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 2015 INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

PERFORMANCE HIGHLIGHTS

- Revenue for the six months ended 30 June 2015 increased by approximately HK$145.3 million or 11.8% to approximately HK$1,378.6 million, as compared to approximately HK$1,233.3 million for the corresponding period last year.
- Retails and corporate sales and polyurethane foam sales continued to record substantial revenue growth for the six months ended 30 June 2015.
- Gross profit increased by approximately HK$67.8 million or 20.8% to approximately HK$393.0 million for the six months ended 30 June 2015, as compared to approximately HK$325.3 million for the corresponding period last year.
- Profit for the six months ended 30 June 2015 increased by approximately HK$12.9 million or 15.1% to approximately HK$98.5 million, as compared to approximately HK$85.5 million for the corresponding period last year.
- The Board has resolved to declare an interim dividend of HK1.5 cents (2014 interim dividend: HK1.0 cent) per share.

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 2015, together with the comparative figures for the corresponding period in 2014, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2015

		For the six months ended 30 June	
		2015	2014
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**1,378,590**	1,233,265
Cost of sales		**(985,557)**	(908,011)
Gross profit		**393,033**	325,254
Other income		**21,254**	19,284
Other gains and losses		**(2,549)**	4,167
Selling and distribution costs		**(171,210)**	(152,516)
Administrative expenses		**(72,493)**	(70,626)
Finance costs		**(4,290)**	(4,037)
Other expenses		**(34,387)**	(15,266)
Profit before taxation		**129,358**	106,260
Income tax expenses	*4*	**(30,901)**	(20,715)
Profit for the period	*5*	**98,457**	85,545
Other comprehensive income (expenses) that may be reclassified subsequently to profit or loss			
Exchange difference arising on translation of foreign operations		**13**	(1,606)
Total comprehensive income for the period		**98,470**	83,939
Profit for the period attributable to:			
Owners of the Company		**94,555**	81,643
Non-controlling interests		**3,902**	3,902
		98,457	85,545

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME — continued
FOR THE SIX MONTHS ENDED 30 JUNE 2015

		For the six months ended 30 June	
		2015	2014
	NOTE	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Total comprehensive income for the period attributable to:			
Owners of the Company		**94,596**	80,133
Non-controlling interests		**3,874**	3,806
		98,470	83,939
Earnings per share	*7*		
— Basic		**HK5.65 cents**	HK5.44 cents
— Diluted		**HK5.65 cents**	HK5.44 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2015

	NOTES	At 30 June 2015 HK$'000 (unaudited)	At 31 December 2014 HK$'000 (audited)
NON-CURRENT ASSETS			
Goodwill		**2,712**	–
Investment properties		**30,767**	22,274
Property, plant and equipment		**217,391**	221,392
Prepaid lease payments		**23,281**	23,630
Deposits paid for acquisition of property, plant and equipment		**13,034**	7,791
Rental deposits		**19,238**	18,482
Deferred tax assets		**21,086**	18,230
		327,509	311,799
CURRENT ASSETS			
Inventories		**385,118**	398,050
Prepaid lease payments		**607**	607
Trade and other receivables	*8*	**679,990**	584,740
Bills receivables	*9*	**14,921**	10,422
Tax recoverable		**16,015**	6,426
Pledged bank deposits		**15,862**	14,786
Fixed bank deposits		**15,127**	15,156
Structured bank deposits		**68,073**	25,260
Bank balances and cash		**441,698**	254,020
		1,637,411	1,309,467
CURRENT LIABILITIES			
Trade and other payables	*10*	**411,636**	275,730
Bills payables	*11*	**76,278**	92,335
Dividend payable		**43,750**	–
Taxation payable		**119,196**	97,060
Unsecured bank borrowings		**233,134**	233,016
		883,994	698,141
NET CURRENT ASSETS		**753,417**	611,326
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,080,926**	923,125
NON-CURRENT LIABILITY			
Deferred tax liabilities		**10,532**	10,012
NET ASSETS		**1,070,394**	913,113

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION — continued

AT 30 JUNE 2015

	At 30 June 2015 HK$'000 (unaudited)	At 31 December 2014 HK$'000 (audited)
CAPITAL AND RESERVES		
Share capital	**175,000**	165,000
Reserves	**856,087**	711,320
Equity attributable to owners of the Company	**1,031,087**	876,320
Non-controlling interests	**39,307**	36,793
TOTAL EQUITY	**1,070,394**	913,113

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

1. BASIS OF PREPARATION

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 of Hong Kong Limited (the "**Listing Rules**") and with Hong Kong Accounting Standard ("**HKAS**") 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 2015 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2014.

(i) Application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

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

(ii) Application of new accounting policy in respect of business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

2. PRINCIPAL ACCOUNTING POLICIES — continued

(iii) Application of new accounting policy in respect of goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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 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.

3. **REVENUE AND SEGMENT INFORMATION — continued**

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 2015

	Export sales *HK$'000*	**Retail and corporate sales** *HK$'000*	**Polyurethane foam sales** *HK$'000*	**Consolidated** *HK$'000*
SEGMENT REVENUE				
External sales	**599,245**	**291,357**	**487,988**	**1,378,590**
Segment profit	**161,948**	**60,068**	**72,800**	**294,816**
Unallocated other income				**18,652**
Unallocated costs and expenses				**(184,110)**
Profit before taxation				**129,358**

For the six months ended 30 June 2014

	Export sales *HK$'000*	Retail and corporate sales *HK$'000*	Polyurethane foam sales *HK$'000*	Consolidated *HK$'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

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 or 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	
	2015	2014
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax *(Note i)*	**530**	2,888
PRC Enterprise Income Tax ("**EIT**") *(Note ii)*	**28,953**	13,505
US income tax *(Note iii)*	**2,492**	3,054
	31,975	19,447
Under(over)provision in prior years		
PRC EIT	**1,281**	(97)
US income tax	**–**	470
	1,281	373
Deferred taxation	**(2,355)**	895
	30,901	20,715

Notes:

(i) Hong Kong

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

(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.

4. INCOME TAX EXPENSES — continued

The Inland Revenue Department (the "**IRD**") commenced a tax audit on certain subsidiaries of the Company 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 amount was settled by the Group in prior years.

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 30 June 2015.

5. PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting):		
Total staff costs, including share option expenses (included in selling and distribution expenses and administrative expenses)	**131,738**	125,254
Allowance for (reversal of) inventories (included in cost of sales)	**2,188**	(6,374)
Allowance for (reversal of) trade receivables (included in other gains and losses)	**2,731**	(6,100)
Net exchange (gains) losses	**(87)**	2,011
Amortisation of prepaid lease payments	**299**	301
Depreciation of property, plant and equipment	**11,718**	10,453
Depreciation of investment properties	**752**	658
Listing expenses (included in other expenses)	**–**	2,392

6. DIVIDEND

	For the six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Final for 2014, declared, of HK2.5 cents (2014: nil) per share	**43,750**	–
Interim, proposed, of HK1.5 cents (2014: HK1.0 cent) per share	**26,250**	16,500
	70,000	16,500

Subsequent to the end of the current interim period, the Directors have determined that an interim dividend of HK1.5 cents (2014: HK1.0 cent) per share amounting to approximately HK$26,250,000 (2014: HK$16,500,000) in total will be paid to the shareholders of the Company (the "**Shareholders**") whose names appear on the Company's register of members on 11 September 2015.

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	
	2015	2014
	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	**94,555**	81,643

	For the six months ended 30 June	
	2015	2014
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,672,653,934**	1,500,000,000
Effect of dilutive potential ordinary shares in respect of outstanding share options	**1,957,433**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,674,611,367**	1,500,000,000

7. EARNINGS PER SHARE — continued

On 4 March 2014, the Company 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 of the shares of the Company ("**Capitalisation Issue**"). The Capitalisation Issue was completed on 9 July 2014.

The number of ordinary shares for the purpose of basic and diluted earnings per share for the periods ended 30 June 2014 had taken into account the shares issued pursuant to the Capitalisation Issue.

8. TRADE AND OTHER RECEIVABLES

	At 30 June 2015	At 31 December 2014
	HK$'000	*HK$'000*
Trade receivables	**578,259**	523,948
Deposits, prepayments and other receivables	**101,731**	60,792
	679,990	584,740

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 the Group's trade receivables, net of allowance for doubtful debts, presented based on the revenue recognition date at the end of each reporting period:

	At 30 June 2015	At 31 December 2014
	HK$'000	*HK$'000*
Within 30 days	**255,984**	244,454
31–60 days	**165,351**	133,808
61–90 days	**79,929**	52,783
91–180 days	**39,527**	49,513
181–365 days	**31,536**	35,126
Over 365 days	**5,932**	8,264
	578,259	523,948

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:

	At 30 June 2015 *HK$'000*	At 31 December 2014 *HK$'000*
Within 30 days	**858**	1,253
31 to 60 days	**3,091**	255
61 to 90 days	**1,644**	2,237
91 to 180 days	**9,202**	6,046
181 to 365 days	**126**	631
	14,921	10,422

10. TRADE AND OTHER PAYABLES

	At 30 June 2015 *HK$'000*	At 31 December 2014 *HK$'000*
Trade payables	**257,207**	130,691
Other payables and accrued expenses	**154,429**	145,039
	411,636	275,730

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

	At 30 June 2015 *HK$'000*	At 31 December 2014 *HK$'000*
Within 30 days	**155,602**	75,329
31 to 60 days	**85,898**	50,342
61 to 90 days	**9,627**	1,120
91 to 180 days	**2,166**	1,568
Over 180 days	**3,914**	2,332
	257,207	130,691

11. BILLS PAYABLES

All the bills payables of the Group are not yet due at the end of the reporting period. Bills payables as at 30 June 2015 were secured by pledged bank deposits of HK$15,862,000 (31 December 2014: HK$14,786,000).

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

	At 30 June 2015 *HK$'000*	At 31 December 2014 *HK$'000*
Within 30 days	**7,943**	34,724
31–60 days	**25,886**	19,014
61–90 days	**12,265**	12,624
91–180 days	**30,184**	22,057
Over 180 days	**–**	3,916
	76,278	92,335

12. COMMITMENT

At the end of the reporting period, the Group had the following commitment:

	At 30 June 2015 *HK$'000*	At 31 December 2014 *HK$'000*
Capital expenditure contracted for but not provided in respect of acquisition of property, plant and equipment	**24,080**	7,075

BUSINESS REVIEW

Revenue by operating segments

For the six months ended 30 June 2015 (the "**Period**"), revenue of the Group increased by approximately HK$145.3 million or 11.8% to approximately HK$1,378.6 million (for the six months ended 30 June 2014: approximately HK$1,233.3 million). Retails and corporate sales and polyurethane foam sales continued to record substantial revenue growth for the Period. However, export sales dropped for the Period comparing with the corresponding period last year:

	For the six months ended 30 June		
	2015	2014	Changes
	HK$'000	*HK$'000*	%
Export sales	**599,245**	625,495	–4.2
Retail and corporate sales	**291,357**	189,829	+53.5
Polyurethane foam sales	**487,988**	417,941	+16.8
Total	**1,378,590**	1,233,265	+11.8

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.

The Group has been successful in developing its business in the US market. However, the Group is facing strict US-only buying guidelines or retailer preferences for US made products which restrict our growth in the US market. During the Period, though there has been a slight increase in terms of quantity sold, export sales amount dropped by approximately HK$26.3 million or 4.2% to approximately HK$599.2 million (for the six months ended 30 June 2014: approximately HK$625.5 million).

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 operates 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, the Group has been successful in promoting our products to various corporate customers.

In terms of sales channel, same-store sales grew by approximately 3.9% for the Period. Same store sales for each of Sinomax Life Stores and concession counters grew by approximately 2.3% and 4.4% respectively for the Period. During the Period, the Group opened ten new Sinomax Life Stores in 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.

As announced on 23 January 2015 and approved by independent Shareholders on 6 March 2015, we acquired 100% equity interest of Shanghai Luen Tai Polyurethane Co. Ltd.* (上海聯大海綿有限公司) ("**Shanghai Luen Tai**") which contributed approximately RMB51.6 million (equivalent to approximately to HK$64.2 million) revenue and approximately RMB5.8 million (equivalent to approximately to HK$7.2 million) profit after tax to the Group since acquisition.

Revenue from polyurethane foam sales for the Period increased by approximately HK$70.0 million or 16.8% (from approximately HK$417.9 million for the six months ended 30 June 2014 to approximately HK$488.0 million for the Period) driven by the successful acquisition of Shanghai Luen Tai as well as the 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 11.8% in the Group's revenue, gross profit ("**GP**") increased by approximately HK$67.8 million or 20.8% to approximately HK$393.0 million during the Period as compared to approximately HK$325.3 million for the corresponding period last year. The GP margin increased by 2.1% from approximately 26.4% to 28.5% as compared with the corresponding period last year. For the Period, the cost of chemicals, which are the major components of the Group's product manufacturing cost, decreased by approximately 19.0% while on the other hand, the selling price decreased by approximately 15.5% as compared to the corresponding period last year. These factors led to an increase in GP margin for the Period. The increase in GP margin was, however, offset by a slightly increased in third party brands sales volume with a relatively lower GP margin.

Costs and expenses

Selling and distribution costs for the Period increased by approximately HK$18.7 million or 12.3% to approximately HK$171.2 million, as compared to approximately HK$152.5 million for the six months ended 30 June 2014. The increase was mainly due to increased staff costs and rental as a result of the newly opened "Sinomax Life Stores".

Administrative expenses for the Period increased by approximately HK$1.9 million or 2.6% to approximately HK$72.5 million, as compared to approximately HK$70.6 million for the six months ended 30 June 2014. The increase was mainly due to recognition of share option expenses under the Pre-IPO Share Option Scheme (as defined in the Company's prospectus dated 30 June 2014) of approximately HK$2.1 million (for the six months ended 30 June 2014: approximately HK$1.6 million) and increase in other general expenses.

Other expenses mainly consisted of research and development expenses which increased from approximately HK$6.4 million for the six months ended 30 June 2014 to approximately HK$23.2 million for the Period as the Group has put much more resources on improving and developing more foam features to meet increasing customers' needs.

Profit for the Period

Profit for the Period increased by approximately HK$12.9 million or 15.1% to approximately HK$98.5 million, as compared to approximately HK$85.5 million for the six months ended 30 June 2014.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The issued ordinary shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (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 fully 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.

Use of proceeds	Net proceeds *HK$ million*	Utilized up to 30 June 2015 *HK$ million*	Unutilized as of 30 June 2015 *HK$ million*
1. Brand building and promotion from 2014 to 2016	34.3	19.3	15.0
2. Strategic acquisitions and business opportunities	35.6	35.6	–
3. Expanding the distribution network of the Group and diversifying sales channels	15.3	8.9	6.4
4. Upgrading or acquisition of production equipment and building new production facilities and warehouse in Dongguan and Jiashan	17.8	12.7	5.1
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	80.3	46.8

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The financial position of the Group was healthy as at 30 June 2015 and was enhanced by the net proceeds received by the Company through the top-up placing of new shares completed during the Period (as disclosed under the heading of "Purchase, Sale or Redemption of the Company's Listed Securities" in this announcement below). As at 30 June 2015, the Group had net current assets of approximately HK$753.4 million, as compared to approximately HK$611.3 million as at 31 December 2014.

Borrowings and pledge of assets

As at 30 June 2015, the Group had banking facilities amounting to approximately HK$1,057.2 million of which approximately HK$309.4 million was utilized (31 December 2014: banking facilities amounting to approximately HK$1,011.7 million of which approximately HK$325.4 million was utilized) (which amount includes bank borrowings and bills payables).

The bills payables of the Group were secured by bank deposits of approximately HK$15.9 million (31 December 2014: approximately HK$14.8 million).

Capital expenditure

The Group's capital expenditure for the Period amounted to approximately HK$10.5 million mainly for the purchasing of the Group's plant and machinery.

Financial ratios

	As at 30 June 2015	As at 31 December 2014
Current ratio[(1)]	**185.2%**	187.6%
Quick ratio[(2)]	**141.7%**	130.5%
Gearing ratio[(3)]	**21.8%**	25.5%
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 the 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 at better controlling its treasury operations and lowering 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 demand for US made products is increasing. Currently, all of the Group's production facilities are located in the PRC. The Group has original equipment manufacturing purchases from the US manufacturers of approximately HK$70.8 million during the Period. To meet those increasing demand for US made products, the Group is going to set up a manufacturing facility in the US, which will use state-of-art technology and will have greater automation than current facilities in the PRC. With the set up of the new manufacturing facility, it is expected that the Group 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 setting up of the new manufacturing facility in the US will be subject to the entry into various contracts by the Group. The Board will make further disclosures on the progress of the establishment of such new manufacturing facility as and when appropriate.

The Group will continue to upgrade the machinery so as to improve the production efficiency and increase the competitiveness. The Group will also put more resources on research and development to develop more innovative products and to enhance its product features.

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 Period, ten Sinomax Life Stores were opened in the PRC. The Group will continue to promote its brands and products to corporate customers so as to attract more corporate sales. The Group is also expanding e-commerce sales channels to promote and distribute its products. During the Period, e-commerce sales of the Group recorded a substantial growth of approximately HK$5.0 million or 90.9% to approximately HK$10.5 million, as compared to approximately HK$5.5 million for the corresponding period last year. The Group will continue to expand more e-commerce sales channels to promote its products and continue to develop more new products for the e-commerce channels 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 disclosed under the heading of "Material Acquisitions and Disposals" in this announcement below, the Group acquired Shanghai Luen Tai during the Period.

Going forward, the Group will continue to look for other strategic acquisition and business opportunities.

MATERIAL ACQUISITIONS AND DISPOSALS

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, Inc.. Pursuant to the Acquisition Agreement, the Group conditionally agreed to acquire and Mil-ton and Chori conditionally agreed to sell respectively 60% and 40% of the equity interest in Shanghai Luen Tai, a company established in the PRC with limited liability and principally engages in the processing, manufacturing and sales of polyurethane foam and products including mattress, sofa and pillows. The cash consideration of the acquisition was RMB21,000,000 (equivalent to approximately HK$26,519,000) and RMB14,000,000 (equivalent to approximately HK$17,679,000), to Mil-ton and Chori, respectively. The acquisition was completed on 1 April 2015.

Acquisition-related costs amounting to HK$1,014,000 related to the above acquisition had been excluded from the cost of acquisition and had been recognised as an expense in the current period, included in "other expenses" in the condensed consolidated statement of profit or loss and other comprehensive income.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed under the heading of "Prospects" in this announcement above, the Group does not have other plans for material investments or capital assets.

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

The Company completed the placing and subscription of 100,000,000 shares on 21 May 2015. Please refer to the announcements of the Company dated 17 May 2015 and 21 May 2015 for further details.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK1.5 cents (2014 interim dividend: HK1.0 cent) per share. The interim dividend will be distributed on 17 September 2015 to the Shareholders whose names appear on the Company's register of members as at the close of business on 11 September 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 9 September 2015 to 11 September 2015, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the entitlement to the interim 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 4:30 pm on 8 September 2015.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2015, the employee headcount of the Group was 2,956 (30 June 2014: 2,685) and the total staff costs, including Directors' remuneration and share option expenses, amounted to approximately HK$131.7 million for the Period (for the six months ended 30 June 2014: approximately HK$125.3 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 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. During the Period, all the code provisions in the CG Code were met by the Company.

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 of the Listing Rules. The Company has made specific enquiry of all Directors and all Directors confirmed that they have complied with the required standards of the Model Code regarding Directors' securities transactions during the Period.

REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed, together with the management of the Group, 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 Period and recommended its adoption by the Board.

In addition, the unaudited condensed consolidated financial statements of the Group for the Period 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 2015 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement for the Period is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinomax.com/group), and the 2015 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, 21 August 2015

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

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.