39.6 million mainly for the purchasing of the Group's plant and machinery.

Financial ratios

	As at	
	31 December 2014	31 December 2013
Current ratio(1)	**187.6%**	132.9%
Quick ratio(2)	**130.5%**	91.9%
Gearing ratio(3)	**25.5%**	28.3%
Debt to equity ratio(4)	**N/A**	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

The Group has been successful in developing its business in the US market. In the near future, the Group plans to acquire or set up production facilities in the US, with which it 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 its customers.

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

During the Reporting Period, ten Sinomax Life Stores were opened in Hong Kong and the PRC. During FY2014, e-commerce sales of the Group recorded a substantial growth of HK$12.4 million or 169.9% to approximately HK$19.7 million, as compared to approximately HK$7.3 million for FY2013. The Group will continue to expand more e-commerce sales channel to promote its products and continue to develop more new products for e-commerce in the coming years.

The Group plans to continue to grow its business by exploring attractive acquisitions and collaboration opportunities that are compatible with its business vision. As announced on 23 January 2015, the Group entered into an agreement to acquire Shanghai Luen Tai Polyurethane Co., Ltd.* (上海聯大海綿有限公司) ("**Shanghai Luen Tai**"). Details of the acquisition is set out in the paragraph headed "Events after the Reporting Period" below.

MATERIAL ACQUISITIONS AND DISPOSALS

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at the date of this announcement, the Group does not have other plans for material investments or capital assets.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities from the Listing Date to 31 December 2014.

EVENTS AFTER THE REPORTING PERIOD

On 23 January 2015, an indirect wholly-owned subsidiary of the Company entered into an acquisition agreement (the "**Acquisition Agreement**") with Mil-ton Company Limited ("**Mil-ton**"), a company incorporated in Hong Kong with limited liability and wholly owned by a connected person of the Company, and Chori Co., Ltd. ("**Chori**"), an independent third party incorporated in Japan with limited liability whose shares are listed on the Tokyo Stock Exchange. Pursuant to the Acquisition Agreement, the Group conditionally agreed to acquire from Mit-ton and Chori 60% and 40% equity interest in Shanghai Luen Tai respectively. Shanghai Luen Tai is a company established in the PRC with limited liability and is principally engaged in the processing, manufacturing and sales of polyurethane foam and products including mattress, sofa and pillows. The aggregate cash consideration of the acquisition was RMB35.0 million (equivalent to approximately HK$43.8 million), of which RMB21.0 million (equivalent to approximately HK$26.3 million) was payable to Mil-ton and RMB14 million (equivalent to approximately HK$17.5 million) was payable to Chori, respectively.

At the extraordinary general meeting of the Company held on 6 March 2015, the acquisition of Shanghai Luen Tai was approved by the independent shareholders of the Company. Going forward, the Group will continue to look for other strategic acquisition and business opportunities. The acquisition has not been completed before these consolidated financial statements of the Group are authorised for issuance. The net asset value of Shanghai Luen Tai as at 31 December 2013, based on the carrying amounts of the assets and liabilities recorded in the audited financial statements prepared in accordance with the PRC generally accepted accounting principles, is approximately RMB37.1 million. The Directors are in the progress of assessing the fair value of assets and liabilities of Shanghai Luen Tai being acquired by the Group at the completion date.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2014, the employee headcount of the Group was 2,582 (31 December 2013: 2,867) and the total staff costs, including Directors' remuneration and share option expenses, amounted to approximately HK$264.1 million for the Reporting Period (FY2013: approximately HK$227.1 million). The significant increase in staff costs 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 has adopted a share option scheme and also operates an employee incentive scheme pursuant to which rewards take the form of promotions, salary raises and monetary bonuses.

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. The CG Code has been applicable to the Company with effect from the Listing Date. The Company had met the applicable code provisions set out in the CG Code from the Listing Date to 31 December 2014.

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**") in Appendix 10 to the Listing Rules. The provisions under the Listing Rules in relation to compliance with the Model Code by the Directors were applicable to the Company with effect from the Listing Date. In response to a specific enquiry by the Company, all Directors confirmed that they had complied with the requirements of the Model Code since the Listing Date up to 31 December 2014.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed, with the management, the accounting principles and policies adopted by the Group, and discussed the audited consolidated financial statements and annual results announcement of the Group for FY2014 and recommended its adoption by the Board.

PROPOSED FINAL DIVIDEND

The Board has proposed the payment of a final dividend of HK2.5 cents per ordinary share amounting to a total dividend of approximately HK$41.3 million for FY2014 (FY2013: nil). The financial statements do not reflect the dividend payable. The proposed final dividend is subject to approval by the Company's shareholders at the forthcoming annual general meeting (the "**AGM**") to be held on 11 June 2015. If the resolution for the proposed final dividend is passed at the AGM, the proposed final dividend will be payable on 3 July 2015.

CLOSURE OF REGISTER OF MEMBERS FOR THE AGM

The register of members of the Company will be closed from 9 June 2015 to 11 June 2015, both days inclusive. During this period, no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, 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, at Level 22 Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30pm on 8 June 2015.

CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDEND

Following the approval of the proposed final dividend at the AGM, the register of members of the Company will be closed from 19 June 2015 to 23 June 2015, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final dividends, 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, at Level 22 Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30pm on 18 June 2015.

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

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinomax.com/group), and the 2014 annual 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, 16 March 2015

* *The English name of the company is for identification purpose only.*

As at the date of this announcement, the Executive Directors of the Company 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 of the Company are Mr. Wong Chi Keung, Professor Lam Sing Kwong Simon, Mr. Fan Chun Wah Andrew, Mr. Zhang Hwo Jie and Mr. Wu Tak Lung.