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**Sinomax Group Limited**

**盛諾集團有限公司**

*(Incorporated under the laws of the Cayman Islands with limited liability)*

**(Stock Code: 1418)**

## **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021**

### **PERFORMANCE HIGHLIGHTS**

- Revenue for the Reporting Period increased by approximately HK\$1,028.2 million or 31.8% to approximately HK\$4,259.9 million, as compared to approximately HK\$3,231.7 million for FY2020.
- Gross profit for the Reporting Period increased by approximately HK\$93.1 million or 14.9% to approximately HK\$717.0 million, as compared to approximately HK\$623.8 million for FY2020.
- Profit for the Reporting Period decreased by approximately HK\$29.6 million or 48.5% to a profit of approximately HK\$31.4 million, as compared to approximately HK\$61.1 million for FY2020.
- The Board resolved to propose a final dividend of HK\$0.4 cent (2020 final dividend: Nil) 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 2021 (the “**Reporting Period**”), together with the audited comparative figures for the previous financial year ended 31 December 2020 (“**FY2020**”), as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	3	<b>4,259,882</b>	3,231,701
Cost of sales	4	<b>(3,542,929)</b>	(2,607,886)
Gross profit		<b>716,953</b>	623,815
Other income		<b>63,136</b>	82,031
Net impairment losses of financial assets		<b>(4,715)</b>	(1,932)
Other losses, net		<b>(11,746)</b>	(25,554)
Selling and distribution expenses	4	<b>(420,245)</b>	(319,528)
Administrative expenses	4	<b>(199,207)</b>	(202,400)
Research and development cost	4	<b>(67,366)</b>	(48,380)
Finance costs		<b>(38,941)</b>	(39,050)
Profit before income tax		<b>37,869</b>	69,002
Income tax expense	5	<b>(6,434)</b>	(7,948)
Profit for the year		<b>31,435</b>	61,054

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Current translation differences			
for foreign operations		<u>24,559</u>	<u>46,321</u>
Other comprehensive income for the year		<u>24,559</u>	<u>46,321</u>
Total comprehensive income for the year		<u><b>55,994</b></u>	<u>107,375</u>
Profit for the year attributable to:			
Owners of the Company		15,305	58,523
Non-controlling interests		<u>16,130</u>	<u>2,531</u>
		<u><b>31,435</b></u>	<u>61,054</u>
Total comprehensive income for the year			
attributable to:			
Owners of the Company		38,308	99,549
Non-controlling interests		<u>17,686</u>	<u>7,826</u>
		<u><b>55,994</b></u>	<u>107,375</u>
Earnings per share			
– Basic and diluted ( <i>HK cents</i> )	7	<u><b>0.87</b></u>	<u>3.34</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>507,902</b>	528,953
Right-of-use assets		<b>314,997</b>	198,078
Investment properties		<b>32,508</b>	33,479
Intangible assets		<b>12,955</b>	14,733
Deposits and other receivables	8	<b>23,333</b>	82,109
Deferred tax assets		<b>29,616</b>	8,003
		<u>921,311</u>	<u>865,355</u>
<b>Current assets</b>			
Inventories		<b>703,278</b>	585,510
Trade and other receivables	8	<b>840,098</b>	813,930
Bill receivables	9	<b>94,644</b>	78,168
Trade receivables at fair value through other comprehensive income	10	<b>39,833</b>	24,072
Pledged bank deposits		<b>1,174</b>	10,260
Cash and cash equivalents		<b>228,532</b>	136,915
		<u>1,907,559</u>	<u>1,648,855</u>
<b>Total assets</b>		<b><u>2,828,870</u></b>	<b><u>2,514,210</u></b>
<b>Equity</b>			
<b>Equity attributable to the Company's equity holders</b>			
Share capital		<b>175,000</b>	175,000
Reserves		<b>817,819</b>	779,511
Equity attributable to owners of the Company		<b>992,819</b>	954,511
Non-controlling interests		<b>13,799</b>	1,948
<b>Total equity</b>		<b><u>1,006,618</u></b>	<b><u>956,459</u></b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(CONTINUED)**

*AT 31 DECEMBER 2021*

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities		<b>272,457</b>	162,756
Deferred government grant	<i>11</i>	<b>1,863</b>	2,229
Deferred tax liabilities		<b>18,106</b>	17,048
		<u>292,426</u>	<u>182,033</u>
<b>Current liabilities</b>			
Trade and other payables	<i>11</i>	<b>789,288</b>	678,034
Bill payables	<i>12</i>	<b>35,729</b>	44,902
Contract liabilities		<b>14,837</b>	12,559
Unsecured bank borrowings		<b>588,273</b>	547,224
Lease liabilities		<b>84,139</b>	75,468
Taxation payable		<b>17,560</b>	17,531
		<u>1,529,826</u>	<u>1,375,718</u>
<b>Total liabilities</b>		<u><b>1,822,252</b></u>	<u>1,557,751</u>
<b>Total equity and liabilities</b>		<u><b>2,828,870</b></u>	<u>2,514,210</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## 1. GENERAL

Sinomax Group Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) manufacture and sell health and household products. The Company acts as an investment holding company.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Units 2005-2007, Level 20, Tower 1, MegaBox Enterprise Square Five, 38 Wang Chiu Road, Kowloon Bay, Hong Kong.

The ordinary shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company is a subsidiary of Sinomax Enterprises Limited (“**Sinomax Enterprises**”), a company incorporated in the British Virgin Islands.

Comparative amounts in certain notes have been reclassified to conform with the current year’s presentation.

These consolidated financial statements are presented in Hong Kong dollar (“**HK\$**”) unless otherwise stated.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

#### *(i) Compliance with HKFRS and the disclosure requirements of HKCO*

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) and the applicable disclosure requirements of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong).

#### *(ii) Historical cost convention*

The consolidated financial statements have been prepared on a historical cost basis, except for certain trade receivables at fair value through other comprehensive income which were stated at fair value.

**(iii) New and amended standards adopted by the Group**

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing from 1 January 2021:

HKFRS 9, HKAS 39 and, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2
HKFRS16 (Amendments)	Covid-19-Related Rent Concessions beyond 30 June 2021

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

**(iv) New and amended standards issued but not yet effective**

Certain new and amended standards which have been published that are not mandatory for the financial year beginning on 1 January 2021 and have not been early adopted by the Group are as follows:

Amendments to AG 5 (revised)	Merger Accounting for Common Control Combinations <sup>(1)</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>(1)</sup>
Amendments to HKAS 37	Onerous contracts – Costs of Fulfilling a Contract <sup>(1)</sup>
Amendments to HKFRSs	Annual improvements to HKFRS 2018 to 2020 <sup>(1)</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>(1)</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>(2)</sup>
HK Int 5 (2020)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>(2)</sup>
Amendments to HKFRS 17	Insurance Contracts <sup>(2)</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>(2)</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>(2)</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>(2)</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>(3)</sup>

<sup>(1)</sup> Effective for the Group for annual period beginning on 1 January 2022

<sup>(2)</sup> Effective for the Group for annual period beginning on 1 January 2023

<sup>(3)</sup> Effective date to be determined

### 3. REVENUE AND SEGMENT INFORMATION

The executive directors of the Company (the “**Executive Directors**”) have been identified as the chief operating decision-maker (“**CODM**”). The Executive Directors review the Group’s internal report in order to assess its performance and allocate resources. Management has determined the operating segments of the Group based on these reports.

The Group is currently organised into the following three geographical markets as follows:

China market	Manufacture and sale of health and household products and polyurethane foam for customers located in the Mainland China (the “ <b>PRC</b> ”), Hong Kong and Macau.
North American market	Manufacture and sale of health and household products for customers located in the United States (the “ <b>U.S.</b> ”), Canada and other North American countries.
Europe and other overseas markets	Manufacture and sale of health and household products and foam for customers located overseas except for those customers located in the China market and the North American market.

#### (i) Segment revenue

The following is an analysis of the Group’s revenue by operating and reportable segments:

#### For the year ended 31 December 2021

	<b>China market HK\$’000</b>	<b>North American market HK\$’000</b>	<b>Europe and other overseas markets HK\$’000</b>	<b>Total HK\$’000</b>
External sales	2,222,881	1,573,442	463,559	4,259,882
Cost of sales				(3,542,929)
Other income				63,136
Net impairment losses of financial assets				(4,715)
Other losses, net				(11,746)
Selling and distribution expenses				(420,245)
Administrative expenses				(199,207)
Finance cost				(38,941)
Research and development cost				(67,366)
Profit before income tax				<u><u>37,869</u></u>



For the year ended 31 December 2020

	China market <i>HK\$'000</i>	North American market <i>HK\$'000</i>	Europe and other overseas markets <i>HK\$'000</i>	Total <i>HK\$'000</i>
External sales	1,649,701	1,372,313	209,687	3,231,701
Cost of sales				(2,607,886)
Other income				82,031
Net impairment losses of financial assets				(1,932)
Other losses, net				(25,554)
Selling and distribution expenses				(319,528)
Administrative expenses				(202,400)
Finance cost				(39,050)
Research and development cost				(48,380)
Profit before income tax				<u>69,002</u>

**(ii) Disaggregation of revenue from contracts with customers**

**(a) Type of major products**

Revenue recognised at a point in time during the year is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Sales of health and household products	2,370,009	2,054,608
Sales of polyurethane foam	<u>1,889,873</u>	<u>1,177,093</u>
Total	<u>4,259,882</u>	<u>3,231,701</u>

**(b) Geographical markets**

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
China market		
– The PRC	1,913,081	1,311,310
– Hong Kong, Macau and others	309,800	338,391
North American market		
– The U.S.	1,442,985	1,269,099
– Others	130,457	103,214
Europe and other overseas markets	<u>463,559</u>	<u>209,687</u>
Total	<u><u>4,259,882</u></u>	<u><u>3,231,701</u></u>

**(iii) Other segment information**

**(a) Geographical information**

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
The U.S.	493,290	370,411
The PRC	324,616	329,712
Hong Kong	12,296	19,130
Vietnam	45,623	59,400
Macau	<u>–</u>	<u>4</u>
	<u><u>875,825</u></u>	<u><u>778,657</u></u>

**(b) Information about major customers**

Revenue from customers contributing over 10% of the total revenue to the Group during the years are as follows:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Customer A	N/A <sup>1</sup>	323,451
Customer B	<b>504,533</b>	N/A <sup>2</sup>

<sup>1</sup> The corresponding revenue did not contribute over 10% of the total revenue to the Group for 2021.

<sup>2</sup> The corresponding revenue did not contribute over 10% of the total revenue to the Group for 2020.

**(iv) Liabilities related to contracts with customers**

The Group has recognised the following liabilities related to contracts with customers:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Receipt in advance from customers for the sales of health and household products	<b>14,837</b>	12,559

The following table shows how much of the revenue recognised in the year was related to carried forward contract liabilities.

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Sales of health and household products	<b>12,559</b>	466

#### 4. EXPENSES BY NATURE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of inventories recognised as expenses	2,884,378	2,098,601
Employee benefits expenses	542,166	437,130
Amortisation of intangible assets	1,778	641
Auditor's remuneration		
– Audit service	2,920	2,800
– Non-audit service	880	880
Bank charges	10,688	8,602
Concessionaire commission for department store counters (note)	47,071	43,575
Expenses relating to short-term or low value leases	2,261	1,314
Depreciation of investment properties	2,211	1,964
Depreciation of property, plant and equipment	70,153	67,936
Depreciation of right-of-use assets	86,084	75,168
Inventory provision	12,971	19,478
Legal and professional fees	18,176	18,126
Marketing expenses	91,430	30,098
Transportation expenses	99,734	81,594
Others	356,846	290,287
	<hr/>	<hr/>
Total cost of sales, administrative expenses, selling and distribution expenses and research and development expenses	<b>4,229,747</b>	<b>3,178,194</b>
	<hr/> <hr/>	<hr/> <hr/>

*Note:*

Concessionaire commission for department store counters is generally calculated by applying pre-determined percentages to actual sales made through respective counters.

## 5. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax:		
Hong Kong profit tax ( <i>note i</i> )	2,048	5,512
PRC enterprise income tax (“EIT”) ( <i>note ii</i> )	23,986	18,390
PRC withholding tax on distributed profits from PRC subsidiaries	729	11,409
	<u>26,763</u>	<u>35,311</u>
(Over)/under provision in prior years:		
Hong Kong profits tax	–	335
PRC EIT	(98)	497
US income tax ( <i>note iii</i> )	–	(15,356)
	<u>(98)</u>	<u>(14,524)</u>
Deferred taxation	<u>(20,231)</u>	<u>(12,839)</u>
	<u><u>6,434</u></u>	<u><u>7,948</u></u>

### Notes:

- (i) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%, while only one entity nominated by a group of “connected entities” will be entitled to select the lower tax rate. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

- (ii) Under the Law of the People's Republic of China on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, PRC EIT is calculated based on the statutory rate of 25% of the assessable profit of those subsidiaries established in the PRC for both years, except for certain PRC subsidiaries being approved as High and New Technology Enterprise by the relevant government authorities which are subject to a preferential tax rate of 15% for a 3-year period which expired in 2021 and will expire in 2022 (2020: 2021 and 2022), respectively.
- (iii) The US corporate tax rate is 21% for the years ended 31 December 2021 and 2020 in accordance to the Tax Cuts and Jobs Act of 2017. The US income tax includes (a) federal income tax calculated at a fixed rate of 21% for the years ended 31 December 2021 and 2020 on the estimated US federal taxable income and (b) state income tax calculated at various state income tax rates for both periods on the estimated state taxable income for the respective states. The income subject to tax in a specific state (i.e. state taxable income) is calculated based on the federal taxable income with state tax adjustments, which is then allocated or apportioned to the respective states (i.e. percentage of taxable income that should be apportioned or specially allocated to the respective states in which the Group operates) based on the apportionment factors provided from the state tax returns in previous year.

In 2020, the tax refund to certain US subsidiaries mainly represent the tax relief measures implemented by the government in accordance with the Coronavirus Aid, Relief, and Economic Security Act.

- (iv) Under the laws of Vietnam on Corporate Income Tax (the “**Vietnam CIT**”), Vietnam CIT is calculated based on the statutory rate of 20% of the assessable profit of those subsidiaries established in Vietnam and these companies had no assessable profit during the years ended 31 December 2021 and 2020.

## **6. DIVIDENDS**

Subsequent to the end of the reporting period, a final dividend of HK\$0.4 cent (FY2020: Nil) per share in respect of the year ended 31 December 2021, amounting to approximately HK\$7,000,000 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.

During the year, a subsidiary of the Company declared dividend amounting to HK\$5,835,000 and paid dividend amounting to HK\$4,861,000 to non-controlling interests (2020: declared and paid dividend amounting to HK\$15,924,000 to non-controlling interests).

## 7. EARNINGS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	<u>15,305</u>	<u>58,523</u>
Number of shares for the purpose of basic and diluted loss per share: ( <i>'000</i> )		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>1,750,002</u>	<u>1,750,002</u>
Basic and diluted earnings per share (HK cents)	<u>0.87</u>	<u>3.34</u>

The computation of diluted earnings per share for the years ended 31 December 2021 and 2020 does not assume the exercise of the share options as the exercise prices of those share options are higher than the average market price of shares to the extent that they are antidilutive during the years ended 31 December 2021 and 2020.

## 8. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	685,510	694,915
<i>Less: allowance for credit losses</i>	<u>(26,801)</u>	<u>(32,417)</u>
Trade receivables, net	----- 658,709	----- 662,498
Deposits, prepayments and other receivables		
Cash consideration receivables ( <i>note a</i> )	67,256	123,654
Prepayments for purchasing raw materials and operating expenses	65,330	49,049
Rental and other deposits	39,491	30,603
Other tax recoverable	16,446	8,443
Net investment in sublease	3,079	4,132
Advances to staff	2,169	2,249
Others	<u>10,951</u>	<u>15,411</u>
	----- 204,722	----- 233,541
Total trade and other receivables	<u><u>863,431</u></u>	<u><u>896,039</u></u>
Non-current portion	23,333	82,109
Current portion	<u>840,098</u>	<u>813,930</u>
	<u><u>863,431</u></u>	<u><u>896,039</u></u>

- (a) The balance represents the consideration receivables in relation to the disposal of 51% equity interest in Chengdu Xingang Sponge Co. Ltd. completed in 2019. According to the sale and purchase agreement, the total cash consideration of RMB157,000,000 will be settled by four installments. During the year ended 31 December 2021, the Group received the third instalment amounting to RMB50,000,000. The remaining instalment amounting to RMB57,000,000 would be due in 2022.

On 11 March 2022, 賽諾(浙江)聚氨酯新材料有限公司 (Sinomax (Zhejiang) Polyurethane Technology Limited\*), a wholly-owned subsidiary of the Company, entered into a supplemental agreement with the purchaser of 51% equity interest in Chengdu Xingang Sponge Co. Ltd. to revise the payment arrangement of the fourth instalment as follows:

- (i) RMB22,000,000 of the fourth instalment shall be paid by 15 March 2022;

\* *For identification purpose only*



- (ii) RMB10,000,000 of the fourth instalment shall be paid by 15 March 2023; and
- (iii) the remaining balance of RMB25,000,000 of the fourth instalment shall be paid by 15 March 2024,

together with the payable interest which shall accrue from and including the Second Payment Due Date (as defined in the sale and purchase agreement) until and including the respective dates of actual payments as set out in (i), (ii) and (iii) above respectively at the rate of 3% per annum.

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

The following is the aging analysis of trade receivables, net of allowance for credit losses, presented based on the dates of invoice.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	348,544	397,758
31 to 60 days	210,121	157,527
61 to 90 days	63,710	86,883
91 to 180 days	31,444	20,007
181 to 365 days	4,890	323
	<u>658,709</u>	<u>662,498</u>

## 9. BILL RECEIVABLES

The amount represents bill receivables which are not yet due at the end of the reporting period. The following is the aging analysis of bill receivables based on their time to maturities as at the end of reporting periods:

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 30 days	<b>19,717</b>	10,523
31 to 60 days	<b>18,633</b>	62,961
61 to 90 days	<b>12,825</b>	1,213
91 to 180 days	<b>42,807</b>	1,609
181 to 365 days	<b>662</b>	1,862
	<u><b>94,644</b></u>	<u>78,168</u>

Included in the bill receivables above amounting to approximately HK\$82,717,000 (31 December 2020: HK\$73,124,000) had been endorsed for settling the trade payables for which the maturity dates of the bill receivables have not yet fallen due as at the end of the reporting period. All bill receivables of the Group are with a maturity period of less than one year.

For the years ended 31 December 2021 and 2020, the Group performed impairment assessment on bill receivables and concluded that the probability of defaults of the counterparties is insignificant and accordingly, no allowance for credit losses is provided.

## 10. TRADE RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Trade receivables from certain customers of the Group, whose contractual cash flows represent solely payments of principal and interest, were factored to reputable financial institutions under non-recourse factoring arrangement. The Group's business model is therefore achieved both by collecting contractual cash flows and selling of these assets. Such trade receivables was therefore classified as financial assets carried at FVOCI.

As at 31 December 2021, the effective interest rates of the factored trade receivables at FVOCI ranged from 1.07% to 2.57% per annum (2020: 1.23% to 2.73% per annum). As at 31 December 2021 and 2020, the fair value changes on trade receivables at FVOCI are insignificant and accordingly, no fair value changes are recognised in equity as FVOCI reserve.

## 11. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	<u>598,717</u>	<u>509,854</u>
Accrued operating expenses	66,433	66,656
Accrued salaries	43,927	41,173
Other taxes payable	33,374	19,346
Accrued royalties	14,281	8,963
Refundable deposits received	9,527	8,268
Amounts due to non-controlling shareholders ( <i>note</i> )	7,517	6,543
Deferred government grant	3,930	4,284
Others	<u>13,445</u>	<u>15,176</u>
	<u>192,434</u>	<u>170,409</u>
Total trade and other payables	791,151	680,263
<i>Less:</i>		
Non-current portion of deferred government grant	<u>(1,863)</u>	<u>(2,229)</u>
Current portion	<u><u>789,288</u></u>	<u><u>678,034</u></u>

*Note:* The amounts were unsecured, non-trade nature, interest-free and repayable on demand.

Included in trade and other payables above amounting to HK\$82,717,000 (2020: HK\$73,124,000) had been settled by endorsed bills for which the maturity dates of the bills receivables are not yet fallen due as at the end of the reporting period (note 9).

The credit period of trade payables ranged from 30 to 60 days. The following is the aging analysis of trade payables based on the invoice date at the end of each reporting period.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	335,104	352,822
31 to 60 days	150,515	93,842
61 to 90 days	43,499	35,503
91 to 180 days	51,281	19,041
Over 180 days	18,318	8,646
	<u>598,717</u>	<u>509,854</u>

## 12. BILL PAYABLES

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	6,182	8,579
31 to 60 days	6,181	9,546
61 to 90 days	8,530	3,202
91 to 180 days	14,836	23,575
181 to 365 days	—	—
	<u>35,729</u>	<u>44,902</u>

Bill payables were secured by pledged bank deposits of HK\$1,174,000 (2020: HK\$10,260,000) as at 31 December 2021 and guaranteed by the Company and certain of its subsidiaries.

### 13. CAPITAL COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>7,887</u>	<u>8,878</u>

## BUSINESS REVIEW

### Revenue by operating segments

During the Reporting Period, revenue of the Group increased by approximately HK\$1,028.2 million or approximately 31.8% to approximately HK\$4,259.9 million (FY2020: approximately HK\$3,231.7 million).

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>	Changes
China market	<b>2,222,881</b>	1,649,701	34.7%
North American market	<b>1,573,442</b>	1,372,313	14.7%
Europe and other overseas markets	<b>463,559</b>	209,687	121.1%
Total	<b><u>4,259,882</u></b>	<b><u>3,231,701</u></b>	<b><u>31.8%</u></b>

Sales in the China market increased by approximately 34.7% for the Reporting Period, as compared to FY2020. The increase was due to the fact that the China market has gradually recovered from the impacts of the COVID-19 epidemic in the Reporting Period.

In the North American market, we diversified our customer base by developing business relationship with more new customers, as a result of which sales in this region increased by approximately 14.7% for the Reporting Period, as compared to FY2020.

In Europe and other overseas markets, we recorded an increase of sales in this region of approximately 121.1% for the Reporting Period, as compared to FY2020. The increase was due to the increase in our sales to customers in Vietnam.

## **Gross profit**

The Group's gross profit (the "GP") increased by approximately HK\$93.1 million or approximately 14.9% to approximately HK\$717.0 million during the Reporting Period, as compared to approximately HK\$623.8 million for FY2020. However, the GP margin decreased by 2.5% from approximately 19.3% to approximately 16.8% as compared to FY2020.

The decrease in GP margin was due to the increase in the purchase price of raw materials of polyurethane foam and the significant increase in transportation costs during the Reporting Period, as compared to FY2020.

## **Costs and expenses**

Selling and distribution costs for the Reporting Period increased by approximately HK\$100.7 million or 31.5% to approximately HK\$420.2 million, as compared to approximately HK\$319.5 million for FY2020. The increase in selling and distribution costs was in line with the increase in revenue for the Reporting Period. The increase was mainly due to the increase in marketing expenses of approximately HK\$61.3 million, staff costs and commission fees of approximately HK\$21.0 million and transportation costs of approximately HK\$17.1 million.

Administrative expenses for the Reporting Period decreased by approximately HK\$3.2 million or 1.6% to approximately HK\$199.2 million, as compared to approximately HK\$202.4 million for FY2020. The decrease was mainly due to decrease in bonus and depreciation expenses.

## **Profit for the Reporting Period**

Profit for the Reporting Period amounted to approximately HK\$31.4 million as compared to approximately HK\$61.1 million for FY2020.

This was primarily attributable to:

1. increase in the purchase price of raw materials of polyurethane foam during the Reporting Period, as compared to FY2020;
2. significant increase in transportation costs; and
3. decrease in government subsidies related to COVID-19 received in FY2020.

## **Income tax expenses**

Included in income tax expenses, there were payments of PRC withholding tax on distributable profits from the Group's PRC subsidiaries of approximately HK\$0.7 million (2020: HK\$11.4 million).

## **LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES**

As at 31 December 2021, the Group had net current assets of approximately HK\$377.7 million, as compared to approximately HK\$273.1 million as at 31 December 2020. Net cash from operating activities amounted to approximately HK\$156.8 million for the Reporting Period as compared to approximately HK\$114.7 million for FY2020. Bank balance and cash as at 31 December 2021 increased by approximately HK\$91.6 million or approximately 66.9% to approximately HK\$228.5 million as compared to approximately HK\$136.9 million as at 31 December 2020.

## **Borrowings and pledge of assets**

As at 31 December 2021, the Group had banking facilities amounting to approximately HK\$1,028.5 million of which approximately HK\$624.0 million was utilised (FY2020: banking facilities amounting to approximately HK\$1,120.5 million of which approximately HK\$592.1 million was utilised) (which included unsecured bank borrowings and bills payables).



## Capital expenditure

The Group's capital expenditure for the Reporting Period amounted to approximately HK\$48.6 million (FY2020: HK\$29.4 million) which was mainly for the purchase of the Group's plant and machinery.

## Financial ratios

	<b>As at 31 December 2021</b>	As at 31 December 2020
Current ratio <sup>(1)</sup>	<b>124.7%</b>	119.9%
Quick ratio <sup>(2)</sup>	<b>78.7%</b>	77.3%
Gearing ratio <sup>(3)</sup>	<b>58.4%</b>	57.2%
Debt to equity ratio <sup>(4)</sup>	<b>35.7%</b>	42.9%

<sup>(1)</sup> Current ratio is equal to current assets divided by current liabilities.

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

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

<sup>(4)</sup> 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 People's Republic of China (the "PRC"), the United States (the "US") and Vietnam. The Group is exposed to foreign exchange risk principally in Renminbi and Vietnamese Dong which can be largely offset by its revenue and expenditure in the PRC and Vietnam. The Group does not expect any appreciation or depreciation of Hong Kong Dollar against Renminbi and Vietnamese Dong which could materially affect the Group's results of operations, and therefore no hedging instrument has been employed. The Group will closely monitor the trends of Renminbi and Vietnamese Dong 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 year 2021 has been another challenging year. Following the COVID-19 outbreak, the US – China trade war and the imposition of anti-dumping duty on products imported from various countries, production costs including materials, logistics and labour costs continued to rise. We will continue to monitor the production costs closely and discuss with our customers for the possibility of transferring the increased costs to them from time to time. Demands from our customers, particularly in the US, for Mattress-in-a-Box, one of the Group's major products sold through online channels, have been encouraging. Though we encountered some delay in expanding our production capacity in the US, we expect the production output will gradually increase in the second half of 2022. As disclosed in the announcements of the Company dated 1 February 2021 and 21 April 2021, we entered into two separate lease agreements in relation to the lease of two premises in the US to expand the Group's operations and to meet our customers' growing demand.

We expect that the rise in material costs will stabilize in the first quarter of 2022. We will closely monitor the customers' demand as well as the production costs and will increase our investment in relevant equipment and resources as appropriate to cope with the increasing demands in the US. We will continue to explore opportunities in the growing Mattress-in-a-Box market and to diversify our customer base in order to maintain our position as one of the leading experts in visco-elastic health and wellness products in the US and the retail markets in Hong Kong and the PRC.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed in the paragraph headed “Prospects” in 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 during the Reporting Period.

## **EVENT AFTER THE REPORTING PERIOD**

On 11 March 2022, Sinomax (Zhejiang) Polyurethane Technology Limited\* (賽諾(浙江)聚氨基酯新材料有限公司) entered into a supplemental agreement with the purchaser of 51% equity interest in Chengdu Xingang Sponge Co. Ltd. to revise the payment arrangement of the fourth instalment of the consideration for the disposal as follows:

- (i) RMB22,000,000 of the fourth instalment shall be paid by 15 March 2022;
- (ii) RMB10,000,000 of the fourth instalment shall be paid by 15 March 2023; and
- (iii) the remaining balance of RMB25,000,000 of the fourth instalment shall be paid by 15 March 2024,

together with the payable interest which shall accrue from and including the Second Payment Due Date (as defined in the original sale and purchase agreement for the disposal) until and including the respective dates of actual payments as set out in (i), (ii) and (iii) above respectively at the rate of 3% per annum.

## **EMPLOYEE AND REMUNERATION POLICY**

As at 31 December 2021, the employee headcount of the Group was 3,258 (FY2020: 2,799) and the total staff costs, including Directors' remuneration and share option expenses, amounted to approximately HK\$542.2 million for the Reporting Period (FY2020: approximately HK\$437.1 million). The increase in staff costs was primarily due to increase in headcount.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") as its own code of corporate governance. The Company 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 Board has reviewed, with the management of the Company, the accounting principles and policies adopted by the Group, and discussed and reviewed the audited consolidated financial statements of the Group for the Reporting Period and recommended the adoption of the same by the Board.

## **REVIEW OF ANNUAL RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS**

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the Reporting Period as set out in this announcement have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the Reporting Period. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

## **PROPOSED FINAL DIVIDEND**

The Board has proposed the payment of a final dividend of HK\$0.4 cent per ordinary share amounting to approximately HK\$7,000,000 for the Reporting Period (FY2020: 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 22 June 2022. If the resolution for the proposed final dividend is passed at the AGM, the proposed final dividend will be paid on 22 July 2022 to shareholders whose names appear in the Company's register of members on 8 July 2022.

## **CLOSURE OF REGISTER OF MEMBERS FOR THE AGM**

The register of members of the Company will be closed from 17 June 2022 to 22 June 2022, both days inclusive, during which period, no transfer of shares will be registered and the AGM record date will be 22 June 2022. 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 16 June 2022.

## **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 6 July 2022 to 8 July 2022, both days inclusive, during which period, no transfer of shares will be registered and the record date will be 8 July 2022. 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 5 July 2022.

## **PUBLICATION OF THE ANNUAL RESULTS AND 2021 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This announcement has been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.sinomax.com/group](http://www.sinomax.com/group)). The annual report for the year ended 31 December 2021 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, 25 March 2022

*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. 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.*