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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 2024

PERFORMANCE HIGHLIGHTS

- Revenue for the Reporting Period increased by approximately HK\$482.3 million or 13.4% to approximately HK\$4,091.1 million, as compared to approximately HK\$3,608.9 million for FY2023.
- Gross profit for the Reporting Period increased by approximately HK\$127.3 million or 13.8% to approximately HK\$1,047.0 million, as compared to approximately HK\$919.7 million for FY2023.
- Profit for the Reporting Period increased by approximately HK\$82.1 million or 102.0% to a profit of approximately HK\$162.6 million, as compared to approximately HK\$80.5 million for FY2023.
- The Board resolved to propose a final dividend of HK\$1.3 cents (2023 final dividend: HK\$1.3 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 2024 (the “**Reporting Period**”), together with the audited comparative figures for the previous financial year ended 31 December 2023 (“**FY2023**”), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

		2024	2023
	Notes	HK\$'000	HK\$'000
Revenue	3	4,091,144	3,608,894
Cost of sales	7	(3,044,162)	(2,689,171)
Gross profit		1,046,982	919,723
Selling and distribution expenses	7	(494,324)	(458,364)
Administrative expenses	7	(267,354)	(250,197)
Research and development costs	7	(87,966)	(80,178)
Net reversal of/(provision for) impairment losses of financial assets		4,158	(1,321)
Other income	4	54,936	27,866
Other (losses)/gains, net	5	(11,877)	14,868
Operating profit		244,555	172,397
Finance costs	6	(50,085)	(49,785)
Share of profit of an associate	8	5,025	—
Profit before income tax		199,495	122,612
Income tax expense	9	(36,846)	(42,110)
Profit for the year		162,649	80,502

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

FOR THE YEAR ENDED 31 DECEMBER 2024

		2024	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Currency translation differences arising on translation of foreign operations		<u>(38,465)</u>	<u>(26,761)</u>
Other comprehensive loss for the year		<u><u>(38,465)</u></u>	<u><u>(26,761)</u></u>
Total comprehensive income for the year		<u><u>124,184</u></u>	<u><u>53,741</u></u>
Profit for the year attributable to:			
Owners of the Company		138,068	62,593
Non-controlling interests		<u>24,581</u>	<u>17,909</u>
		<u><u>162,649</u></u>	<u><u>80,502</u></u>
Total comprehensive income for the year attributable to:			
Owners of the Company		88,197	37,557
Non-controlling interests		<u>35,987</u>	<u>16,184</u>
		<u><u>124,184</u></u>	<u><u>53,741</u></u>
Earnings per share			
– Basic and diluted (<i>HK cents</i>)	11	<u><u>7.89</u></u>	<u><u>3.58</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2024

		2024	2023
	Notes	HK\$'000	HK\$'000
Assets			
Non-current assets			
Property, plant and equipment		415,760	441,688
Right-of-use assets		299,327	235,303
Investment properties		28,026	31,525
Goodwill		5,170	5,348
Intangible assets		7,621	9,399
Interest in an associate	8	54,654	–
Deposits and other receivables	12	29,822	19,272
Deferred tax assets		51,512	57,086
		<u>891,892</u>	<u>799,621</u>
Current assets			
Inventories		476,548	508,747
Trade and other receivables	12	777,273	686,747
Bill receivables	13	112,365	66,977
Trade receivables at fair value through other comprehensive income	14	36,472	34,129
Cash and cash equivalents		262,436	309,923
		<u>1,665,094</u>	<u>1,606,523</u>
Total assets		<u><u>2,556,986</u></u>	<u><u>2,406,144</u></u>
Equity			
Equity attributable to the Company's equity holders			
Share capital		175,000	175,000
Reserves		798,705	750,758
		<u>973,705</u>	<u>925,758</u>
Equity attributable to owners of the Company		973,705	925,758
Non-controlling interests		26,051	(7,268)
		<u>999,756</u>	<u>918,490</u>
Total equity		<u>999,756</u>	<u>918,490</u>

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

AT 31 DECEMBER 2024

		2024	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Liabilities			
Non-current liabilities			
Lease liabilities		250,763	208,107
Deferred government grant	<i>15</i>	494	900
Deferred tax liabilities		11,077	11,541
		262,334	220,548
Current liabilities			
Trade and other payables	<i>15</i>	743,366	675,364
Bill payables	<i>16</i>	29,690	31,183
Contract liabilities		12,701	15,629
Unsecured bank borrowings		401,102	441,878
Lease liabilities		91,926	72,633
Taxation payable		16,111	30,419
		1,294,896	1,267,106
Total liabilities		1,557,230	1,487,654
Total equity and liabilities		2,556,986	2,406,144

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

1. GENERAL

The Group manufactures and sells health and household products. The Company acts as an investment holding company and the principal activities of the Group are conducted by its principal subsidiaries.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is P.O. Box 309, Ugland House, KY1-1104, Cayman Islands.

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.

2. BASIS OF PREPARATION

(i) Compliance with HKFRSs and the disclosure requirements of HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) as issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

HKFRSs comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants.

(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) Amendments to standards and an interpretation adopted by the Group

The Group has applied the following amendments to standards and an interpretation for the first time for its annual reporting period commencing 1 January 2024:

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

The amendments to standards and an interpretation listed above did not have any material impact on the amounts recognised in prior and are not expected to significantly affect the current or future periods.

(iv) **New standards and amendments to standards and an interpretation not yet adopted**

Certain new standards and amendments to standards and an interpretation have been published that are not mandatory for 31 December 2024 reporting periods and have not been early adopted by the Group. These new standards and amendments to standards and an interpretation are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions:

		Effective for annual periods beginning on or after
Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability	1 January 2025
HKFRS S1	General Requirements for Disclosure of Sustainability-related Financial Information	1 August 2025
HKFRS S2	Climate-related Disclosures	1 August 2025
Amendments to HKAS 9 and HKFRS 7	Classification and Measurement of Financial Instruments	1 January 2026
Amendments to HKFRS 1, HKFRS 9, HKFRS 10 and HKAS 7	Annual Improvements to HKFRS Accounting Standards	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HK Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Sale of Contribution of Assets between an Investor and its Associate or Joint Venture	To be confirmed by the HKICPA

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

3. REVENUE AND SEGMENT INFORMATION

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

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 Mainland 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 “U.S.”), Canada and other North American countries.
Europe and other overseas markets	Manufacture and sale of health and household products and foam for customers located in overseas except for those customers located in the China market and 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 2024

	China market HK\$’000	North American market HK\$’000	Europe and other overseas markets HK\$’000	Total HK\$’000
External sales	1,748,790	1,624,615	717,739	4,091,144
Cost of sales				(3,044,162)
Selling and distribution expenses				(494,324)
Administrative expenses				(267,354)
Research and development costs				(87,966)
Net reversal of impairment losses of financial assets				4,158
Other income				54,936
Other losses, net				(11,877)
Finance costs				(50,085)
Share of profit of an associate				5,025
Profit before income tax				<u>199,495</u>

For the year ended 31 December 2023

	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	1,589,634	1,384,678	634,582	3,608,894
Cost of sales				(2,689,171)
Selling and distribution expenses				(458,364)
Administrative expenses				(250,197)
Research and development costs				(80,178)
Net provision for impairment losses of financial assets				(1,321)
Other income				27,866
Other gains, net				14,868
Finance costs				<u>(49,785)</u>
Profit before income tax				<u><u>122,612</u></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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Sales of health and household products	2,728,901	2,365,437
Sales of polyurethane foam	<u>1,362,243</u>	<u>1,243,457</u>
Total	<u><u>4,091,144</u></u>	<u><u>3,608,894</u></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.

	2024 HK\$'000	2023 HK\$'000
China market		
– The PRC	1,481,634	1,295,173
– Hong Kong, Macau and others	267,156	294,461
North American market		
– The U.S.	1,379,371	1,280,804
– Others	245,244	103,874
Europe and other overseas markets	717,739	634,582
Total	4,091,144	3,608,894

The Company is domiciled in the Cayman Islands while the Group operates its business primarily in China, North America, Europe and other overseas markets. For the years ended 31 December 2024 and 2023, no revenue was generated from the Cayman Islands and no non-current assets were located in the Cayman Islands.

(iii) Other segment information

Geographical information

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

	2024 HK\$'000	2023 HK\$'000
The U.S.	386,711	405,703
The PRC	253,569	283,880
Europe	54,654	–
Hong Kong	24,641	24,655
Vietnam	90,983	27,483
	810,558	741,721

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

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Receipt in advance from customers for the sales of health and household products	<u>12,701</u>	<u>15,629</u>

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Sales of health and household products	<u>15,629</u>	<u>11,993</u>

4. OTHER INCOME

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest income from bank deposits	5,209	2,133
Interest income from cash consideration receivables	223	897
Imputed interest income from rental deposits	1,347	1,329
Interest income from investment in subleases	88	156
Government subsidies (<i>note</i>)	6,788	8,347
Rental income	11,425	6,752
Others	<u>29,856</u>	<u>8,252</u>
	<u>54,936</u>	<u>27,866</u>

Note:

The amount mainly represents government grants provided by PRC government related to foreign capital injection, and new material technology development projects which is in cooperation with the local PRC government.

5. OTHER (LOSSES)/GAINS, NET

	2024	2023
	HK\$'000	HK\$'000
(Loss)/gain on disposal of property, plant and equipment	(12,158)	1,211
Loss on initial recognition of investment in subleases	–	(761)
Net exchange differences	<u>281</u>	<u>14,418</u>
	<u>(11,877)</u>	<u>14,868</u>

6. FINANCE COSTS

	2024	2023
	HK\$'000	HK\$'000
Interest on bank borrowings	23,271	29,829
Interest on lease liabilities	17,893	15,233
Interest and charges on factoring of trade receivables	<u>8,921</u>	<u>4,723</u>
	<u>50,085</u>	<u>49,785</u>

7. EXPENSES BY NATURE

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Cost of inventories recognised as expenses	2,372,585	2,078,371
Employee benefits expenses	639,098	523,584
Amortisation of intangible assets	1,778	1,778
Auditor's remuneration		
– Audit service	3,210	3,110
– Non-audit service	1,180	880
Bank charges	12,469	12,595
Concessionaire commission for department store counters (<i>note</i>)	33,973	37,281
Expenses relating to short-term or low value leases	8,576	10,370
Depreciation of investment properties	2,469	2,516
Depreciation of property, plant and equipment	71,296	70,506
Depreciation of right-of-use assets	84,138	75,391
(Reversal of provision)/provision for inventories	(15,425)	34,189
Legal and professional fees	19,904	20,822
Marketing expenses	138,759	127,154
Transportation expenses	117,036	112,693
Others	402,760	366,670
Total cost of sales, selling and distribution expenses, administrative expenses and research and development costs	<u>3,893,806</u>	<u>3,477,910</u>

Note:

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

8. INTEREST IN AN ASSOCIATE

	2024 HK\$'000	2023 HK\$'000
As at 1 January	–	–
Acquisition of an associate (<i>note</i>)	51,170	–
Share of profit from an associate	5,025	–
Exchange difference	(1,541)	–
	<hr/>	<hr/>
As at 31 December	54,654	–
	<hr/>	<hr/>

Note:

On 14 October 2024, a wholly-owned subsidiary of the Company (the “Subsidiary”) and, among others, M DK Holdings ApS entered into a subscription agreement (the “Subscription Agreement”) pursuant to which the Subsidiary agreed to subscribe for 45% equity interest of M DK Holdings ApS upon closing at a consideration of EUR 6,000,000 (equivalent to approximately HK\$51,170,000).

Set out below is the associate of the Group as at 31 December 2024 and 2023 that is considered material to the Group. The entity listed below has share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation is also its principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of associate	Place of incorporation/ operations/ establishment	% of ownership interest		Measurement method	Carrying amount	
		2024	2023		2024	2023
					HK\$'000	HK\$'000
M DK Holdings ApS	Denmark	45%	–	Equity method	54,654	N/A

(i) Summarised financial information for an associate

The tables below provide summarised financial information for the Group's material associate. The information disclosed reflects the amounts presented in the financial statements of the relevant associate and not the Group's share of those amounts. The amounts have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policies.

2024
HK\$'000

Financial position as at 31 December 2024

Current assets	287,129
Non-current assets	27,673
Current liabilities	(261,850)
Non-current liabilities	(55,523)
Net liabilities	<u>(2,571)</u>

Profit or loss for the period from 14 October 2024 to 31 December 2024

Revenue	303,965
Profit and total comprehensive income for the period	<u>11,165</u>

2024
HK\$'000

Reconciliation to carrying amounts:

Opening net liabilities at book value as at acquisition date	(14,068)
Profit and total comprehensive income for the period from 14 October 2024 to 31 December 2024	11,165
Exchange difference	<u>332</u>
Closing net liabilities as at 31 December	<u><u>(2,571)</u></u>
Group's share in %	45%
Group's share of closing net liabilities	(1,157)
Notional goodwill (<i>note</i>)	<u>55,811</u>
Carrying value as at 31 December	<u><u>54,654</u></u>

Note:

Through the investment of the associate, the Group penetrated into the markets of Denmark and the European Union with the existing customers of the associate. The notional goodwill represents the market presence, and the synergies by contributing the Group's expertise in the manufacturing technology know-how and products to the associate in connection with sales with existing customers and expansions to the U.S. and other European markets.

(ii) Commitments and contingent liabilities in respect of an associate

The Group's associate did not have any significant capital commitments and contingent liabilities as at 31 December 2024 (2023: None).

9. INCOME TAX EXPENSE

	2024 HK\$'000	2023 HK\$'000
Current tax:		
Hong Kong profits tax (<i>note i</i>)	506	7,521
PRC enterprise income tax (“EIT”) (<i>note ii</i>)	21,212	25,231
Overseas taxation	4,987	–
PRC withholding tax on distributed profits from PRC subsidiaries	5,038	11,158
	<u>31,743</u>	<u>43,910</u>
Over provision in prior years:		
Hong Kong Profits Tax	(21)	(44)
PRC EIT	–	10
	<u>(21)</u>	<u>(34)</u>
Deferred taxation	<u>5,124</u>	<u>(1,766)</u>
	<u>36,846</u>	<u>42,110</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 will expire in 2026.

The income tax expense for the year can be reconciled to the profit before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Profit before income tax	199,495	122,612
Less: Share of profit from an associate	<u>(5,025)</u>	<u>–</u>
	<u>194,470</u>	<u>122,612</u>
Tax at the Hong Kong profits tax rate at 16.5% (2023: 16.5%)	32,088	20,231
Effect on different tax rates of subsidiaries operating in other jurisdictions	11,190	14,139
Tax effect of expenses not deductible for tax purposes	3,475	6,147
Tax effect of income not taxable for tax purposes	(9,243)	(22,186)
Over provision in prior years	(21)	(34)
Tax effect of tax loss not recognised	1,864	19,472
Utilisation of tax loss previously not recognised	(7,289)	(17)
Withholding tax on undistributed earnings of PRC subsidiaries	4,947	4,523
Income tax on concessionary rate	<u>(165)</u>	<u>(165)</u>
Income tax expense	<u>36,846</u>	<u>42,110</u>

10. DIVIDENDS

An interim dividend of HK\$1.0 cents per share, amounting to approximately HK\$17,500,000 in total was paid on 10 October 2024. Subsequent to the end of the Reporting Period, a final dividend of HK\$1.3 cents (2023: HK\$1.3 cents) per share in respect of the year ended 31 December 2024, amounting to approximately HK\$22,750,000 has been proposed by the board of directors and is subject to approval of shareholders in the forthcoming annual general meeting. The proposed final dividend is not recognised as a liability as at 31 December 2024.

During the Reporting Period, a subsidiary of the Company paid dividend amounting to approximately HK\$2,668,000 (2023: HK\$15,191,000) to non-controlling interests.

11. 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:

	2024 <i>HK\$'000</i>	2023 <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><u>138,068</u></u>	<u><u>62,593</u></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><u>1,750,002</u></u>	<u><u>1,750,002</u></u>
Basic and diluted earnings per share (<i>HK cents</i>)	<u><u>7.89</u></u>	<u><u>3.58</u></u>

The computation of diluted earnings per share for the years ended 31 December 2024 and 2023 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 and they are antidilutive during the years ended 31 December 2024 and 2023.

12. TRADE AND OTHER RECEIVABLES

	2024 HK\$'000	2023 HK\$'000
Trade receivables	649,369	573,533
Less: allowance for credit losses	(23,362)	(30,679)
Trade receivables, net	626,007	542,854
Deposits, prepayments and other receivables		
Cash consideration receivables (note a)	–	28,918
Prepayments for purchasing raw materials and operating expenses	93,499	58,689
Rental and other deposits	45,406	38,642
Other tax recoverable	32,066	26,300
Net investment in sublease	858	2,448
Others	9,259	8,168
	181,088	163,165
Total trade and other receivables	807,095	706,019
Less:		
Non-current portion of other receivables	(29,822)	(19,272)
Current portion	777,273	686,747

- (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 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 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 received the settlement of RMB25,000,000 and RMB10,000,000 during the year ended 31 December 2024 and 31 December 2023, respectively, as set out in (iii) and (ii) above.

The Group's retail sales are made through both its retail network comprising stand-alone retail shops and 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.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 30 days	299,538	291,527
31 to 60 days	182,853	166,643
61 to 90 days	96,867	80,161
91 to 180 days	32,678	3,188
181 to 365 days	14,071	1,335
	<u>626,007</u>	<u>542,854</u>

(i) Fair value of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

(ii) **Impairment and risk exposure**

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

As at 31 December 2024, included in the Group's trade receivables balance are debtors with aggregate net carrying amount of HK\$122,599,000 (2023: HK\$183,846,000) which are past due as at 31 December 2024. Out of the past due balances, HK\$7,615,000 (2023: HK\$8,290,000) has been past due 90 days or more and is not considered as in default by considering the background of the trade receivables and historical payment arrangement of these trade receivables. The Group does not hold any collateral over the balances.

13. BILL RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Bill receivables	117,599	72,211
Less: allowance for credit losses	<u>(5,234)</u>	<u>(5,234)</u>
	<u>112,365</u>	<u>66,977</u>

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, net of allowance for credit losses, based on their time to maturities as at the end of reporting periods:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 30 days	23,374	11,949
31 to 60 days	18,956	11,614
61 to 90 days	23,810	11,691
91 to 180 days	43,704	31,723
181 to 365 days	<u>2,521</u>	<u>—</u>
	<u>112,365</u>	<u>66,977</u>

Included in the bill receivables above amounting to approximately HK\$94,968,000 (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.

14. 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 fair value through other comprehensive income ("FVOCI").

As at 31 December 2024, the effective interest rates of the factored trade receivables at FVOCI ranged from 5.49% to 6.99% per annum (2023: 6.01% to 7.51% per annum). As at 31 December 2024 and 2023, the fair value changes on trade receivables at FVOCI are insignificant and accordingly, no fair value changes are recognised in equity as FVOCI reserve.

15. TRADE AND OTHER PAYABLES

	2024 HK\$'000	2023 HK\$'000
Trade payables	487,035	452,711
Accrued operating expenses	90,303	85,355
Accrued salaries	89,572	58,615
Other taxes payable	27,700	32,228
Accrued royalties	33,226	26,238
Refundable deposits received	9,794	15,044
Deferred government grant	869	1,288
Others	5,361	4,785
	256,825	223,553
Total trade and other payables	743,860	676,264
Less:		
Non-current portion of deferred government grant	(494)	(900)
Current portion	743,366	675,364

Included in trade and other payables above amounting to HK\$94,968,000 (2023: HK\$40,649,000) 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.

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.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 30 days	302,254	304,211
31 to 60 days	96,598	95,418
61 to 90 days	38,806	22,820
91 to 180 days	39,894	23,251
Over 180 days	9,483	7,011
	<u>487,035</u>	<u>452,711</u>

16. BILL PAYABLES

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 30 days	3,305	7,340
31 to 60 days	2,151	10,002
61 to 90 days	–	5,010
91 to 180 days	24,234	8,831
	<u>29,690</u>	<u>31,183</u>

17. CAPITAL COMMITMENTS

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

	2024	2023
	<i>HK\$'000</i>	<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>19,610</u>	<u>17,494</u>

BUSINESS REVIEW

Revenue by operating segments

During the Reporting Period, revenue of the Group increased by approximately HK\$482.3 million or approximately 13.4% to approximately HK\$4,091.1 million (FY2023: approximately HK\$3,608.9 million).

	2024 HK\$'000	2023 HK\$'000	Changes
China market	1,748,790	1,589,634	10.0%
North American market	1,624,615	1,384,678	17.3%
Europe and other overseas markets	717,739	634,582	13.1%
Total	<u>4,091,144</u>	<u>3,608,894</u>	<u>13.4%</u>

The sales in the China market increased by approximately 10.0% as a result of the increase in the market share of foam sales.

In the North American market, we diversified our customer base by developing business relationship with more new customers, as a result of which sales for the Reporting Period in this region increased by approximately 17.3%, as compared to sales in FY2023.

In Europe and other overseas markets, we recorded an increase of sales for the Reporting Period in this region of approximately 13.1%, as compared to sales in FY2023. The increase was mainly due to the increase in our sales to customers in Europe.

Gross profit

With an increase of approximately 13.4% in the Group's revenue, gross profit (the "GP") increased by approximately HK\$127.3 million or approximately 13.8% to approximately HK\$1,047.0 million during the Reporting Period as compared to approximately HK\$919.7 million for FY2023. The GP margin increased by approximately 0.1% from approximately 25.5% to approximately 25.6% as compared with FY2023.

The increase in GP margin was due to the improvement on production efficiency and decrease in cost of raw materials.

Costs and expenses

Selling and distribution costs for the Reporting Period increased by approximately HK\$36.0 million or approximately 7.8% to approximately HK\$494.3 million, as compared to approximately HK\$458.4 million for FY2023. 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\$11.3 million, staff costs and commission fees of approximately HK\$10.6 million and transportation costs of approximately HK\$4.1 million.

Administrative expenses for the Reporting Period increased by approximately HK\$17.2 million or approximately 6.9% to approximately HK\$267.4 million, as compared to approximately HK\$250.2 million for FY2023. The increase was mainly due to increase in staff cost and directors emolument of approximately HK\$23.3 million as we expanded our workforce to meet the increasing demand for future expansion.

Profit for the Reporting Period

Profit for the Reporting Period increased by approximately HK\$82.1 million or approximately 102.0% to a profit of approximately HK\$162.6 million, as compared to approximately HK\$80.5 million for FY2023.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

As at 31 December 2024, the Group had net current assets of approximately HK\$370.2 million, as compared to approximately HK\$339.4 million as at 31 December 2023. Net cash from operating activities amounted to approximately HK\$249.9 million for the Reporting Period as compared to approximately HK\$420.3 million for FY2023. Bank balance and cash as at 31 December 2024 decreased by approximately HK\$47.5 million or approximately 15.3% to approximately HK\$262.4 million as compared to approximately HK\$309.9 million as at 31 December 2023.

Borrowings and pledge of assets

As at 31 December 2024, the Group had banking facilities amounting to approximately HK\$1,251.9 million of which approximately HK\$430.8 million was utilised (FY2023: banking facilities amounting to approximately HK\$1,040.0 million of which approximately HK\$473.1 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\$65.8 million (FY2023: HK\$62.2 million) which was mainly for the purchase of the Group's plant and machinery.

Financial ratios

	As at 31 December 2024	As at 31 December 2023
Current ratio ⁽¹⁾	128.6%	126.8%
Quick ratio ⁽²⁾	91.8%	86.6%
Gearing ratio ⁽³⁾	40.1%	48.1%
Debt to equity ratio ⁽⁴⁾	13.9%	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 People's Republic of China (the "PRC"), the United States (the "U.S.") 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

Despite the unstable economic environment in 2024, the Group successfully recorded a growth in both revenue and profit after tax for two consecutive years.

We expect that in the coming years, the general economy will be even more dynamic and challenging. Facing various issues surrounding the trade war, tariffs, anti-dumping duty and economic conditions in the U.S. and China, the Group's global presence in the PRC, the U.S. and Vietnam will provide us with a robust advantage amidst future uncertainties. We will remain cautiously optimistic and will allocate resources to explore business with higher growth potential and review our costs and implement various cost cutting measures on various areas including production and logistics.

As disclosed in our announcement dated 14 October 2024, the Group invested in an associate in Europe with a cost of approximately HK\$51.0 million. The Group recorded lucrative return by sharing profits of the associate of approximately HK\$5.02 million from this investment. More focus will be placed on expanding the U.S. and Europe markets. Various sales projects in the U.S. and Europe were launched and our sales for Mattress-in-a-box are expected to continue to grow and generate more sales and profits for the Group.

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.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2024, the employee headcount of the Group was 3,333 (FY2023: 2,846) and the total staff costs, including Directors’ remuneration and share option expenses, amounted to approximately HK\$639.1 million for the Reporting Period (FY2023: approximately HK\$523.6 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 C1 to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) 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 C3 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 financial position, consolidated statement of profit or loss and other comprehensive income 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 audited 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 opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on this announcement.

PROPOSED FINAL DIVIDEND

The Board has proposed the payment of a final dividend of HK\$1.3 cents per ordinary share amounting to approximately HK\$22,750,000 for the Reporting Period (FY2023: HK\$1.3 cents). 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 16 May 2025. If the resolution for the proposed final dividend is passed at the AGM, the proposed final dividend will be paid on 4 July 2025 to shareholders whose names appear in the Company's register of members on 20 June 2025.

CLOSURE OF REGISTER OF MEMBERS FOR THE AGM

The register of members of the Company will be closed from 13 May 2025 to 16 May 2025, both days inclusive, during which period, no transfer of shares will be registered and the AGM record date will be 16 May 2025. 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 12 May 2025.

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 18 June 2025 to 20 June 2025, both days inclusive, during which period, no transfer of shares will be registered and the record date will be 20 June 2025. 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 17 June 2025.

PUBLICATION OF THE ANNUAL RESULTS AND 2024 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) and the Company (www.sinomax.com/group). The annual 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 and despatched to the shareholders of the Company upon request.

On behalf of the Board
Sinomax Group Limited
Lam Chi Fan
Chairman

Hong Kong, 18 March 2025

As at the date of this announcement, the non-executive Director is Mr. Lam Chi Fan (Chairman of the Board); the executive Directors 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 are Mr. Wong Chi Keung, Mr. Zhang Hwo Jie and Dr. Cheung Wah Keung.

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.*