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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 UNAUDITED INTERIM RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

PERFORMANCE HIGHLIGHTS

- Revenue for the six-month period ended 30 June 2024 increased by approximately HK\$403.2 million or approximately 25.2% to approximately HK\$2,002.8 million, as compared to approximately HK\$1,599.6 million for the corresponding period last year.
- Gross profit increased by approximately HK\$140.4 million or approximately 38.3% to approximately HK\$507.3 million during the reporting period, as compared to approximately HK\$366.9 million for the corresponding period last year.
- Profit for the period increased by approximately HK\$51.8 million or 231.8% to approximately HK\$74.2 million, as compared to approximately HK\$22.4 million for the corresponding period last year.

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-month period ended 30 June 2024, together with the comparative figures for the corresponding period in 2023, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

		Unaudited	
		For the six-month period	
		ended 30 June	
		2024	2023
	<i>Note</i>	HK\$'000	HK\$'000
Revenue	3	2,002,775	1,599,586
Cost of sales		<u>(1,495,485)</u>	<u>(1,232,670)</u>
Gross profit		507,290	366,916
Selling and distribution expenses		(252,982)	(208,964)
Administrative expenses		(124,161)	(91,350)
Research and development costs		(40,910)	(34,278)
Net impairment losses of financial assets		(8,833)	(12,565)
Other income	4	32,239	9,310
Other gains, net		<u>3,199</u>	<u>20,391</u>
Operating profit		115,842	49,460
Finance costs	5	<u>(23,096)</u>	<u>(25,460)</u>
Profit before income tax		92,746	24,000
Income tax expense	6	<u>(18,541)</u>	<u>(1,637)</u>
Profit for the period	7	<u>74,205</u>	<u>22,363</u>
Profit for the period attributable to:			
Equity owners of the Company		62,096	18,637
Non-controlling interests		<u>12,109</u>	<u>3,726</u>
		<u>74,205</u>	<u>22,363</u>
		<i>Cents</i>	<i>Cents</i>
Earnings per share attributable to the equity holders of the Company	8		
– Basic		<u>3.55</u>	<u>1.06</u>
– Diluted		<u>3.55</u>	<u>1.06</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

	Unaudited	
	For the six-month period	
	ended 30 June	
	2024	2023
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	<u>74,205</u>	<u>22,363</u>
Other comprehensive loss		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>(19,976)</u>	<u>(32,373)</u>
Total comprehensive income/(loss) for the period	<u><u>54,229</u></u>	<u><u>(10,010)</u></u>
Total comprehensive income/(loss) for the period attributable to:		
Equity owners of the Company	<u>43,269</u>	(11,250)
Non-controlling interests	<u>10,960</u>	<u>1,240</u>
	<u><u>54,229</u></u>	<u><u>(10,010)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024

		Unaudited	Audited
		As at	As at
		30 June	31 December
		2024	2023
	<i>Note</i>	HK\$'000	HK\$'000
Assets			
Non-current assets			
Property, plant and equipment		415,521	441,688
Right-of-use assets		239,056	235,303
Investment properties		29,548	31,525
Intangible assets		13,732	14,747
Deposits and other receivables	<i>10</i>	23,731	19,272
Deferred tax assets		57,718	57,086
		779,306	799,621
Current assets			
Inventories		489,450	508,747
Trade and other receivables	<i>10</i>	722,422	686,747
Bill receivables	<i>11</i>	71,998	66,977
Trade receivables at fair value through other comprehensive income		63,818	34,129
Cash and cash equivalents		357,604	309,923
		1,705,292	1,606,523
Total assets		2,484,598	2,406,144

		Unaudited	Audited
		As at	As at
		30 June	31 December
		2024	2023
	<i>Note</i>	HK\$'000	HK\$'000
Equity			
Equity attributable to the Company's equity holders			
Capital and reserves			
Share capital		175,000	175,000
Reserves		771,277	750,758
		<hr/>	<hr/>
Equity attributable to owners of the Company		946,277	925,758
Non-controlling interests		3,692	(7,268)
		<hr/>	<hr/>
Total equity		949,969	918,490
		<hr/>	<hr/>
Liabilities			
Non-current liabilities			
Lease liabilities		213,195	208,107
Deferred government grant	<i>12</i>	689	900
Deferred tax liabilities		12,832	11,541
		<hr/>	<hr/>
		226,716	220,548
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	<i>12</i>	727,881	675,364
Bill payables	<i>13</i>	28,290	31,183
Contract liabilities		15,344	15,629
Unsecured bank borrowings	<i>14</i>	435,253	441,878
Lease liabilities		71,717	72,633
Taxation payable		29,428	30,419
		<hr/>	<hr/>
		1,307,913	1,267,106
		<hr/>	<hr/>
Total liabilities		1,534,629	1,487,654
		<hr/>	<hr/>
Total equity and liabilities		2,484,598	2,406,144
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

1. BASIS OF PREPARATION

The condensed consolidated interim financial information of Sinomax Group Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “**Interim Financial Reporting**” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The interim report does not include all of the notes normally included in annual consolidated financial statements. Accordingly, this report should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2023.

2. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of the amendments to standards as set out below.

Amendments to standards and interpretations adopted by the Group

In the current interim period, the Group has applied, for the first time, the following amendments to the Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2024 for the preparation of the Group’s condensed consolidated interim financial information:

HKAS 1	Classification of Liabilities as Current or Non-current (amendments)
HKAS 1	Non-current Liabilities with Covenants (amendments)
HK Int 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (Revised))
HKFRS 16	Lease Liability in a Sale and Leaseback (amendments)
HKAS 7 and HKFRS 7	Supplier Finance Arrangements (amendments)

The amendments to standards and interpretations listed above did not have any significant impact on the amounts recognised in prior period and are not expected to significantly affect the current or future period.

Amendments to standards issued but not yet effective

Certain amendments to standards which have been published that are not mandatory for the financial year beginning on 1 January 2024 and have not been early adopted by the Group are as follow:

HKAS 21	Lack of Exchangeability (amendments) ⁽¹⁾
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments) ⁽²⁾

⁽¹⁾ *Effective for the Group for annual period beginning on 1 January 2025*

⁽²⁾ *Effective date to be determined*

The directors of the Company are of the opinion that the adoption of the amendments to standards above to existing standards would not have a material impact on the Group in current or future reporting periods and on foreseeable future transactions. The Group intends to adopt the amendments to standards above to existing standards when they become effective.

3. REVENUE AND SEGMENT INFORMATION

The Group sells health and household products, including quality visco-elastic pillows, mattress toppers and mattresses, to wholesalers and retailers and also directly to customers both through its retail network comprising self-operated stand-alone retail shops and concession counters in department stores and through internet sales. The Group also sells polyurethane foam to furniture manufacturers.

The executive directors of the Company, being the chief operating decision maker (“**CODM**”), make decisions about resource allocation based on revenue from different geographical markets and review reports on the financial performance of the Group as a whole. No other discrete financial information is reviewed by the CODM for the assessment of performance of the Group. Therefore, no other segment information is presented. The Group is currently organised into the following three geographical markets:

China market	–	manufacture and sale of health and household products and polyurethane foam for customers located in the People’s Republic of China (the “ PRC ”), Hong Kong and Macau
North American market	–	manufacture and sale of health and household products for customers located in the United States (the “ US ”), Canada and other North American countries
Europe and other overseas markets	–	manufacture and sale of health and household products for customers located in overseas countries except for those customers located in the North American market

Disaggregation of revenue from contracts with customers

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

Type of goods

	For the six-month period ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Sales of health and household products	1,341,486	1,061,249
Sales of polyurethane foam	<u>661,289</u>	<u>538,337</u>
Total	<u>2,002,775</u>	<u>1,599,586</u>

Geographical markets

	For the six-month period ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
China market		
– The PRC	717,473	599,798
– Hong Kong, Macau and others	<u>146,093</u>	<u>116,218</u>
	<u>863,566</u>	<u>716,016</u>
North American market		
– The US	702,706	549,893
– Others	<u>110,875</u>	<u>44,458</u>
	<u>813,581</u>	<u>594,351</u>
Europe and other overseas markets	<u>325,628</u>	<u>289,219</u>
Total	<u>2,002,775</u>	<u>1,599,586</u>

4. OTHER INCOME

	For the six-month period	
	ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	3,388	2,914
Government subsidies	911	1,094
Rental income	5,635	1,313
Others	22,305	3,989
	<u>32,239</u>	<u>9,310</u>

5. FINANCE COSTS

	For the six-month period	
	ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings	12,585	15,333
Interest on lease liabilities	7,720	7,976
Interest and charges on factoring of trade receivables	2,791	2,151
	<u>23,096</u>	<u>25,460</u>

6. INCOME TAX EXPENSE

	For the six-month period ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	1,529	2,458
PRC Enterprise Income Tax (“EIT”)	12,942	10,325
PRC withholding tax on distributed profits from PRC subsidiaries	1,203	852
Overseas Income Tax	4,148	–
	<u>19,822</u>	<u>13,635</u>
Deferred taxation	<u>(1,281)</u>	<u>(11,998)</u>
	<u><u>18,541</u></u>	<u><u>1,637</u></u>

Income tax expense is recognised based on management’s estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 30 June 2024 is 20%, compared to 7% for the six-month period ended 30 June 2023. The effective tax rate was higher in 2024 mainly due to improved performance of the US and Vietnam subsidiaries, which resulted in an increase of assessable profits.

7. PROFIT FOR THE PERIOD

	For the six-month period ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period has been arrived at after charging:		
Cost of inventories recognised as expenses including reversal of provision for inventories of HK\$8,296,000 (30 June 2023: provision for inventories of HK\$8,558,000)	1,161,730	966,186
Total staff costs (included in cost of sales, selling and distribution expenses, administrative expenses and research and development costs)	302,983	235,483
Amortisation of intangible assets	889	889
Depreciation of property, plant and equipment	35,751	35,598
Depreciation of right-of-use assets	39,261	37,350
Depreciation of investment properties	1,233	1,282
Marketing expense	82,443	57,137
Professional fee	9,904	9,616
Transportation expense	55,328	49,032
	<u><u>1,161,730</u></u>	<u><u>966,186</u></u>

10. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2024 <i>HK\$'000</i>	At 31 December 2023 <i>HK\$'000</i>
Trade receivables, at amortised cost	637,561	573,533
<i>Less:</i> allowance for credit losses	<u>(36,862)</u>	<u>(30,679)</u>
Trade receivables, net	<u>600,699</u>	<u>542,854</u>
Deposits, prepayments and other receivables		
Cash consideration receivables (<i>Note</i>)	–	28,918
Prepayments for purchasing raw materials and operating expenses	73,084	58,689
Rental and other deposits	39,063	38,642
Other tax recoverable	24,457	26,300
Net investment in sublease	1,652	2,448
Others	<u>7,198</u>	<u>8,168</u>
	<u>145,454</u>	<u>163,165</u>
Total trade and other receivables	<u><u>746,153</u></u>	<u><u>706,019</u></u>
<i>Less:</i> Non-current rental deposits	(18,520)	(15,152)
Non-current deposits paid for property, plant and machinery	(5,211)	(3,306)
Non-current net investment in sublease	<u>–</u>	<u>(814)</u>
	<u>(23,731)</u>	<u>(19,272)</u>
Current portion	<u><u>722,422</u></u>	<u><u>686,747</u></u>

Note: The balance represents the consideration receivable 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 the disposal was agreed to be settled in four instalments.

According to a supplemental agreement between 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, and the purchaser of 51% equity interest in Chengdu Xingang Sponge Co. Ltd. dated 11 March 2022, the payment arrangement of the fourth instalment (the “**Fourth Instalment**”) was revised 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 Instalments 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 received the settlement of RMB25,000,000 and RMB10,000,000 during the six-month periods ended 30 June 2024 and 30 June 2023, respectively, as set out in (iii) and (ii) above.

The Group’s retail sales are made through its retail network comprising stand-alone retail shops, concession counters in department stores, and internet sales. The Group also sells 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 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 the 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 invoice date.

	At 30 June 2024 <i>HK\$'000</i>	At 31 December 2023 <i>HK\$'000</i>
Within 30 days	409,089	291,527
31 to 60 days	129,177	166,643
61 to 90 days	52,960	80,161
91 to 180 days	5,185	3,188
181 to 365 days	4,288	1,335
	<u>600,699</u>	<u>542,854</u>

11. BILL RECEIVABLES

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

	At 30 June 2024 <i>HK\$'000</i>	At 31 December 2023 <i>HK\$'000</i>
Within 30 days	17,826	11,949
31 to 60 days	11,011	11,614
61 to 90 days	11,807	11,691
91 to 180 days	30,779	31,723
181 to 365 days	575	–
	<u>71,998</u>	<u>66,977</u>

Included in the bill receivables above amounting to approximately HK\$44,158,000 as at the end of the reporting period (31 December 2023: HK\$40,649,000) 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.

12. TRADE AND OTHER PAYABLES

	At 30 June 2024 <i>HK\$'000</i>	At 31 December 2023 <i>HK\$'000</i>
Trade payables	<u>449,393</u>	<u>452,711</u>
Accrued operating expenses	108,767	85,355
Accrued salaries	52,708	58,615
Other taxes payable	36,305	32,228
Accrued royalties	29,701	26,238
Refundable deposits received	21,968	15,044
Dividend payable	22,750	–
Deferred government grant	1,068	1,288
Other payables and accrued expenses	<u>5,910</u>	<u>4,785</u>
	<u>279,177</u>	<u>223,553</u>
Total trade and other payables	728,570	676,264
Less: Non-current deferred government grant	<u>(689)</u>	<u>(900)</u>
Current portion	<u><u>727,881</u></u>	<u><u>675,364</u></u>

Included in the trade and other payables above amounting to HK\$44,158,000 as at the end of the reporting period (31 December 2023: HK\$40,649,000) had been settled by endorsed bills for which the maturity dates of the bill receivables are not yet fallen due as at the end of the reporting period.

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

	At 30 June 2024 <i>HK\$'000</i>	At 31 December 2023 <i>HK\$'000</i>
Within 30 days	324,225	304,211
31 to 60 days	80,625	95,418
61 to 90 days	19,078	22,820
91 to 180 days	19,517	23,251
Over 180 days	5,948	7,011
	<u>449,393</u>	<u>452,711</u>

13. BILL PAYABLES

Bill payables were guaranteed by the Company and certain of its subsidiaries and the following is the aging analysis of bill payables based on bills issue dates:

	At 30 June 2024 <i>HK\$'000</i>	At 31 December 2023 <i>HK\$'000</i>
Within 30 days	10,867	7,340
31 to 60 days	12,427	10,002
61 to 90 days	–	5,010
91 to 180 days	4,996	8,831
	<u>28,290</u>	<u>31,183</u>

14. UNSECURED BANK BORROWINGS

	At 30 June 2024 <i>HK\$'000</i>	At 31 December 2023 <i>HK\$'000</i>
Term borrowings	11,025	29,644
Revolving borrowings	114,700	128,200
Trade financing	<u>309,528</u>	<u>284,034</u>
	<u>435,253</u>	<u>441,878</u>

Bank borrowings bear interest rates of 2.90% – 6.68% per annum (31 December 2023: 3.10% – 7.41% per annum). Variable-rate bank borrowings carry interest with reference to Hong Kong Interbank Offered Rate, Secured Overnight Financing Rate and Loan Prime Rate plus a specific margin of the relevant banks and mature within one year or are repayable on demand.

15. CAPITAL COMMITMENTS

	At 30 June 2024 <i>HK\$'000</i>	At 31 December 2023 <i>HK\$'000</i>
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated interim financial information	<u>15,886</u>	<u>17,494</u>

BUSINESS REVIEW

Revenue by operating segments

Revenue for the six-month period ended 30 June 2024 (the “**Reporting Period**”) increased by approximately HK\$403.2 million or approximately 25.2% to approximately HK\$2,002.8 million, as compared to approximately HK\$1,599.6 million for the corresponding period last year.

	For the six-month period ended 30 June		Changes %
	2024	2023	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
China market	863,566	716,016	20.6%
North American market	813,581	594,351	36.9%
Europe and other overseas markets	325,628	289,219	12.6%
Total	<u>2,002,775</u>	<u>1,599,586</u>	25.2%

The sales in the China market increased by approximately 20.6% for the Reporting Period, as compared to the corresponding period last year. The increase was mainly due to increase of orders from our major customers.

For North American market, sales increased by approximately 36.9% for the Reporting Period, as compared to the corresponding period last year as a result of the increase in the market share.

In Europe and other overseas markets, we recorded an increase of sales of approximately 12.6% for the Reporting Period, as compared to the corresponding period last year. The increase was mainly due to increase in our sales to customers in Vietnam.

Gross Profit

Gross profit increased by approximately HK\$140.4 million or approximately 38.3% to approximately HK\$507.3 million during the Reporting Period, as compared to approximately HK\$366.9 million for the corresponding period last year.

The increase in gross profit margin was mainly due to cost cutting measures adopted by the Group, including improvement on production efficiency and reduction of cost of raw materials.

Costs and expenses

Selling and distribution costs for the Reporting Period increased by approximately HK\$44.0 million or approximately 21.1% to approximately HK\$253.0 million, as compared to approximately HK\$209.0 million for the six-month period ended 30 June 2023. The increase was mainly due to the increase in marketing and advertising expenses of approximately HK\$25.4 million, staff costs of approximately HK\$7.6 million and transportation costs of approximately HK\$6.1 million.

Administrative expenses for the Reporting Period increased by approximately HK\$32.8 million or approximately 35.9% to approximately HK\$124.2 million, as compared to approximately HK\$91.4 million for the six-month period ended 30 June 2023. The increase was mainly due to increase in staff costs of approximately HK\$14.0 million and land use tax and withholding tax of approximately HK\$6.8 million in total.

Profit for the period

Profit for the period increased by approximately HK\$51.8 million or 231.8% to approximately HK\$74.2 million, as compared to approximately HK\$22.4 million for the corresponding period last year.

This was primarily attributable to the increase in sales as well as savings derived from various cost cutting measures adopted by the Group including improvement on production efficiency and reduction of cost of raw materials.

LIQUIDITY, FINANCE AND CAPITAL RESOURCES

As at 30 June 2024, the Group had net current assets of approximately HK\$397.4 million, as compared to approximately HK\$339.4 million as at 31 December 2023.

Bank balances and cash as at 30 June 2024 increased by approximately HK\$47.7 million or approximately 15.4% to approximately HK\$357.6 million as compared to approximately HK\$309.9 million as at 31 December 2023.

Net cash generated from operating activities amounted to approximately HK\$136.9 million for the Reporting Period as compared to net cash generated from operating activities amounting to approximately HK\$187.7 million for the six-month period ended 30 June 2023.

Borrowings and pledge of assets

As at 30 June 2024, the Group had banking facilities amounting to approximately HK\$1,087.6 million of which approximately HK\$463.5 million was utilized (31 December 2023: banking facilities amounting to approximately HK\$1,040.0 million of which approximately HK\$473.1 million was utilized), which included unsecured bank borrowings and bill payables.

Capital expenditure

The Group's capital expenditure for the Reporting Period amounting to approximately HK\$26.3 million was mainly for the purchase of the Group's plant and machinery (31 December 2023: approximately HK\$62.2 million).

Financial ratios

	As at 30 June 2024	As at 31 December 2023
Current ratio ⁽¹⁾	130.4%	126.8%
Quick ratio ⁽²⁾	93.0%	86.6%
Gearing ratio ⁽³⁾	45.8%	48.1%
Debt to equity ratio ⁽⁴⁾	8.2%	14.4%

⁽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, 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 the 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 the 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 banking facilities available 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

In the first half of 2024, we recorded a growth on both revenue and profit after tax as compared to the corresponding period last year despite the global economic environment remaining unstable. We expect that the financial improvement will continue in 2024 and we will continuously improve the production efficiency on various areas including production and logistics.

With the success of Mattress-in-a-box, one of the Group's major products sold through online channels, we will continue to promote our products not only in the US, but also in Europe. We maintain a positive outlook on the growth trajectory of the sales of Mattress-in-a-box and expect that it will generate more sales and profits for the Group.

As disclosed in the announcements of the Company dated 12 June 2024 and 17 June 2024, with the view to expand the Group's business operations in Vietnam and the US, we entered into several new factories lease contracts in 2024 to meet customers' growing demands and expand our customer base.

With factories in the PRC, the US and Vietnam, we are able to source raw materials from countries with lower costs (including production, tariff and shipping costs), resulting in more cost-efficient operations. It also provides the Group with the flexibility to supply our products globally to meet various customers' demand. 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 of various global customers. 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 Europe and the retail markets in Hong Kong and the PRC.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the section 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.

INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim dividend of HK\$1.0 cent per share for the Period (for the six-month period ended 30 June 2023: HK\$0.4 cents), amounting to approximately HK\$17,500,000 in total, to be paid in cash on Thursday, 10 October 2024, to shareholders whose names are listed on the register of members of the Company on Friday, 20 September 2024.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 16 September 2024 to Friday, 20 September 2024 (both days inclusive), during which no transfer of shares of the Company will be registered and the record date is Friday, 20 September 2024. In order to qualify for the interim dividend, all transfer documents and the relevant share certificates must be lodged with the Hong Kong Branch Share Registrar and Transfer Office of the Company, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Friday, 13 September 2024.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2024, the employee headcount of the Group was 3,208 (30 June 2023: 2,742) and the total staff costs, including Directors' remuneration and share option expenses, amounted to approximately HK\$303.0 million for the Reporting Period (for the six-month period ended 30 June 2023: approximately HK\$235.5 million). The increase in staff costs for the Reporting Period was mainly due to increase in number of staff.

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 our employees' 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, as well as share options pursuant to 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 Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as its own code of corporate governance. During the Reporting Period, all the code provisions as set out 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 C3 to 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 Reporting Period.

REVIEW OF INTERIM RESULTS

The audit committee of the Board has reviewed, together with the management of the Group, the accounting principles and policies adopted by the Group, and discussed and reviewed the unaudited condensed consolidated financial information of the Group for the Reporting Period and recommended the adoption of the same by the Board.

PricewaterhouseCoopers, the auditor of the Group, has reviewed the unaudited condensed consolidated interim financial information of the Group for the Reporting Period, 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 INTERIM RESULTS AND 2024 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement will be published on the websites of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (www.hkexnews.hk) and the Company (www.sinomax.com/group), and the interim report for the Reporting Period containing all the information required by the Listing Rules will be 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, 23 August 2024

As at the date of this announcement, the non-executive director of the Company is Mr. Lam Chi Fan (Chairman of the Board); the executive Directors of the Company are Mr. Cheung Tung (President), Mr. Chen Feng, Mr. Lam Kam Cheung (Chief Financial Officer and Company Secretary) and Ms. Lam Fei Man; and the independent non-executive Directors of the Company are Mr. Wong Chi Keung, Mr. Zhang Hwo Jie and Dr. Cheung Wah Keung.