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 2015

PERFORMANCE HIGHLIGHTS

- Revenue for the Reporting Period increased by approximately HK$186.4 million or 6.9% to approximately HK$2,869.8 million, as compared to approximately HK$2,683.4 million for FY2014.
- Retails and corporate sales and polyurethane foam sales continued to record substantial revenue growth for the Reporting Period comparing with FY2014.
- Gross profit for the Reporting Period increased by approximately HK$51.1 million or 6.9% to approximately HK$787.5 million, as compared to approximately HK$736.4 million for FY2014.
- Profit for the Reporting Period decreased by approximately HK$18.3 million or 9.0% to approximately HK$184.7 million, as compared to approximately HK$202.9 million for FY2014.
- The Board resolved to propose a final dividend of HK2.5 cents (2014 final dividend: 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 2015 (the "**Reporting Period**"), together with the comparative figures for the previous financial year ended 31 December 2014 ("**FY2014**"), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTES	2015 HK$'000	2014 HK$'000
Revenue	3	**2,869,846**	2,683,408
Cost of sales		**(2,082,370)**	(1,947,024)
Gross profit		**787,476**	736,384
Other income		**47,946**	43,152
Other gains and losses		**(11,229)**	(3,673)
Selling and distribution costs		**(342,416)**	(331,756)
Administrative expenses		**(162,565)**	(155,519)
Share of loss of an associate		**(7,924)**	–
Interest on bank borrowings		**(7,955)**	(8,779)
Other expenses		**(58,894)**	(32,942)
Profit before taxation	4	**244,439**	246,867
Income tax expenses	5	**(59,763)**	(43,920)
Profit for the year		**184,676**	202,947
Other comprehensive (expense) income that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**(28,069)**	571
Total comprehensive income for the year		**156,607**	203,518
Profit for the year attributable to:			
Owners of the Company		**172,674**	194,393
Non-controlling interests		**12,002**	8,554
		184,676	202,947
Total comprehensive income for the year attributable to:			
Owners of the Company		**146,381**	194,793
Non-controlling interests		**10,226**	8,725
		156,607	203,518
Earnings per share	7		
— Basic		**HK10.09 cents**	HK12.37 cents
— Diluted		**HK10.07 cents**	HK12.35 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2015

	NOTES	**2015** **HK$'000**	2014 *HK$'000*
NON-CURRENT ASSETS			
Investment properties		**28,676**	22,274
Property, plant and equipment		**211,904**	221,392
Prepaid lease payments		**21,989**	23,630
Deposits paid for acquisition of property, plant and equipment		**61,893**	7,791
Interests in an associate		**71,569**	–
Rental deposits		**19,764**	18,482
Deferred tax assets		**19,937**	18,230
		435,732	311,799
CURRENT ASSETS			
Inventories		**298,707**	398,050
Prepaid lease payments		**580**	607
Trade and other receivables	*8*	**613,406**	584,740
Bills receivables	*9*	**22,485**	10,422
Tax recoverable		**17,841**	6,426
Pledged bank deposits		**8,513**	14,786
Fixed bank deposits		**57,118**	15,156
Structured bank deposits		**26,539**	25,260
Bank balances and cash		**328,790**	254,020
		1,373,979	1,309,467
CURRENT LIABILITIES			
Trade and other payables	*10*	**367,557**	275,730
Bills payables	*11*	**59,493**	92,335
Taxation payable		**115,184**	97,060
Unsecured bank borrowings		**160,541**	233,016
		702,775	698,141
NET CURRENT ASSETS		**671,204**	611,326
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,106,936**	923,125

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — continued
AT 31 DECEMBER 2015

	2015	2014
	HK$'000	*HK$'000*
NON-CURRENT LIABILITY		
Deferred tax liabilities	**10,247**	10,012
NET ASSETS	**1,096,689**	913,113
CAPITAL AND RESERVES		
Share capital	**175,000**	165,000
Reserves	**883,352**	711,320
Equity attributable to owners of the Company	**1,058,352**	876,320
Non-controlling interests	**38,337**	36,793
TOTAL EQUITY	**1,096,689**	913,113

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1. GENERAL

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**").

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

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

Application of new and revised HKFRSs

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

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 these amendments has had no material impact on the disclosures or amounts recognised in the Group's consolidated financial statements.

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

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[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after a date to be determined

The Directors 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.

3 REVENUE AND SEGMENT INFORMATION — continued

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) 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 2015

	Export sales *HK$'000*	**Retail and corporate sales** *HK$'000*	**Polyurethane foam sales** *HK$'000*	**Consolidated** *HK$'000*
SEGMENT REVENUE				
External sales	**1,198,664**	**567,137**	**1,104,045**	**2,869,846**
Segment profit	**257,451**	**164,016**	**172,226**	**593,693**
Share of loss of an associate				**(7,924)**
Unallocated other income				**40,922**
Unallocated costs and expenses				**(382,252)**
Profit before taxation				**244,439**

3 **REVENUE AND SEGMENT INFORMATION — continued**

Segment revenues and results — continued

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

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.

	2015 ***HK$'000***	2014 *HK$'000*
The US	**1,101,612**	1,280,811
The PRC	**1,532,469**	1,137,157
Hong Kong	**157,893**	164,403
Macau	**6,465**	7,406
Europe	**31,454**	47,594
Other Asian countries	**18,259**	19,780
Other American countries	**17,144**	22,828
Others	**4,550**	3,429
	2,869,846	2,683,408

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:

	2015	2014
	HK$'000	*HK$'000*
The PRC	**276,317**	264,464
The US	**119,174**	9,211
Hong Kong	**20,265**	17,218
Macau	**39**	2,676
	415,795	293,569

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 year is as follows:

	2015	2014
	HK$'000	*HK$'000*
Customer A	**755,508**	833,673

4. PROFIT BEFORE TAXATION

	2015	2014
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Directors' remuneration	**14,268**	16,066
Other staff costs	**227,385**	215,105
Retirement benefit scheme contributions for other staff	**31,873**	29,816
Share based payment expenses, excluding those of directors	**1,534**	3,125
Total staff costs	**275,060**	264,112
Amortisation of prepaid lease payments	**592**	603
Depreciation of investment properties	**1,564**	905
Depreciation of property, plant and equipment	**29,934**	25,980
Total depreciation and amortisation	**32,090**	27,488
Cost of inventories recognised as expenses (included in cost of sales)	**2,083,441**	1,952,144

5. INCOME TAX EXPENSES

	2015	2014
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax *(Note i)*	**1,393**	2,119
PRC Enterprise Income Tax (the "**EIT**") *(Note ii)*	**56,781**	31,756
US income tax *(Note iii)*	**4,757**	9,666
	62,931	43,541
(Over)underprovision in prior years		
Hong Kong Profits Tax	**(588)**	(157)
PRC EIT	**1,637**	1,429
US income tax	**(2,743)**	110
	(1,694)	1,382
Deferred taxation	**(1,474)**	(1,003)
	59,763	43,920

5. INCOME TAX EXPENSES — continued

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$1,115,000 (2014: HK$466,000).

(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.

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$14,000,000, HK$24,000,000, HK$26,725,000 and HK$9,900,000 to the Group relating to the years of assessment 2005/06, 2006/07, 2007/08 and 2008/09 for the financial years ended 31 December 2005, 2006, 2007 and 2008, respectively. The Group has lodged objection with the IRD against the assessments and the IRD agreed that the relevant subsidiaries can holdover the tax demanded for the said years of assessment, except for the amounts of HK$175,000, HK$2,272,000 and HK$8,150,000 concerned for the years of assessment 2006/07, 2007/08 and 2008/09, respectively were required to be paid by acquiring tax certificates by one of the subsidiaries in 2013, 2014 and 2015 respectively.

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 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 2015 and 2014.

6. DIVIDENDS

	2015	2014
	HK$'000	*HK$'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
Interim, paid — HK1.5 cents per share for 2015 (2014: HK1.0 cent per share)	**26,250**	16,500
Final, paid — HK2.5 cents per share for 2014 (2014: nil for 2013)	**43,750**	–
	70,000	16,500

Subsequent to the end of the Reporting Period, a final dividend of HK2.5 cents per share in respect of the year ended 31 December 2015, amounting to approximately HK$43,750,000 has been proposed by the Board and is subject to approval by the shareholders of the Company 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:

	2015	2014
	HK$'000	*HK$'000*
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	**172,674**	194,393

	2015	2014
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,711,645,836**	1,571,918,438
Effect of dilutive potential ordinary shares in respect of outstanding share options	**2,658,793**	2,015,487
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,714,304,629**	1,573,933,925

8. TRADE AND OTHER RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**548,408**	552,264
Less: allowance for doubtful debts	**(27,514)**	(28,316)
	520,894	523,948

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.

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	**249,521**	244,454
31 to 60 days	**142,112**	133,808
61 to 90 days	**54,232**	52,783
91 to 180 days	**20,830**	49,513
181 to 365 days	**29,578**	35,126
Over 365 days	**24,621**	8,264
	520,894	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.

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	**3,538**	1,253
31 to 60 days	**2,850**	255
61 to 90 days	**3,071**	2,237
91 to 180 days	**12,822**	6,046
181 to 365 days	**204**	631
	22,485	10,422

10. TRADE AND OTHER PAYABLES

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

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	**131,749**	75,329
31 to 60 days	**58,446**	50,342
61 to 90 days	**4,025**	1,120
91 to 180 days	**2,795**	1,568
Over 180 days	**3,789**	2,332
	200,804	130,691

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 2015 were secured by pledged bank deposits of HK$8,513,000 (2014: HK$14,786,000).

The following is an aged analysis of bills payables at the end of the reporting period presented based on the bills issue date:

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	**4,392**	34,724
31–60 days	**11,588**	19,014
61–90 days	**8,070**	12,624
91–180 days	**35,443**	22,057
Over 180 days	**–**	3,916
	59,493	92,335

12. COMMITMENTS

	2015	2014
	HK$'000	*HK$'000*
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**107,978**	7,075

BUSINESS REVIEW

Revenue by operating segments

During the Reporting Period, revenue of the Group increased by approximately HK$186.4 million or 6.9% to approximately HK$2,869.8 million (FY2014: approximately HK$2,683.4 million). Retails and corporate sales and polyurethane foam sales continued to record substantial revenue growth for the Reporting Period comparing with FY2014:

	For the year ended 31 December		
	2015	2014	Changes
	HK$'000	*HK$'000*	%
Export sales	**1,198,664**	1,374,634	-12.8
Retail and corporate sales	**567,137**	380,522	49.0
Polyurethane foam sales	**1,104,045**	928,252	18.9
Total	**2,869,846**	2,683,408	6.9

Export sales

The Group sells its visco-elastic products on a wholesale basis primarily to leading 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 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 the Group's growth in the US market. During the Reporting Period, though there has been a slight increase in terms of quantity sold, the amount of export sales dropped by approximately HK$176.0 million or 12.8% to approximately HK$1,198.7 million (FY2014: approximately HK$1,374.6 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 People's Republic of China (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 to various corporate customers recorded a substantially high growth.

In terms of sales channel, same-store sales recorded a decrease of approximately 1.1% for the Reporting Period. Same-store sales for each of Sinomax Life Stores and concession counters decreased by approximately 3.7% and 0.3% respectively for the Reporting Period. During the Reporting Period, the Group opened seventeen new 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.

As announced on 23 January 2015 and approved by the independent shareholders of the Company 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 revenue of approximately RMB162.7 million (equivalent to approximately HK$200.4 million) and profit after tax of approximately RMB19.0 million (equivalent to approximately HK$23.4 million) to the Group for the financial year ended 31 December 2015 since acquisition.

Revenue from polyurethane foam sales increased by approximately HK$175.8 million or 18.9% from approximately HK$928.3 million for FY2014 to approximately HK$1,104.0 million for the Reporting Period due to 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 during the Reporting Period.

Gross profit

With an increase of approximately 6.9% in the Group’s revenue, gross profit (“**GP**”) increased by approximately HK$51.1 million or 6.9% to approximately HK$787.5 million during the Reporting Period as compared to approximately HK$736.4 million for FY2014.

The GP margin remained unchanged at approximately 27.4% as compared with FY2014. For the Reporting Period, the cost of chemicals, which are the major components of the Group’s product manufacturing cost, decreased by approximately 23.7% while on the other hand, the average selling price decreased by approximately 18.5% as compared to FY2014. However, it was offset by the original equipment manufacturing purchases from the US manufacturers with a relatively lower GP margin.

Costs and expenses

Selling and distribution costs for the Reporting Period increased by approximately HK$10.7 million or 3.2% to approximately HK$342.4 million, as compared to approximately HK$331.8 million for FY2014. The increase was mainly due to increased staff costs and rental as a result of the newly opened Sinomax Life Stores, and the increase in sale commission.

Administrative expenses for the Reporting Period increased by approximately HK$7.0 million or 4.5% to approximately HK$162.6 million, as compared to approximately HK$155.5 million for FY2014.

Other expenses for the Reporting Period mainly consisted of research and development expenses amounting to approximately HK$39.8 million, as compared to approximately HK$16.0 million for FY2014. The Group has put much more resources on improving and developing more foam features to meet the increasing customers' needs.

Profit for the year

Profit for the Reporting Period decreased by approximately HK$18.3 million or 9.0% to approximately HK$184.7 million, as compared to approximately HK$202.9 million for FY2014.

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 of the Company dated 30 June 2014 (the "**Prospectus**")) amounted to approximately HK$127.1 million after deducting underwriting commissions and all related expenses. The Group has fully utilized the net proceeds in accordance with the proposed application set out in the Prospectus as at the date of this announcement.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The financial position of the Group was healthy as at 31 December 2015. Net cash from operating activities during the Reporting Period amounted to HK$406.3 million. It was further enhanced by the net proceeds received by the Company through the top-up placing of new shares completed during the Reporting Period (further details as disclosed under the paragraph headed "Purchase, Sale or Redemption of the Company's Listed Securities" in this announcement below). As at 31 December 2015, the Group had net current assets of approximately HK$671.2 million, as compared to approximately HK$611.3 million as at 31 December 2014.

Borrowings and pledge of assets

As at 31 December 2015, the Group had banking facilities amounted to approximately HK$1,251.8 million of which approximately HK$220.0 million was utilized (31 December 2014: banking facilities amounted to approximately HK$1,011.7 million of which approximately HK$325.4 million was utilized) (which included bank borrowings and bills payables).

As at 31 December 2015, the bills payables of the Group were secured by bank deposits of approximately HK$8.5 million (31 December 2014: approximately HK$14.8 million).

Capital expenditure

The Group's capital expenditure for the Reporting Period amounted to approximately HK$86.1 million mainly for the purchasing of the Group's plant and machinery.

Financial ratios

	As at **31 December 2015**	31 December 2014
Current ratio [(1)]	**195.5%**	187.6%
Quick ratio [(2)]	**153.0%**	130.5%
Gearing ratio [(3)]	**14.6%**	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 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 trend 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

All of the Group's current production facilities are located in the PRC. To meet those increasing demand for US made products, the Group has original equipment manufacturing purchases from the US manufacturers of approximately HK$237.7 million during the Reporting Period. For a longer run, as announced on 11 November 2015, the Group is setting up a new manufacturing facility in the US, which will use state-of-art technology and will have greater automation than current facilities in the PRC. The total investment of the new facility is estimated to be about US$28.0 million (equivalent to approximately HK$217.0 million) and this new facility is expected to commence trial production in mid-2016 and put into full production in early 2017. With the set up of the new manufacturing facility, it is expected that the Group will be able to provide US made products to capture different market segments in the US and also shorten the lead time between production and delivery and thus better serve its customers in the US.

During the Reporting Period, the Group invested in Dormeo North America, LLC, a company having a well-known brand in the US and upon the completion of which, it has become an associated company of the Group. This strategic move marks significant progress in enriching Sinomax's brand recognition and broadening the sales network in the North America memory foam market. We shared the post-acquisition loss of HK$7.9 million during the Reporting Period. We expect the financial result of this associated company will be improved in the coming years.

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 Reporting Period, seventeen Life Stores were opened in Hong Kong and 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 Reporting Report, e-commerce sales of the Group recorded a substantial growth of approximately HK$8.7 million or 44.2% to approximately HK$28.4 million, as compared to approximately HK$19.7 million for FY2014. 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 19 February 2016, the Group entered into an agreement to acquire 51% equity interest in Chengdu Xingang Sponge Co., Ltd * (成都新港海綿有限公司) ("**Chengdu Xingang**"). Details of the acquisition is set out in the paragraph headed "Events after the Reporting Period" in this announcement below.

MATERIAL ACQUISITIONS AND DISPOSALS

On 23 January 2015, an indirect wholly-owned subsidiary of the Company entered into an acquisition agreement (the "**SLT 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 SLT 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 which is 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 in Shanghai. The cash consideration of the acquisition was RMB21.0 million (equivalent to approximately HK$26.5 million) and RMB14.0 million (equivalent to approximately HK$17.7 million), to Mil-ton and Chori, respectively. The acquisition was completed on 1 April 2015.

Acquisition-related costs amounting to approximately HK$1.0 million related to the above acquisition had been excluded from the cost of acquisition and had been recognised as an expense in the Reporting Period, included in "other expenses" in the consolidated statement of profit or loss and other comprehensive income.

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

On 15 May 2015, the Company entered into a placing agreement to place up to 100,000,000 new shares to Sinomax Enterprises at HK$1.06 per share. On 21 May 2015, 100,000,000 new shares were issued and allotted upon the placement. The net proceeds are to be used to fund the Group's business expansion in the US and general working capital.

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 Reporting Period.

EVENTS AFTER THE REPORTING PERIOD

On 19 February 2016, an indirect wholly-owned subsidiary of the Company entered into an acquisition agreement (the "**Acquisition Agreement**") with Mr. Liu Jiaming ("**Mr. Liu**"), an independent third party. Pursuant to the Acquisition Agreement, the Group conditionally agreed to acquire, and Mr. Liu conditionally agreed to sell, 51% equity interest in Chengdu Xingang. Chengdu Xingang is a company established in the PRC with limited liability and is principally engaged in the manufacturing and sales of polyurethane foam, sales of decorative materials, sofa materials, cloth materials and mattress materials in Chengdu. The cash consideration of the acquisition was approximately RMB81.7 million (equivalent to approximately HK$97.3 million). The acquisition was completed on 1 March 2016.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2015, the employee headcount of the Group was 3,197 (31 December 2014: 2,582) and the total staff costs, including Directors' remuneration and share option expenses, amounted to approximately HK$275.1 million for the Reporting Period (FY2014: approximately HK$264.1 million). The significant increase in staff costs was primarily due to salary increment, increase in social insurance contributions, 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. The Company had met the applicable code provisions set out in the CG Code during the Reporting Period.

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 Company has made specific enquiry of all Directors and all Directors confirmed that they had complied with the required standards set out in the Model Code during the Reporting Period.

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 the Reporting Report 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 approximately HK$43.8 million for the Reporting Report (FY2014: HK$41.3 million). 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 10 June 2016. If the resolution for the proposed final dividend is passed at the AGM, the proposed final dividend will be paid on 5 July 2016.

CLOSURE OF REGISTER OF MEMBERS FOR THE AGM

The register of members of the Company will be closed from 7 June 2016 to 10 June 2016, both days inclusive, during which period, no transfer of shares will be registered. In order to be qualified 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 4:30 p.m. on 6 June 2016.

CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDEND

Subject to the approval of the proposed final dividend at the AGM, the register of members of the Company will be closed from 20 June 2016 to 22 June 2016, both days inclusive, during which period, no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final 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, at Level 22 Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 17 June 2016.

PUBLICATION OF THE ANNUAL RESULTS AND 2015 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinomax.com/group). The annual report for the year ended 31 December 2015 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company 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, 18 March 2016

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.

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese which are marked with "" is for identification purposes only.*