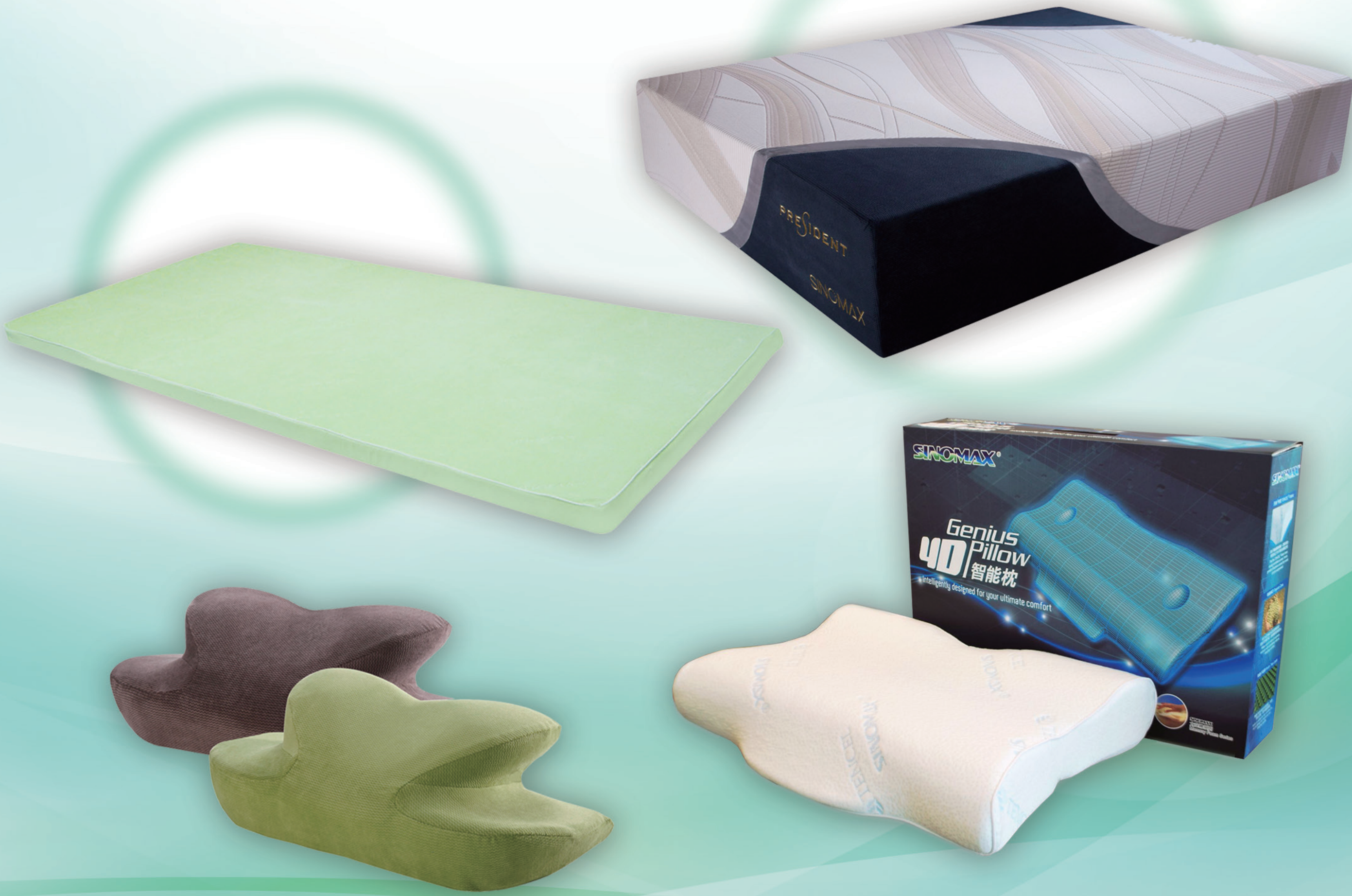
Sinomax Group Limited
盛諾集團有限公司
(incorporated under the laws of the Cayman Islands with limited liability)

Stock Code : 1418



Annual Report 2014


Smart Kids' Zone

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

LAM Chi Fan *(Chairman)*
CHEUNG Tung *(President)*
CHEN Feng
LAM Kam Cheung
LAM Fei Man

Independent Non-executive Directors

WONG Chi Keung
Professor LAM Sing Kwong Simon
FAN Chun Wah Andrew
ZHANG HWO Jie
WU Tak Lung

AUDIT COMMITTEE

WONG Chi Keung *(Chairman)*
Professor LAM Sing Kwong Simon
FAN Chun Wah Andrew
ZHANG HWO Jie
WU Tak Lung

NOMINATION COMMITTEE

LAM Chi Fan *(Chairman)*
WONG Chi Keung
Professor LAM Sing Kwong Simon

REMUNERATION COMMITTEE

Professor LAM Sing Kwong Simon *(Chairman)*
LAM Chi Fan
FAN Chun Wah Andrew

CORPORATE GOVERNANCE COMMITTEE

WONG Chi Keung *(Chairman)*
Professor LAM Sing Kwong Simon
FAN Chun Wah Andrew
ZHANG HWO Jie
WU Tak Lung

COMPANY SECRETARY

LAM Kam Cheung *(CPA, ACCA)*

AUTHORISED REPRESENTATIVES

CHEUNG Tung
LAM Kam Cheung

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISOR

Bird & Bird
4/F, Three Pacific Place
1 Queen's Road East
Hong Kong

COMPLIANCE ADVISOR

Somerley Capital Limited
20th Floor, China Building
29 Queen's Road Central
Hong Kong

Corporate Information (continued)

PRINCIPAL BANKERS

Hang Seng Bank Limited
83 Des Voeux Road Central
Central
Hong Kong

Standard Chartered Bank (Hong Kong) Limited
15/F Standard Chartered Tower
388 Kwun Tong Road
Hong Kong

China CITIC Bank International Limited
61-65 Des Voeux Road Central
Central
Hong Kong

SHARE REGISTRARS

Hong Kong share registrar

Tricor Investor Services Limited
Level 22 Hopewell Centre
183 Queen's Road East
Hong Kong

Cayman Islands principal share registrar and transfer office

Maples Fund Services (Cayman) Limited
P.O. Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 2005-2007
Level 20 Tower 1
MegaBox Enterprise Square Five
38 Wang Chiu Road
Kowloon Bay
Hong Kong

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Stock Code: 1418

WEBSITE

www.sinomax.com/group

INVESTOR RELATIONS CONTACT

Email: ir@sinomax.com

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. LAM Chi Fan (林志凡先生), aged 56, is a co-founder of the group comprising Sinomax Group Limited (the "**Company**") and its subsidiaries (together with the Company, the "**Group**"), the Chairman and an executive director of the Company ("**Director**"). Mr. Lam is also the chairman of the Company's Nomination Committee and a member of the Company's Remuneration Committee. Mr. Lam was appointed to the board of Directors (the "**Board**") in June 2012 and is responsible for formulation of overall business strategies and management of the Group and business planning. He is also a director of almost all of the Group's subsidiaries except Sinohome Household Products (Shenzhen) Limited* (賽諾家居用品(深圳)有限公司), Haining Sinomax Trading Co. Limited* (海寧聖諾盟貿易有限公司) ("**Haining Sinomax**") and Dongguan Sinohome Limited* (東莞賽諾家居用品有限公司) ("**Dongguan Sinohome**"). Mr. Lam has over 20 years' experience in the polyurethane foam business. Prior to founding the Group on 19 January 2000, he was a director of Luen Tai Component Limited, a company incorporated in Hong Kong engaged in the sales of foam products, from March 1991 to July 1996. He was appointed as a member of the 13th Chinese People's Political Consultative Conference Jiashan, Zhejiang Province Committee (中國人民政治協商會議浙江省嘉善縣第十三屆委員會特邀委員) in February 2012, the executive vice president of the Dongguan City Tang Xia Association of Enterprises with Foreign Investment (東莞市塘廈外商投資企業協會常務副會長) in January 2013, the vice president of the Shau Kei Wan District of the Scout Association of Hong Kong (香港童軍總會筲箕灣區副會長) in August 2012 and in September 2013 and an affiliated supervisor of the Huangpu Customs of the People's Republic of China (中華人民共和國黃埔海關辦事處特邀監督員) in April 2014. Mr. Lam is the uncle of Cheung Tung, the President and an executive Director; the father of Lam Sze Chiu, a senior management member of the Group; and a cousin of Lam Fei Man, an executive Director. He is also a director of Sinomax Enterprises Limited ("**Sinomax Enterprises**"), the Company's controlling shareholder.

Mr. CHEUNG Tung (張棟先生), aged 39, is the President of the Company and an executive Director. Mr. Cheung joined the Group on 21 July 2003 as the chairman's assistant, responsible for handling the information technology infrastructure of the Group and was appointed to the Board in June 2012. He is currently responsible for the overall management and daily operations of the Group. He is also a director of almost all of the Group's subsidiaries except Haining Sinomax and Dongguan Sinohome. Prior to joining the Group, Mr. Cheung assisted in setting up C&T Solutions Limited, a company incorporated in Hong Kong engaged in providing information technology services, in March 2000. Mr. Cheung holds a bachelor's degree in computer engineering from the Hong Kong University of Science and Technology and a master of business administration degree jointly issued by Northwestern University and the Hong Kong University of Science and Technology after completing the Kellogg-HKUST Executive MBA Program. Mr. Cheung was granted the "Young Industrialist Award of Hong Kong 2014" by the Federation of Hong Kong Industries. Mr. Cheung is a nephew of Lam Chi Fan, the Chairman and an executive Director; nephew of Lam Fei Man, an executive Director; and cousin of Lam Sze Chiu, a senior management member of the Group. He is also a director of Sinomax Enterprises, the Company's controlling shareholder.

Directors and Senior Management (continued)

Mr. CHEN Feng (陳楓先生), aged 51, is an executive Director. Mr. Chen was appointed to the Board in June 2012 and is responsible for the overall management of the export sales business and product development of the Group. In addition, he is also the key executive in mapping the sales and marketing strategies in the United States of America ("**US**") through Sinomax USA Inc. ("**Sinomax USA**"). He is currently a director of various wholly-owned subsidiaries of the Group, namely, Year Prosper Limited, Sinomax Health & Household Products Limited ("**Sinomax Health**"), Fullelite Limited, Wonderful Health Limited, Sinomax USA, Sinomax International Investment Limited and Sinomax (Zhejiang) Polyurethane Household Products Limited* (聖諾盟(浙江)聚氨酯家居用品有限公司) ("**Sinomax Zhejiang**"). Mr. Chen joined the Group on 19 January 2000 as an export sales manager and became the vice president of the Group in 2007. He assisted in setting up Sinomax USA, the company engaging in export sales in the US, and has been the president and director of Sinomax USA since its establishment in 2005. Mr. Chen holds a Master of Science degree in industrial engineering from Louisiana State University in Baton Rouge, US and a Bachelor of Engineering degree in safety engineering from 北京經濟學院, now known as Capital University of Economics and Business (首都經濟貿易大學), in Beijing, the People's Republic of China. Mr. Chen is a cousin of the mother of Lam Fei Man, an executive Director. He is also a director of Sinomax Enterprises, the Company's controlling shareholder.

Mr. LAM Kam Cheung (林錦祥先生), aged 47, is an executive Director, Chief Financial Officer and Company Secretary of the Company. Mr. Lam joined the Group on 31 May 2004 as the financial controller and was appointed to the Board in June 2012. He was appointed as Chief Financial Officer in August 2013 and is responsible for the financial management of the Group. Mr. Lam has over 20 years' experience in accounting and auditing. Prior to joining the Group, he was an executive director and company secretary of Yeebo (International Holdings) Limited (stock code: 0259), a listed public company in Hong Kong, from October 1995 to May 2004. Mr. Lam holds a bachelor's degree in business administration from the Chinese University of Hong Kong. He has been a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants since February 1993 and September 1992, respectively.

Ms. LAM Fei Man (林斐雯小姐), aged 40, is an executive Director. She manages the Group's purchasing operations. She is also a director of almost all of the Group's subsidiaries except Haining Sinomax, Dongguan Sinohome, Sinomax USA and Sinomax Zhejiang. Ms. Lam joined the Group on 19 January 2000 and worked as the assistant administration manager for Sinomax (Holding) Group Limited, a predecessor company of Sinomax Enterprises, until January 2003. She rejoined the Group in February 2006 as purchasing manager, and was appointed to the Board in June 2012. Ms. Lam has over 15 years' experience in purchasing and logistics, including working as a merchandiser for Capital 88 Incorporation Limited, a company incorporated in Hong Kong engaged in general trading, from June 2003 to January 2006. She holds an advanced diploma in business management from the School of Continuing Education of Hong Kong Baptist University. Ms. Lam is the cousin of Lam Chi Fan, the Chairman of the Board and an executive Director; the daughter of a cousin of Chen Feng, an executive Director; and aunt of Cheung Tung, the President and an executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WONG Chi Keung (王志強先生), aged 48, is an independent non-executive Director, the chairman of the Audit Committee and Corporate Governance Committee and a member of the Nomination Committee of the Company. Mr. Wong was appointed to the Board on 4 March 2014. Mr. Wong is currently the chief financial officer of Win Hanverky Holdings Limited (stock code: 3322), a listed public company in Hong Kong. He was previously the chief financial officer of Besunyen Holdings Company Limited (stock code: 0926) from September 2011 to September 2013 and China Dongxiang (Group) Co., Ltd. (stock code: 3818) from May 2007 to April 2010, all of which are listed public companies in Hong Kong. Between June 2002 and June 2006, Mr. Wong was a senior finance manager of China Netcom Group Corporation (Hong Kong) Limited (a company previously listed in Hong Kong (former stock code: 0906) which subsequently merged with China Unicom (Hong Kong) Limited (stock code: 0762), a listed public company in Hong Kong). Between July 1989 and December 1999, Mr. Wong was employed by PricewaterhouseCoopers, an international public accounting firm, in Hong Kong and lastly as an audit manager. Mr. Wong holds a bachelor's degree in business administration from the Chinese University of Hong Kong and a master's degree in business administration from the Australian Graduate School of Management, jointly issued by the University of New South Wales and the University of Sydney. Mr. Wong is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants since November 1997 and February 1993, respectively.

Professor LAM Sing Kwong Simon (林誠光教授), aged 56, is an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee, the Nomination Committee and the Corporate Governance Committee of the Company. Professor Lam was appointed to the Board on 4 March 2014. Professor Lam joined the University of Hong Kong as full-time teaching staff in September 1989 and is currently the Professor of Management at the Faculty of Business and Economics at the University of Hong Kong. He has published a number of academic papers and case analysis on topics such as corporate strategies, organisation development and operations management. Professor Lam is an independent non-executive director of Overseas Chinese Town (Asia) Holdings Limited (stock code: 3366), Jin Cai Holdings Limited (stock code: 1250), Chun Sing Engineering Holdings Limited (stock code: 2277), King Force Security Holdings Limited (stock code: 8315) and Glory Flame Holdings Limited (stock code: 8059), all of which are listed public companies in Hong Kong. Prior to joining the University of Hong Kong, Professor Lam was a regional support manager of Canadian Imperial Bank of Commerce from 1987 to 1989. Professor Lam holds a doctorate degree in commerce from the Australian National University.

Directors and Senior Management (continued)

Mr. FAN Chun Wah Andrew (范駿華先生), aged 36, is an independent non-executive Director and a member of the Audit Committee, the Corporate Governance Committee and the Remuneration Committee of the Company. Mr. Fan was appointed to the Board on 4 March 2014. Currently, Mr. Fan is a certified public accountant practising under the name of C.W. Fan & Co. Limited. He is currently an independent non-executive director of Milan Station Holdings Limited (stock code: 1150), Chuang's China Investments Limited (stock code: 0298), LT Commercial Real Estate Limited (formerly known as LT Holdings Limited) (stock code: 0112) and Fulum Group Holdings Limited (stock code: 1443), all of which are listed public companies in Hong Kong. Mr. Fan was previously an independent non-executive director of Far East Holdings International Limited (stock code: 0036) from October 2009 to February 2012 and CIG Yangtze Ports PLC (stock code: 8233) from 28 February 2009 to March 2014, all of which are listed public companies in Hong Kong. Mr. Fan was invited to be a member of the 10th and 11th Chinese People's Political Consultative Conference Zhejiang Committee* (中國人民政治協商會議浙江省第十屆及第十一屆委員會) in January 2008 and in January 2013, respectively. He was also a member of the 4th and 5th Chinese People's Political Consultative Conference Shenzhen Committee* (中國人民政治協商會議第四屆及第五屆深圳市委員會). Mr. Fan holds a bachelor's degree in business administration in accounting and finance from the University of Hong Kong and a bachelor's degree in laws from the University of London. Mr. Fan is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants since August 2011 and January 2003, respectively.

Mr. ZHANG HWO Jie (張傑先生), aged 52, is an independent non-executive Director, a member of the Audit Committee and the Corporate Governance Committee of the Company. Mr. Zhang was appointed to the Board on 4 March 2014. Mr. Zhang is currently the chairman of EVA Precision Industrial Holdings Limited (stock code: 838), a listed public company in Hong Kong. Mr. Zhang has more than 20 years of experience in marketing, strategic planning and corporate management in manufacturing industry. Mr. Zhang was granted with the "Young Industrialist Award of Hong Kong" by the Federation of Hong Kong Industries in 2008, and was bestowed as an honorary fellow by The Professional Validation Council of Hong Kong Industries in 2014. He is currently an honorary chairman of The Hong Kong Metals Manufacturers Association, an honorary president of Hong Kong Mould and Product Technology Association and the vice president of Hong Kong Young Industrialists Council.

Directors and Senior Management (continued)

Mr. WU Tak Lung (吳德龍先生), aged 49, is an independent non-executive Director and a member of the Audit Committee and the Corporate Governance Committee of the Company. Mr. Wu was appointed to the Board on 4 March 2014. Mr. Wu is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Wu is also a fellow member of the Association of Chartered Certified Accountants, the Taxation Institute of Hong Kong, the Hong Kong Institute of Chartered Secretaries and the Hong Kong Securities Institute. Mr. Wu had worked in Deloitte Touche Tohmatsu, an international accounting firm, for five years and was then employed by several companies in Hong Kong as head of corporate finance and/or executive director. Mr. Wu had over 10 years' experience in the corporate finance field and held a Type 6 license (Advising on corporate finance) until 2012. Mr. Wu currently serves as an independent non-executive director of Aupu Group Holding Company Limited (stock code: 0477), Beijing Media Corporation Limited (stock code: 1000), China Machinery Engineering Corporation* (中國機械設備工程股份有限公司) (stock code: 1829), all are listed public companies in Hong Kong, and First Tractor Company Limited (a company listed in both Hong Kong, stock code: 0038, and Shanghai). During the past three years, Mr. Wu served as an independent non-executive director of China Water Industry Group Limited (stock code: 1129), a listed public company in Hong Kong and Valuetronics Holdings Limited, a listed company in Singapore. Mr. Wu holds a bachelor's degree of business administration in accounting from the Hong Kong Baptist College (now the Hong Kong Baptist University) and a master's degree of business administration jointly issued by the University of Manchester and the University of Wales.

SENIOR MANAGEMENT

Mr. LAM Sze Chiu (林仕超先生), aged 32, is the marketing director of the Group, responsible for developing and communicating marketing strategies and coordinating marketing functions of the Group. Mr. Lam joined the Group in 2007 and has been working as the marketing director of the Group since 2012. Mr. Lam holds a Bachelor of Arts degree with honours from York University in Toronto, Canada. Mr. Lam is the son of Lam Chi Fan, the Chairman of the Board and an executive Director, and cousin of Cheung Tung, the President and an executive Director.

Directors and Senior Management (continued)

Mr. QIAN Hong Xiang* (錢洪祥先生), aged 51, was appointed as the general manager of Sinomax Kuka (Zhejiang) Foam Co. Limited ("**Sinomax Kuka**") in December 2005. Mr. Qian is responsible for supervision of daily operation and management of Sinomax Kuka. Mr. Qian joined the Group in 2000 and worked as general manager and chief of foam research. Prior to joining the Group, Mr. Qian worked at Tung Ah (China Holdings) Limited, a company engaged in the chemical and plastic business, as factory manager and researcher in foams from 1993 to 2000. Mr. Qian has 20 years' experience in foam production and research and has participated in formulating more than five national standards. Mr. Qian was invited as a member of the Standardisation Administration of the People's Republic of China (中國國家標準化管理委員會) until April 2018 and an expert in foaming plastics of the China Plastics Processing Industry Association (中國塑料加工工業協會) with tenure between November 2005 to September 2017. He was also presented the National Science & Technology Progress Award (third class)* (科學技術進步三等獎) by the China Light Industry Council* (中國輕工業聯合會) in March 2008, the China Standards Innovation Contribution Award* (中國標準創新貢獻獎) jointly by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (中華人民共和國國家質量監督檢驗檢疫總局) and the Standardisation Administration of the People's Republic of China (中國國家標準化管理委員會) in December 2009. He was also awarded Outstanding Worker of the Plastic Industry in the PRC* (中國塑料行業先進工作者) by the China Plastics Processing Industry Association (中國塑料加工工業協會) in May 2009, and Good Citizen* (十佳新居民) between 2011 and 2012 in January 2013, Model Worker of Haining* (海寧市勞動模範) between 2008 and 2012 in April 2013 and Outstanding Entrepreneur of 2011* (2011年度優秀企業家) in March 2012 by the Jiaxing People's Government (嘉興市人民政府).

Ms. YUE Wai Fun (余慧芬小姐), aged 40, was appointed as a general manager of Sinomax Health in June 2012. Ms. Yue is responsible for supervision of daily operation and management of Sinomax Health. Ms. Yue joined the Group in 2004 and served as marketing manager and brand & marketing manager prior to being appointed as the general manager of Sinomax Health. Ms. Yue holds a Bachelor of Social Science degree from the Chinese University of Hong Kong.

Mr. CHEN Xiao Hua* (陳小華先生), aged 53, joined the Group in 2013 and was appointed as a general manager of Sinomax Zhejiang in October 2013. Mr. Chen is responsible for supervision of daily operation and management of Sinomax Zhejiang. Prior to joining the Group, Mr. Chen was a general manager of Sinomax Polyurethane (Shanghai) Co., Ltd.* (聖諾盟聚氨酯(上海)有限公司), a company indirectly controlled by Mr. Lam Chi Fan, Mr. Cheung Tung and Mr. Chen Feng, all being executive Directors, and Ms. Cheung Shui Ying, the mother of Mr. Cheung Tung, engaging in foam manufacturing, from 2002 to 2013. Mr. Chen has more than 20 years of experience in foam production and research. Mr. Chen completed a business administration course for company executives in Zhejiang University* (浙江大學) in November 2006.

* *English translated name is for identification purpose only*

Chairman's Statement

Lam Chi Fan
Chairman

Dear Shareholders,

On behalf of the Board of the Company and its subsidiaries, I have great pleasure presenting to you our annual report for the financial year ended 31 December 2014.

2014 was a remarkable year for the Group. We had significant growth in financial results across our three business segments, namely, (i) export sales, (ii) retail and corporate sales and (iii) polyurethane foam sales. On 10 July 2014, our shares were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The listing of our shares on the Stock Exchange is a significant milestone in the development of our Group, it provides us a platform to gain access to the international capital market. The successful listing enhanced the overall brand recognition of Sinomax and strengthened the corporate governance of the Group.

Chairman's Statement (continued)

We adopt a vertically integrated business model which is built upon our years of experience in product design, raw material procurement, production, sales, marketing, brand building and management.

We have a broad range of established brands domestically and internationally. Our flagship brand "Sinomax" is well recognized in Hong Kong and PRC. Other than "Sinomax", we have other self-owned brands such as "SPA Supreme", "Tung Ah", "ComforZen" and "Dream Serenity" as well as licensed brands targeting at different markets and customers' needs.

Looking forward, the Group plans to acquire or set up production facilities in the US, with which we will be able to provide products made in the US to capture different market segments in the country and also shorten the lead time between production and delivery and thus better serve our customers.

The Group has an extensive and international sales and distribution network. We are going to expand more e-commerce sales channels in the coming years. In addition, more research and development efforts would be put on developing artificial intelligent products to capture and monitor the health data of customers.

As announced on 23 January 2015, we entered into an agreement to acquire Shanghai Luen Tai Polyurethane Co., Ltd.* (上海聯大海綿有限公司) ("**Shanghai Luen Tai**"). We will continue to look for strategic acquisitions and business opportunities in the health and wellness market, including but not limited to acquisitions of brands, distribution network and/or production facilities. We will look at and consider the overall synergy effect that any proposed acquisition can offer.

On behalf of the Board, I would like to take this opportunity to thank our management and all staff members for their hard work and dedication to the Group and the Shareholders, valued customers, suppliers, bankers and other business partners for their continuous support.

Yours Sincerely,
Lam Chi Fan
Chairman
16 March 2015

* *English translated name is for identification purpose only*

Management Discussion and Analysis

REVENUE BY OPERATING SEGMENTS

During the financial year ended 31 December 2014 (“**FY2014**” or the “**Reporting Period**”), revenue of the Group increased by approximately HK$313.9 million or 13.2% to approximately HK$2,683.4 million (the financial year ended 31 December 2013 (“**FY2013**”): approximately HK$2,369.5 million). All three operating segments of the Group’s business, namely export sales, retail and corporate sales and polyurethane foam sales, recorded substantial revenue growth for the Reporting Period comparing with FY2013:

	For the year ended 31 December		
	2014	2013	Changes
	HK$’000	HK$’000	%
Export sales	**1,374,634**	1,254,223	+9.6
Retail and corporate sales	**380,522**	284,057	+34.0
Polyurethane foam sales	**928,252**	831,259	+11.7
Total	**2,683,408**	2,369,539	+13.2

EXPORT SALES

The Group sells its visco-elastic products on a wholesale basis primarily to leading retailers in the US, who typically resell the products to consumers through their own country-wide retail networks. The products are sold under own, licensed or third-party brands.

During the Reporting Period, the main driver of the growth in revenue from export sales was the increase in product sales under own brands, namely “ComforZen” and “Dream Serenity”, as well as under licensed brands. For the Reporting Period, revenue from export sales under own and licensed brands increased by approximately HK$417.9 million or 69.3% to approximately HK$1,021.1 million, comparing with approximately HK$603.2 million for FY2013, which contributed to approximately 74.3% of the Group’s revenue from export sales during the Reporting Period (FY2013: approximately 48.1%).

RETAIL AND CORPORATE SALES

The Group sells its products under its "SINOMAX" brand through its retail network comprising stand-alone retail shops ("**Sinomax Life Stores**") and concession counters in department stores in the People's Republic of China (other than Hong Kong and Macau) ("**PRC**"), Hong Kong and Macau. The Group also conducts direct sales to corporates and other customers in Hong Kong and the PRC, and maintain online sales.

The strong growth in revenue from retail and corporate sales was mainly driven by the increased sales of products under the Group's flagship brand "SINOMAX". During the Reporting Period, sales of "SINOMAX" branded products to three corporate customers amounted to approximately HK$83.5 million.

In terms of sales channel, Sinomax Life Stores recorded a same-store sales growth of approximately 5.0% for the Reporting Period. However, same-store sales for concession counters in Hong Kong and the PRC experienced a slight drop of approximately 2.0% and 5.3% respectively for the Reporting Period. During the Reporting Period, the Group opened ten new Sinomax Life Stores in Hong Kong and the PRC.

POLYURETHANE FOAM SALES

The Group supplies quality polyurethane foam on a wholesale basis to furniture manufacturers in the PRC under the "Tung Ah" (東亞) brand.

Revenue from polyurethane foam sales increased by approximately HK$97.0 million or 11.7% from approximately HK$831.3 million for FY2013 to approximately HK$928.3 million for the Reporting Period due to an increasing demand for high quality furniture and home accessories in the PRC market, thus driving the rise in demand for the Group's polyurethane foam during the Reporting Period.

GROSS PROFIT

With an increase of approximately 13.2% in the Group's revenue, gross profit increased by approximately HK$115.8 million or 18.7% to approximately HK$736.4 million during the Reporting Period as compared to approximately HK$620.6 million for FY2013.

The gross profit margin of the Group was approximately 27.4% for the Reporting Period, compared to approximately 26.2% for FY2013. The increase in gross profit margin was mainly attributable to the increased sales of the Group's own branded and licensed products as well as retail and corporate sales which had a higher profit margin.

COSTS AND EXPENSES

Selling and distribution costs for the Reporting Period increased by approximately HK$51.0 million or 18.2% to approximately HK$331.8 million, as compared to approximately HK$280.8 million for FY2013. The increase was mainly due to increased staff costs and rental as a result of the newly opened Sinomax Life Stores. In addition, the Group paid higher royalty fees to its licensors as a result of an increase in sales of licensed brands products.

Administrative expenses for the Reporting Period increased by approximately HK$31.0 million or 24.9% to approximately HK$155.5 million, as compared to approximately HK$124.5 million for FY2013. The increase was mainly due to recognition of share option expenses under the Pre-IPO Share Option Scheme (as defined in the prospectus of the Company dated 30 June 2014 (the "**Prospectus**")) of approximately HK$7.4 million and increase in staff costs and staff benefit (excluding share option expenses) of approximately HK$16.7 million.

Other expenses for the Reporting Period mainly consisted of listing expenses and research and development expenses amounting to approximately HK$2.4 million and HK$16.0 million, respectively.

PROFIT FOR THE YEAR

Profit for the Reporting Period increased by approximately HK$57.9 million or 39.9% to approximately HK$202.9 million, as compared to approximately HK$145.0 million for FY2013. If the one-off listing expenses of approximately HK$2.4 million and the share option expenses under the Pre-IPO Share Option Scheme of approximately HK$7.4 million were both excluded, profit for the Reporting Period would have been approximately HK$212.7 million.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The issued ordinary shares of the Company were listed on the Main Board of the Stock Exchange on 10 July 2014 (the "**Listing Date**") with net proceeds received by the Group from the Global Offering (as defined in the Prospectus) amounted to approximately HK$127.1 million after deducting underwriting commissions and all related expenses. The Group has utilized approximately HK$20.6 million of the net proceeds as at 31 December 2014. The unutilized net proceeds have been placed in deposits with banks in Hong Kong and the PRC.

Use of proceeds	Net proceeds HK$ million	Utilized as at 31 December 2014 HK$ million	Unutilized as at 31 December 2014 HK$ million
1. Brand building and promotion from 2014 to 2016	34.3	5.6	28.7
2. Strategic acquisitions and business opportunities	35.6	–	35.6
3. Expanding the distribution network of the Group and diversifying sales channels	15.3	5.8	9.5
4. Upgrading or acquisition of production equipment and building new production facilities and warehouse in Dongguan and Jiashan, PRC	17.8	5.4	12.4
5. Acquiring or setting up production facilities in the US	7.6	–	7.6
6. Expenses in design, research and development from 2014 to 2016	3.8	3.8	–
7. General working capital	12.7	–	12.7
	127.1	20.6	106.5

Management Discussion and Analysis (continued)

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The financial position of the Group was healthy as at 31 December 2014 and was further enhanced by the net proceeds received by the Company from the Global Offering. As at 31 December 2014, the Group has net current assets of approximately HK$611.3 million, as compared to approximately HK$277.6 million as at 31 December 2013.

BORROWINGS AND PLEDGE OF ASSETS

As at 31 December 2014, the Group had banking facilities amounted to approximately HK$1,011.7 million of which approximately HK$325.4 million (which amount includes bank borrowings and bills payables) was utilized (31 December 2013: banking facilities amounted to approximately HK$825.6 million of which approximately HK$276.1 million was utilized).

As at 31 December 2014, the bills payable of the Group was secured by bank deposits of approximately HK$14.8 million (31 December 2013: approximately HK$14.9 million).

CAPITAL EXPENDITURE

The Group's capital expenditure for the Reporting Period amounted to approximately HK$39.6 million mainly for the purchasing and constructing of the Group's buildings, plant and machinery.

FINANCIAL RATIOS

	As at	
	31 December 2014	31 December 2013
Current ratio(1)	**187.6%**	132.9%
Quick ratio(2)	**130.5%**	91.9%
Gearing ratio(3)	**25.5%**	28.3%
Debt to equity ratio(4)	**N/A**	N/A

(1) Current ratio is equal to current assets divided by current liabilities.

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

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

(4) Debt to equity ratio is calculated by dividing net debt by total equity. Net debt is defined to include all borrowings net of cash and cash equivalents.

FOREIGN CURRENCY EXPOSURE

The Group carries on business mainly in Hong Kong, the PRC and the US. The Group is exposed to foreign exchange risk principally in Renminbi which can be largely offset by its revenue and expenditure in the PRC. The Group does not expect any appreciation or depreciation of the Hong Kong Dollar against Renminbi which could materially affect the Group's results on operations, and therefore no hedging instrument has been employed. The Group will closely monitor the trends of the Renminbi and take appropriate measures to deal with the foreign exchange exposure if necessary.

TREASURY POLICY AND MARKET RISKS

The Group has a treasury policy that aims to better control its treasury operations and lower borrowing cost. Such treasury policy requires the Group to maintain an adequate level of cash and cash equivalents, and sufficient available banking facilities to finance the Group's daily operations and to address short term funding needs. The Group reviews and evaluates its treasury policy from time to time to ensure its adequacy and effectiveness.

PROSPECTS

The Group has been successful in developing its business in the US market. In the near future, the Group plans to acquire or set up production facilities in the US, with which it will be able to provide products made in the US to capture different market segments in the country and also shorten the lead time between production and delivery and thus better serve its customers.

The Group offers a wide range of health and household products in Hong Kong, the PRC and Macau under its flagship brand "SINOMAX". The Group will further enhance brand management through various marketing activities to reinforce brand recognition and enhance the image of health, relaxation and comfort of the "SINOMAX" brand. The Group plans to promote its flagship brand "SINOMAX" in the US as well, focusing on the middle to high-end retail markets.

During the Reporting Period, ten Sinomax Life Stores were opened in Hong Kong and the PRC. During FY2014, e-commerce sales of the Group recorded a substantial growth of approximately HK$12.4 million or 169.9% to approximately HK$19.7 million, as compared to approximately HK$7.3 million for FY2013. The Group will continue to expand more e-commerce sales channel to promote its products and continue to develop more new products for e-commerce in the coming years.

The Group plans to continue to grow its business by exploring attractive acquisitions and collaboration opportunities that are compatible with its business vision. As announced on 23 January 2015, the Group entered into an agreement to acquire Shanghai Luen Tai. Details of the acquisition is set out in the paragraph headed "Events after the Reporting Period" below.

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

MATERIAL ACQUISITIONS AND DISPOSALS

During the Reporting Period, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at the date of this report, save as disclosed under the heading of "Prospects", 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 from the Listing Date to 31 December 2014.

EVENTS AFTER THE REPORTING PERIOD

On 23 January 2015, an indirect wholly-owned subsidiary of the Company entered into an acquisition agreement (the "**Acquisition Agreement**") with Mil-ton Company Limited ("**Mil-ton**"), a company incorporated in Hong Kong with limited liability and wholly owned by a connected person of the Company, and Chori Co., Ltd. ("**Chori**"), an independent third party incorporated in Japan with limited liability whose shares are listed on the Tokyo Stock Exchange. Pursuant to the Acquisition Agreement, the Group conditionally agreed to acquire from Mil-ton and Chori 60% and 40% equity interest in Shanghai Luen Tai respectively. Shanghai Luen Tai is a company established in the PRC with limited liability and is principally engaged in the processing, manufacturing and sales of polyurethane foam and products including mattress, sofa and pillows. The aggregate cash consideration of the acquisition was RMB35.0 million (equivalent to approximately HK$43.8 million), of which RMB21.0 million (equivalent to approximately HK$26.3 million) was payable to Mil-ton and RMB14 million (equivalent to approximately HK$17.5 million) was payable to Chori, respectively.

At the extraordinary general meeting of the Company held on 6 March 2015, the acquisition of Shanghai Luen Tai was approved by the independent shareholders of the Company. The acquisition has not been completed before these consolidated financial statements of the Group are authorised for issuance. The net asset value of Shanghai Luen Tai as at 31 December 2013, based on the carrying amounts of the assets and liabilities recorded in the audited financial statements prepared in accordance with the PRC generally accepted accounting principles, is approximately RMB37.1 million. The Directors are in the progress of assessing the fair value of assets and liabilities of Shanghai Luen Tai being acquired by the Group at the completion date.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2014, the employee headcount of the Group was 2,582 (31 December 2013: 2,867) and the total staff costs, including Directors' remuneration and share option expenses, amounted to approximately HK$264.1 million for the Reporting Period (FY2013: approximately HK$227.1 million). The significant increase in staff costs was primarily due to salary increment, increase in social insurance contributions and housing provident fund and share option expenses.

The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to employees and directors 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 and directors. 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 has adopted a share option scheme and also operates an employee incentive scheme pursuant to which rewards take the form of promotions, salary raises and monetary bonuses.

CONTINGENT LIABILITIES

As at 31 December 2013, certain subsidiaries of the Company had provided corporate guarantees to a bank to secure the banking facilities granted to a fellow subsidiary of the Company, and the utilisation of such facilities amounted to HK$39,793,000. In the opinion of the Directors, the fair value of such guarantees was insignificant. The guarantees were released on 10 July 2014.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of its shareholders (the "**Shareholders**") and to enhance corporate value and accountability. The Board believes that good corporate governance provides a framework that is essential for effective management and healthy corporate culture, thereby earning the confidence of the Shareholders and the public.

The Company has adopted written terms of reference for its Corporate Governance Committee in compliance with paragraph D3 of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). During the period from the Listing Date to and including 31 December 2014, the Company had complied with the applicable code provisions of the CG Code.

The Board continues to monitor and review the Company's corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for the Directors and relevant employees, who are likely to possess inside information of the Company, in their dealings in the Company's securities. The code of conduct are 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**") as set out in Appendix 10 to the Listing Rules.

The provisions under the Listing Rules in relation to compliance with the Model Code by the Directors were applicable to the Company with effect from the Listing Date. In response to specific enquiry by the Company, all Directors confirmed that they had fully complied with the required standard set out in the Model Code since the Listing Date up to and including 31 December 2014.

BOARD OF DIRECTORS

Composition

The Board currently comprises five executive Directors and five independent non-executive Directors.

Information on the Directors is set out in the paragraph headed "Directors and Senior Management" on pages 4 to 8 of this report.

Executive Directors	:	Mr. Lam Chi Fan *(Chairman)* Mr. Cheung Tung *(President)* Mr. Chen Feng Mr. Lam Kam Cheung *(Chief Financial Officer & Company Secretary)* Ms. Lam Fei Man
Independent non-executive Directors	:	Mr. Wong Chi Keung Professor Lam Sing Kwong Simon Mr. Fan Chun Wah Andrew Mr. Zhang Hwo Jie Mr. Wu Tak Lung

The list of Directors and their roles and functions are posted on the websites of the Company and the Stock Exchange.

Mr. Lam Chi Fan is the uncle of Mr. Cheung Tung and the cousin of Ms. Lam Fei Man. Mr. Cheung Tung is the nephew of Mr. Lam Chi Fan and Ms. Lam Fei Man. Mr. Chen Feng is a cousin of the mother of Ms. Lam Fei Man. In addition, Ms. Lam Fei Man is the daughter of a cousin of Mr. Chen Feng and Mr. Cheung Tung's aunt. Save as disclosed above, there are no financial, business, family or other material relationships among members of the Board.

The structure, size and composition of the Board will be reviewed from time to time by the Nomination Committee to ensure the Board has a balance of skills and experience appropriate for the Company's business. The independence of the independent non-executive Directors is assessed according to the relevant rules and requirements under the Listing Rules. The Company requests the Directors to disclose annually to the Company the number and nature of office held in public companies or organizations and other significant commitments with an indication of time involved.

Delegation by the Board

The Board is responsible and has general power for the management and conduct of the business of the Group. It delegates day-to-day management and operations functions of the Company to the executive committee and senior management with clear directions and authority framework set by the Board. The Board will review periodically the delegation given to management to ensure that they are appropriate and continue to be beneficial to the Group as a whole.

The Board has delegated specific roles and responsibilities to the Company's Audit Committee, Corporate Governance Committee, Remuneration Committee and Nomination Committee. Further details of these committees are set out on pages 22 to 26 of this report.

Chairman and President

Mr. Lam Chi Fan is the Chairman of the Company and co-founder of the Group. Mr. Lam has over 20 years' experience in the polyurethane foam business. He is responsible for formulation of overall business strategies and management of the Group and business planning.

Mr. Cheung Tung is the President (or the Chief Executive Officer) of the Company. Mr. Cheung is responsible for overall management and daily operations of the Group.

Independent non-executive Directors

The Company currently has five independent non-executive Directors, and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. The Company has received from all independent non-executive Directors their confirmation of independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules and is of view that all independent non-executive Directors are independent in accordance with the terms of the independence guidelines. All of the independent non-executive Directors are appointed for a term of three years commencing on the Listing Date.

Corporate Governance Report (continued)

Board meetings

The Board has met once between the Listing Date and 31 December 2014, and a tentative schedule for four regular Board meetings for 2015 has been provided to the Directors at the beginning of the year.

Between scheduled regular Board meetings, Directors may approve various matters by way of passing written resolutions. Additional Board meetings may be arranged if required. In addition, at least 14 days' notice of a regular Board meeting shall be given and the Company aims at sending the agenda and the accompanying board papers to Directors at a reasonable time before the intended date of a Board meeting.

The Company Secretary assists the Chairman in preparing the agenda for the Board meeting and ensures that all applicable rules and regulations regarding Board meetings are complied with. Minutes of the Board and Board committees' meetings are kept by the Company Secretary, which are available to all Directors for inspection.

The attendance records of the Directors at the Board meeting held between the Listing Date and 31 December 2014 are set out below:

Name of Director	Meetings attended/ eligible to attend
Executive Directors	
Mr. Lam Chi Fan	1/1
Mr. Cheung Tung	1/1
Mr. Chen Feng	1/1
Mr. Lam Kam Cheung	1/1
Ms. Lam Fei Man	1/1
Independent non-executive Directors	
Mr. Wong Chi Keung	1/1
Professor Lam Sing Kwong Simon	1/1
Mr. Fan Chun Wah Andrew	1/1
Mr. Zhang Hwo Jie	1/1
Mr. Wu Tak Lung	1/1

Accountability and Audit

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group and the responsibilities of the external auditor to the Shareholders are set out in the independent auditor's report on pages 41 to 42.

Training and support for Directors

Directors must keep abreast of their collective responsibilities and are committed to participating in continuous professional development to develop their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

The Company has arranged for Directors to attend seminars and other training sessions which place emphasis on the roles, functions and duties of a listed company director, as well as the latest developments regarding the Listing Rules and other applicable regulatory requirements.

During the year ended 31 December 2014, each Director participated in the following trainings:

Name of Director	Reading materials regarding regulatory updates and corporate governance matters	Attending seminars and/or conferences and/or briefings
Executive Directors		
Mr. Lam Chi Fan	✓	✓
Mr. Cheung Tung	✓	✓
Mr. Chen Feng	✓	✓
Mr. Lam Kam Cheung	✓	✓
Ms. Lam Fei Man	✓	✓
Independent non-executive Directors		
Mr. Wong Chi Keung	✓	✓
Professor Lam Sing Kwong Simon	✓	✓
Mr. Fan Chun Wah Andrew	✓	✓
Mr. Zhang Hwo Jie	✓	✓
Mr. Wu Tak Lung	✓	✓

BOARD COMMITTEES

The Company's Board committees have been formed with specific terms of reference which are available on the websites of the Company and the Stock Exchange.

Audit Committee

The Audit Committee was established in March 2014 with all of its members being independent non-executive Directors. The Audit Committee is chaired by Mr. Wong Chi Keung. Other members are Professor Lam Sing Kwong Simon, Mr. Fan Chun Wah Andrew, Mr. Zhang Hwo Jie and Mr. Wu Tak Lung.

The primary duties of Audit Committee include, among other things:

- reviewing and monitoring the external auditor's independence and objectivity;
- recommending to the Board of the re-appointment of the auditor as the external auditor and approve their remuneration;
- reviewing the Group's consolidated financial statements and annual reports and accounts, and interim reports before submitting them to the Board;
- overseeing the Group's financial reporting system and internal control procedures and audit process;
- reviewing the Group's financial and accounting policies and practices in the Group; and
- meeting with the external auditor to discuss issues regarding audit at least once a year in the absence of the management.

During the period between the Listing Date and 31 December 2014, the Audit Committee held one meeting and reviewed the interim results of the Group and discussed and approved the relevant financial reports.

In addition, the Audit Committee held two meetings in January and March 2015 respectively. The Audit Committee reviewed the Group's annual results, internal control system, risk assessment results and internal audit activities, and discussed the audit plans for the year ended 31 December 2014.

Corporate Governance Report (continued)

The attendance record of each member of the Audit Committee at each Audit Committee meeting held between the Listing Date and 31 December 2014 is set out as follows:

Name of members of Audit Committee	Meetings attended/ eligible to attend
Mr. Wong Chi Keung *(Chairman)*	1/1
Professor Lam Sing Kwong Simon	1/1
Mr. Fan Chun Wah Andrew	1/1
Mr. Zhang Hwo Jie	1/1
Mr. Wu Tak Lung	1/1

There was no disagreement between the Board and the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditor.

Auditor's Remuneration

The Audit Committee monitors the audit and non-audit services rendered to the Group by the external auditor and ensures that the engagement of external auditor in non-audit services will not impair its audit independence or objectivity.

For the year ended 31 December 2014, the fees in respect of the audit and non-audit services provided to the Group by Messrs. Deloitte Touche Tohmatsu, is set out as follows:

	Fee HK$'000
Audit services	2,200
Non-audit services:	
Reporting accountant for the Company's listing, interim review, tax, advisory and internal control review	2,463
	4,663

Corporate Governance Committee

The Corporate Governance Committee was established in March 2014 with all of its members being independent non-executive Directors. The Corporate Governance Committee is chaired by Mr. Wong Chi Keung. Other members are Professor Lam Sing Kwong Simon, Mr. Fan Chun Wah Andrew, Mr. Zhang Hwo Jie and Mr. Wu Tak Lung.

The primary duties of Corporate Governance Committee include, among other things:

– developing and reviewing the policies and practices of the Company on corporate governance and making recommendation to the Board with regard to any change;

– reviewing and monitoring the training and continuous professional development of Directors and senior management on corporate governance;

– reviewing and monitoring the policies and practices of the Company on compliance with legal and regulatory requirements on corporate governance and making recommendation to the Board with regard to any change;

– developing, reviewing and monitoring the code of conduct and corporate governance manual applicable to employees and Directors; and

– reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report.

During the period between the Listing Date and 31 December 2014, the Corporate Governance Committee held one meeting and reviewed the Company's corporate governance policies and practices and developed a code of conduct applicable to the Directors and relevant employees, who is likely to possess inside information of the Company, relating to their dealing in the Company's securities. Such code of conduct has been adopted by the Board in the subsequent Board meeting.

The attendance record of each member of the Corporate Governance Committee at each Corporate Governance Committee meeting held between the Listing Date and 31 December 2014 is set out as follows:

Name of members of Corporate Governance Committee	**Meetings attended/ eligible to attend**
Mr. Wong Chi Keung *(Chairman)*	1/1
Professor Lam Sing Kwong Simon	1/1
Mr. Fan Chun Wah Andrew	1/1
Mr. Zhang Hwo Jie	1/1
Mr. Wu Tak Lung	1/1

Remuneration Committee

The Remuneration Committee was established in March 2014 with the majority of its members being independent non-executive Directors. The Remuneration Committee is chaired by Professor Lam Sing Kwong Simon, an independent non-executive Director. Other members are Mr. Fan Chun Wah Andrew, an independent non-executive Director and Mr. Lam Chi Fan, Chairman of the Board and an executive Director.

The primary duties of Remuneration Committee include, among other things:

– studying and making recommendations or proposals to the Board for its review on the Company's policy and structure for remuneration of all Directors and senior management, on the Company's incentive schemes and on the establishment of a formal and transparent procedure for formulating the remuneration policies and incentive schemes;

– determining the remuneration packages of all executive Directors and senior management and making recommendation to the Board on the remuneration of the non-executive Directors; and

– reviewing and approving performance-based remuneration by reference to corporate objectives approved by the Board from time to time.

During the period between the Listing Date and 31 December 2014, the Remuneration Committee did not hold any meeting. In a meeting of the Remuneration Committee held in March 2015, the Remuneration Committee reviewed and approved the Directors' and senior management's performance bonus, taking into consideration the comparable market practice, competitive market position, individual performance and contributions and the Company's operating results.

In order to recognize and acknowledge the contributions of key employees of the Company, the Company adopted a pre-IPO share option scheme on 13 December 2013 ("**Pre-IPO Share Option Scheme**"). This incentive scheme enables the eligible persons to have a personal stake in the Company and thus motivate them to optimize their performance efficiency for the benefit of the Company.

Details of the Directors' emolument for the year ended 31 December 2014 and the Pre-IPO Share Option Scheme are set out in note 10 and note 29 to the consolidated financial statements, respectively.

Nomination Committee

The Nomination Committee was established in March 2014 with the majority of its members being independent non-executive Directors. The Nomination Committee is chaired by Mr. Lam Chi Fan, Chairman of the Board and an executive Director. Other members are Mr. Wong Chi Keung and Professor Lam Sing Kwong Simon, both being independent non-executive Directors.

The primary duties of Nomination Committee include, among other things:

– reviewing the structure, size, diversity and composition of the Board and making recommendations regarding any proposed changes to the Board in line with the Company's strategies;

– developing and formulating relevant procedures for nomination and appointment of directors;

– identifying suitable candidates for appointment as directors; and

– assessing the independence of independent non-executive Director.

During the period between the Listing Date and 31 December 2014, the Nomination Committee did not hold any meeting.

In a meeting of Nomination Committee held in early March 2015, a board diversity policy was developed and subsequently adopted by the Board. The Company believes that diversity of Board members can be achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service and the legitimate interests of the Company's principal shareholders. All Board's appointment will be based on the merits of the candidates and the Board believes that doing so will be consistent with achieving a diversity of perspectives.

COMPANY SECRETARY

Mr. Lam Kam Cheung, one of the executive Directors and the Chief Financial Officer was appointed as the Company Secretary on 4 March 2014. The biographical details of Mr. Lam Kam Cheung is set out in the paragraph headed "Directors and Senior Management" on page 5 of this report.

COMMUNICATION WITH SHAREHOLDERS

The Company respects the rights of Shareholders and seeks to facilitate the effective exercise of those rights by ensuring that the Company communicates effectively with its Shareholders.

The Company promotes effective communication with Shareholders and encourages effective participation by Shareholders at general meetings of the Company. To ensure a high quality of communication and level of clarity with all investors and other stakeholders, whilst complying with its statutory disclosure obligations, the Company endeavours to provide Shareholders with ready and easy access on a timely basis to matters that affect their investment in the Company; communicate in a clear, accurate and easy to understand manner with investors and other stakeholders.

Shareholders' Right

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. The Company shall in each year hold a general meeting as its annual general meeting. All general meetings other than annual general meetings shall be called extraordinary general meetings ("**EGM**").

Right to convene EGM

Any two or more members of the Company, at the date of the deposit of a written requisition holding not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings, shall at all times have the right to require an EGM to be called by the Board for the transaction of any business specified in such requisition.

The written requisition must specify the objects of the meeting, signed by the requisitionists and deposit it with the Company Secretary of the Company at the Company's principal place of business in Hong Kong at Units 2005-2007, Level 20, Tower 1, MegaBox Enterprise Square Five, No. 38 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the EGM to be held within a further 21 days, the requisitionists themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the EGM, but any EGM shall not be held after the expiration of three months from the date of deposit of the requisition.

An EGM so convened by the requisitionists shall be convened in the same manner, as nearly possible, as that in which meetings are to be convened by the Board.

Right to put enquiries to the Board

Shareholders may, at any time, direct questions or requests for information to the Directors or management through the 'Contact Us' section in the Company's website at www.sinomax.com or in writing and sent by post to the Company's principal place of business in Hong Kong.

Right to put forward proposals at general meetings

As a matter of Cayman Islands law, no members nor Shareholders are permitted to propose new resolutions at the general meetings if the intention to propose the new resolutions is not specified in the notice convening the general meeting. However, procedures for proposing candidate(s) for election as Directors at a Shareholder's meeting are set out in the Corporate Governance section of the Company's website at ir.sinomax.com.

INVESTOR RELATIONS

The Company believes that communicating with its Shareholders, investors and other stakeholders by electronic means, particularly through its website, is an efficient way of distributing information in a timely and convenient manner. The Company's website has a dedicated "Investor Relations" section which publishes the following information:

– the Board, committee charters, key corporate governance policies and constitutional documents;

– announcements, press and release made to the market and media;

– annual and half yearly reports and all material information lodged with the Stock Exchange; and

– notices of general meetings and explanatory materials, if any.

During the year ended 31 December 2014, there had been no significant change in the Company's constitutional documents.

Directors' Report

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 43 of this report.

An interim dividend of HK1.0 cent per Share amounting to approximately HK$16,500,000 was paid to the Shareholders during the Reporting Period. The Directors recommend the payment of a final dividend of HK2.5 cents per Share to the Shareholders whose names appear on the register of members on 23 June 2015, amounting to approximately HK$41,250,000, and the retention of the remaining profit for the year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the Reporting Period in the investment properties and property, plant and equipment of the Group are set out in notes 15 and 16 respectively to the consolidated financial statements.

DONATIONS

During the Reporting Period, the Group made charitable and other donations amounting to approximately HK$1,368,000.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Directors consider that the Company's reserves available for distribution to Shareholders comprise the share premium and the accumulated losses which amounted to HK$274,240,000 as at 31 December 2014 (as at 31 December 2013: HK$322,940,000). Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to Shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

DIRECTORS

The Directors of the Company are listed on page 2 and their biographical information is set out on pages 4 to 8 of this report.

DIRECTORS' SERVICES CONTRACTS

None of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

There was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2014.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2014, to the best knowledge of the Directors, none of the Directors or their respective close associates had any interests in any business which competes or are likely to compete with the business of the Group.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2014.

REMUNERATION POLICY

A remuneration committee has been set up for reviewing the Company's policy and structure for remuneration of all directors and senior management of the Group, taking into consideration the comparable market practice, competitive market position, individual performance and contributions and the Company's operating results. Details of the remunerations of the Directors are set out in note 10 to the consolidated financial statements.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2014, the interests or short positions of each Director and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of SFO); (b) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) were required pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Directors' Report (continued)

Long positions in shares and underlying shares of the Company

Name of Director	Nature of interest	Number of shares and underlying shares held under equity derivatives	Approximate percentage of the issued share capital of the Company *(Note 1)*
Mr. Lam Chi Fan	Founder of a discretionary trust *(Note 2)*	1,050,692,000	63.68%
	Beneficial owner *(Note 3)*	6,650,000	0.40%
	Interest of spouse *(Note 4)*	100,000	0.01%
Mr. Cheung Tung	Beneficial owner *(Note 3)*	6,376,200	0.39%
Mr. Chen Feng	Beneficial owner *(Note 3)*	3,050,000	0.18%
Ms. Lam Fei Man	Beneficial owner *(Note 3)*	2,150,000	0.13%
Mr. Lam Kam Cheung	Beneficial owner *(Note 3)*	2,000,000	0.12%

Notes:

1. *The calculation is based on the total number of 1,650,002,000 ordinary shares of the Company in issue as at 31 December 2014, without taking into account of any shares to be issued upon exercise of the share options granted under the Pre-IPO Share Option Scheme or options which may be granted under the Post-IPO Share Option Scheme (as defined in the prospectus).*

2. *These Shares belong to Sinomax Enterprises. Sinomax Enterprises is legally and beneficially owned as to 50% by Chi Fan Holding Limited and The Frankie Trust, respectively. The Frankie Trust is a discretionary family trust established by Mr. Lam Chi Fan as settlor and Orangefield Trustees (BVI) Limited acting as the trustee. The beneficiaries of The Frankie Trust are Mr. Lam Chi Fan and his family members.*

3. *Each of Mr. Lam Chi Fan, Mr. Cheung Tung, Mr. Chen Feng, Ms. Lam Fei Man and Mr. Lam Kam Cheung, an executive Director, has been granted share options to subscribe for 6,650,000, 6,376,200, 3,050,000, 2,150,000 and 2,000,000 shares, respectively, under the Pre-IPO Share Option Scheme, all of which are still outstanding, details of which are disclosed under Pre-IPO Share Option Scheme on pages 36 to 38.*

4. *Ms. Li Ching Hau, the spouse of Mr. Lam Chi Fan, was granted share options to subscribe for 100,000 shares under the Pre-IPO Share Option Scheme. Under the SFO, Mr. Lam Chi Fan is deemed to be interested in the same number of shares in which Ms. Li Ching Hau is interested. The share options of Ms. Li Ching Hau subsequently expired in February 2015.*

Long positions in associated corporation – Sinomax Enterprises

Name of Director	Nature of interest	Number of shares	Approximate percentage of shareholding
Mr. Lam Chi Fan	Beneficiary of The Frankie Trust	15	50%
Mr .Cheung Tung	Beneficiary of The Cheung's Family Trust	5	16.67%
Mr. Chen Feng	Beneficiary of The Feng Chen's Family Trust	5	16.67%

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as otherwise disclosed in this report, at no time during the year ended 31 December 2014, had any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company been granted to any Director or their respective spouse or children under 18 years old, or had any such rights been exercised by them; or was the Company, its holding company or its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years old, to acquire such rights in any other body corporate.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, substantial shareholders of the Company who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which were notified to the Company, were as follows:

Long positions in shares of the Company

Name	**Nature of interest**	**Number of shares**	**Approximate percentage of the issued share capital of the Company** *(Note 1)*
Sinomax Enterprises Limited *(Note 2)*	Beneficial interest	1,050,692,000	63.68%
Chi Fan Holding Limited	Interest of a controlled corporation	1,050,692,000 *(Note 3)*	63.68%
Orangefield *(Note 4)*	Trustee of various trusts	1,050,692,000	63.68%
Li Ching Hau	Interest of spouse	1,050,692,000 *(Note 5)*	63.68%
	Beneficial interest	100,000 *(Note 6)*	0.01%
Kong Xian Xing	Beneficial owner	73,078,000	4.43%
	Interest of spouse	36,556,000 *(Note 7)*	2.22%
Ge Li Ping	Beneficial owner	36,556,000	2.22%
	Interest of spouse	73,078,000 *(Note 8)*	4.43%

Notes:

1. *The calculation is based on the total number of 1,650,002,000 ordinary shares of the Company in issue as at 31 December 2014, without taking into account of any shares to be issued upon exercise of the share options granted under the Pre-IPO Share Option Scheme or share options which may be granted under the Post-IPO Share Option Scheme.*

2. *Sinomax Enterprises is legally owned as to 50%, 16.67%, 16.67% and 16.67% by Chi Fan Holding Limited, Wing Yiu Investments Limited, The James' Family Holding Limited and Venture Win Holdings Limited, respectively, and beneficially owned in the same proportion by The Frankie Trust, The Cheung's Family Trust, The James' Family Trust and The Feng Chen's Family Trust, respectively.*

3. *These shares belong to Sinomax Enterprises, which is legally owned as to 50% by Chi Fan Holding Limited.*

4. *Orangefield acts as the trustee of The Frankie Trust, The James' Family Trust, The Cheung's Family Trust and The Feng Chen's Family Trust. The beneficiaries of The Frankie Trust are Mr. Lam Chi Fan and his family members. The beneficiaries of The Cheung's Family Trust are Mr. Cheung Tung and his family members. The beneficiaries of The James' Family Trust are Ms. Cheung Shui Ying and her family members. The beneficiaries of The Feng Chen's Family Trust are Mr. Chen Feng and his family members.*

5. *These interests belong to Mr. Lam Chi Fan, the spouse of Ms. Li Ching Hau. Under the SFO, Ms. Li Ching Hau is deemed to be interested in the same number of shares which Mr. Lam Chi Fan is interested.*

6. *Ms. Li Ching Hau was granted share options to subscribe for 100,000 shares under the Pre-IPO Share Option Scheme. The share options subsequently lapsed in February 2015.*

7. *These shares belong to Ge Li Ping, the spouse of Kong Xian Xing. Under the SFO, Kong Xian Xing is deemed to be interested in the same number of shares in which Ge Li Ping is interested.*

8. *These shares belong to Kong Xian Xing, the spouse of Ge Li Ping. Under the SFO, Ge Li Ping is deemed to be interested in the same number of shares in which Kong Xian Xing is interested.*

CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the Group had continuing connected transactions with certain connected persons, details of which have been disclosed in the Prospectus. Certain continuing connected transactions are exempt from one or more of the reporting, announcement, shareholders' approval and annual review requirements for the purpose of Chapter 14A of the Listing Rules.

The following are the continuing connected transactions of the Group that are subject to the reporting and annual review requirements but otherwise exempt from the shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules:

(i) Lease agreements between Dongguan Sinohome and Dongguan Donglian Furniture Co., Ltd.* (東莞東聯傢俱有限公司) ("Dongguan Donglian")

Dongguan Donglian is indirectly wholly-owned by Sinomax Enterprises, the controlling shareholder of the Company. Dongguan Donglian is therefore an associate of Sinomax Enterprises and a connected person of the Company.

On 2 December 2013, Dongguan Sinohome, as tenant, entered into a lease agreement (the "**Lease Agreement of Dongguan Sinohome**") with Dongguan Donglian, as landlord, for the lease of No. 1 Dajieling Road, Shahu Village, Tang Xia Town, Dongguan, Guangdong Province, PRC for a term of slightly more than two years at a monthly rental of approximately RMB695,000. Details of the terms of the Lease Agreement of Dongguan Sinohome and the transactions contemplated thereunder were set out in the Prospectus.

The annual caps determined by the Directors in respect of the annual maximum aggregate value for such continuing connected transactions is RMB8,500,000. The total amount of rent paid pursuant to the Lease Agreement of Dongguan Sinohome for the year ended 31 December 2014 was approximately RMB8,345,000.

(ii) Lease agreement between Sinomax Kuka and Zhejiang Puruimei Industry Co., Ltd.* (浙江普瑞美實業有限公司) ("Zhejiang Puruimei")

Zhejiang Puruimei is indirectly wholly-owned by Mr. Qian Hong Xiang, who is a director of the Group's subsidiaries namely Trade Sincere Limited ("**Trade Sincere**"), Sinomax Kuka and Haining Sinomax and a substantial shareholder of Trade Sincere. Zhejiang Puruimei is therefore an associate of Mr. Qian Hong Xiang and a connected person of the Company.

On 2 December 2013, Sinomax Kuka, as tenant, entered into a lease agreement (the "**Lease Agreement of Sinomax Kuka**") with Zhejiang Puruimei, as landlord, for the lease of No. 99, Qi Chao Road, Haining Agriculture Foreign Integrated Development Area, Zhejiang, China for a two years at a monthly rental of approximately RMB237,000. Details of the terms of the Lease Agreement of Sinomax Kuka and the transactions contemplated thereunder were set out in the Prospectus.

The annual caps determined by the Directors in respect of the annual maximum aggregate value for such continuing connected transactions is RMB2,850,000. The total amount of rent paid pursuant to the Lease Agreement of Sinomax Kuka for the year ended 31 December 2014 was approximately RMB2,842,000.

(iii) Sale of foams by Dongguan Sinohome to Huizhou City Huiyang Weijian Household Products Factory* (惠州市惠陽偉建家庭用品製品版) ("Huiyang Weijian")

Huiyang Weijian is indirectly held as to 100% by Ms. Cheung Wan. Ms. Cheung Wan is the niece of Mr. Lam Chi Fan and the cousin of Mr. Cheung Tung, the executive Directors. Huiyang Weijian is therefore an associate of each of Mr. Lam Chi Fan and Mr. Cheung Tung and a connected person of the Company.

On 2 December 2013, Dongguan Sinohome entered into a framework sale and purchase agreement (the "**Weijian Foam S&P Agreement**") with Huiyang Weijian, pursuant to which the Group will sell and Huiyang Weijian will purchase polyurethane foams for a term commencing from signing of the Weijian Foam S&P Agreement and ending on 31 December 2015. The price, type, amount and specification of foams to be purchased depend on the purchase orders to be issued by Huiyang Weijian to Dongguan Sinohome from time to time, provided that the price of polyurethane foams shall be at terms no more favourable than that offered to other third-party purchasers by the Group. Details of the terms of the Weijian Foam S&P Agreement and the transactions contemplated thereunder were set out in the Prospectus.

The annual caps determined by the Directors in respect of the annual maximum aggregate value for such continuing connected transactions is RMB5,000,000. The total amount of sales to Huiyang Weijian pursuant to the Weijian Foam S&P Agreement for the year ended 31 December 2014 was approximately RMB109,000.

(iv) Sale of foams by Haining Sinomax to Gu Jia Household Co., Limited* (顧家家居股份有限公司) ("Gu Jia Household")

Gu Jia Household holds 40% equity interest in Sinomax Kuka, which is an indirect non-wholly owned subsidiary of the Company. As a substantial shareholder of a subsidiary of the Company, Gu Jia Household is a connected person of the Company.

On 2 December 2013, Haining Sinomax entered into a procurement agreement (the "**2013 Gu Jia Procurement Agreement**") with Gu Jia Household, pursuant to which the Group will sell and Gu Jia Household will purchase polyurethane foams for a term commencing from signing of the 2013 Gu Jia Procurement Agreement to 31 December 2014. The price, type, amount and specification of polyurethane foams to be purchased depend on the purchase orders issued by Gu Jia Household to Haining Sinomax from time to time, provided that the price of polyurethane foams shall be with reference to market price.

On 6 February 2015, Haining Sinomax entered into a new procurement agreement (the "**2015 Gu Jia Procurement Agreement**") with Gu Jia Household to govern the sale and purchase of polyurethane foams between Haining Sinomax and Gu Jia Household after the expiry of the 2013 Gu Jia Procurement Agreement.

Details of the terms of the 2013 and 2015 Gu Jia Procurement Agreement and the transactions contemplated thereunder were set out in the Prospectus and the announcement of the Company dated 6 February 2015, respectively.

The annual caps determined by the Directors in respect of the annual maximum aggregate value for such continuing connected transactions under the 2013 Gu Jia Procurement Agreement and the 2015 Gu Jia Procurement Agreement for the years ended 31 December 2014 and ending 31 December 2015 were RMB140,000,000 and RMB154,000,000 respectively. The total amount of sales to Gu Jia Household pursuant to the 2013 Gu Jia Procurement Agreement for the year ended 31 December 2014 was approximately RMB108,937,000.

The independent non-executive Directors have reviewed the above continuing connected transactions for the year ended 31 December 2014 and confirmed that the transactions had been entered into:

(a) in the ordinary and usual course of the business of the Group;

(b) in accordance with the relevant agreements governing them and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and

(c) the aggregate amount of each of the continuing connected transactions has not exceeded the respective annual cap for the year ended 31 December 2014.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions Under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the above continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules.

A copy of the auditor's letter had been provided by the Company to the Stock Exchange.

In the opinion of the Board, the Company has complied with the requirements under Chapter 14A of the Listing Rules in respect of all the connected and continuing connected transactions entered into by the Group during the year ended 31 December 2014 and all the above continuing connected transactions was entered into in the manners stated above.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business are set out in note 36 to the consolidated financial statements. Other than those transactions disclosed in the section headed "Continuing Connected Transactions" above, none of them constitutes a connected transaction required for disclosure under Chapter 14A of the Listing Rules.

SHARE OPTION SCHEMES

(i) The Pre-IPO Share Option Scheme

On 13 December 2013, the Pre-IPO Share Option Scheme which complies with the requirements of Chapter 17 of the Listing Rules was adopted by the shareholders of the Company.

The Pre-IPO Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that the eligible participants under the scheme have or may have made to the Company.

The eligible participants include any full-time or part-time employees, executives or officers (including executive, non-executive and independent non-executive directors) of the Company or any of its subsidiaries and any suppliers, customers, consultants, agents and advisers who, in the opinion of the directors of the Company, will contribute or have contributed to the Company and/or any of its subsidiaries.

Upon acceptance of the share option, the grantee shall pay HK$1 to the Company by way of consideration for the grant.

On 13 December 2013, the Company has authorised to grant to 140 eligible participants to subscribe for an aggregate of 34,918,000 shares under the Pre-IPO Share Option Scheme. In February 2014, the Company granted share options to 137 eligible participants to subscribe for an aggregate of 34,903,000 shares.

The subscription price of a share in respect of any particular share option offered under the Pre-IPO Share Option Scheme shall be a price representing 30% discount to the Offer Price.

The share options granted to each grantee under the Pre-IPO Share Option Scheme shall be vested equally in five tranches commencing on the Listing Date and on each of the first, second, third and fourth anniversary of the Listing Date. The grantees to whom a share option has been granted under the Pre-IPO Share Option Scheme will be entitled to exercise the share option any time after the share option has been vested but in any event on or before the date falling on the fifth anniversary of the Listing Date. The share options granted under the Pre-IPO Share Option Scheme are not transferable and share options not exercised within the exercise period will lapse and cease to be of further effect.

The Pre-IPO Share Option Scheme expired on 10 July 2014 and will cease to have effect after 10 July 2014. Share options granted prior to the expiration of the Pre-IPO Share Option Scheme but not yet exercised at that time shall continue to be valid and exercisable in accordance with the Pre-IPO Share Option Scheme.

The following tables disclose details of movements of share options granted under the Pre-IPO Share Option Scheme:

					Number of share options			
Grantee	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$	Granted on 10 Feb 2014	Lapsed during the year	Exercised during the year	Outstanding at 31 Dec 2014
Mr. Lam Chi Fan	10 Feb 2014	10 Feb 2014 – 10 Jul 2014	10 Jul 2014 – 10 Jul 2019	0.74	1,330,000	–	–	1,330,000
(Chairman)	10 Feb 2014	10 Feb 2014 – 10 Jul 2015	10 Jul 2015 – 10 Jul 2019	0.74	1,330,000	–	–	1,330,000
	10 Feb 2014	10 Feb 2014 – 10 Jul 2016	10 Jul 2016 – 10 Jul 2019	0.74	1,330,000	–	–	1,330,000
	10 Feb 2014	10 Feb 2014 – 10 Jul 2017	10 Jul 2017 – 10 Jul 2019	0.74	1,330,000	–	–	1,330,000
	10 Feb 2014	10 Feb 2014 – 10 Jul 2018	10 Jul 2018 – 10 Jul 2019	0.74	1,330,000	–	–	1,330,000
Mr. Cheung Tung	10 Feb 2014	10 Feb 2014 – 10 Jul 2014	10 Jul 2014 – 10 Jul 2019	0.74	1,275,240	–	–	1,275,240
(President)	10 Feb 2014	10 Feb 2014 – 10 Jul 2015	10 Jul 2015 – 10 Jul 2019	0.74	1,275,240	–	–	1,275,240
	10 Feb 2014	10 Feb 2014 – 10 Jul 2016	10 Jul 2016 – 10 Jul 2019	0.74	1,275,240	–	–	1,275,240
	10 Feb 2014	10 Feb 2014 – 10 Jul 2017	10 Jul 2017 – 10 Jul 2019	0.74	1,275,240	–	–	1,275,240
	10 Feb 2014	10 Feb 2014 – 10 Jul 2018	10 Jul 2018 – 10 Jul 2019	0.74	1,275,240	–	–	1,275,240
Mr. Chen Feng	10 Feb 2014	10 Feb 2014 – 10 Jul 2014	10 Jul 2014 – 10 Jul 2019	0.74	610,000	–	–	610,000
	10 Feb 2014	10 Feb 2014 – 10 Jul 2015	10 Jul 2015 – 10 Jul 2019	0.74	610,000	–	–	610,000
	10 Feb 2014	10 Feb 2014 – 10 Jul 2016	10 Jul 2016 – 10 Jul 2019	0.74	610,000	–	–	610,000
	10 Feb 2014	10 Feb 2014 – 10 Jul 2017	10 Jul 2017 – 10 Jul 2019	0.74	610,000	–	–	610,000
	10 Feb 2014	10 Feb 2014 – 10 Jul 2018	10 Jul 2018 – 10 Jul 2019	0.74	610,000	–	–	610,000

Grantee	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$	Number of share options: Granted on 10 Feb 2014	Lapsed during the year	Exercised during the year	Outstanding at 31 Dec 2014
Mr. Lam Kam Cheung	10 Feb 2014	10 Feb 2014 – 10 Jul 2014	10 Jul 2014 – 10 Jul 2019	0.74	400,000	–	–	400,000
	10 Feb 2014	10 Feb 2014 – 10 Jul 2015	10 Jul 2015 – 10 Jul 2019	0.74	400,000	–	–	400,000
	10 Feb 2014	10 Feb 2014 – 10 Jul 2016	10 Jul 2016 – 10 Jul 2019	0.74	400,000	–	–	400,000
	10 Feb 2014	10 Feb 2014 – 10 Jul 2017	10 Jul 2017 – 10 Jul 2019	0.74	400,000	–	–	400,000
	10 Feb 2014	10 Feb 2014 – 10 Jul 2018	10 Jul 2018 – 10 Jul 2019	0.74	400,000	–	–	400,000
Ms. Lam Fei Man	10 Feb 2014	10 Feb 2014 – 10 Jul 2014	10 Jul 2014 – 10 Jul 2019	0.74	430,000	–	–	430,000
	10 Feb 2014	10 Feb 2014 – 10 Jul 2015	10 Jul 2015 – 10 Jul 2019	0.74	430,000	–	–	430,000
	10 Feb 2014	10 Feb 2014 – 10 Jul 2016	10 Jul 2016 – 10 Jul 2019	0.74	430,000	–	–	430,000
	10 Feb 2014	10 Feb 2014 – 10 Jul 2017	10 Jul 2017 – 10 Jul 2019	0.74	430,000	–	–	430,000
	10 Feb 2014	10 Feb 2014 – 10 Jul 2018	10 Jul 2018 – 10 Jul 2019	0.74	430,000	–	–	430,000
Other employees	10 Feb 2014	10 Feb 2014 – 10 Jul 2014	10 Jul 2014 – 10 Jul 2019	0.74	2,935,360	(86,000)	(2,000)	2,847,360
	10 Feb 2014	10 Feb 2014 – 10 Jul 2015	10 Jul 2015 – 10 Jul 2019	0.74	2,935,360	(86,000)	–	2,849,360
	10 Feb 2014	10 Feb 2014 – 10 Jul 2016	10 Jul 2016 – 10 Jul 2019	0.74	2,935,360	(86,000)	–	2,849,360
	10 Feb 2014	10 Feb 2014 – 10 Jul 2017	10 Jul 2017 – 10 Jul 2019	0.74	2,935,360	(86,000)	–	2,849,360
	10 Feb 2014	10 Feb 2014 – 10 Jul 2018	10 Jul 2018 – 10 Jul 2019	0.74	2,935,360	(86,000)	–	2,849,360
					34,903,000	(430,000)	(2,000)	34,471,000
Number of share options exercisable at 31 December 2014								6,892,600

Notes:

(a) 16 eligible participants, who have been granted share options have ceased to become eligible participants upon termination of employment and the said share options have automatically lapsed.

(b) The closing price of the Company's shares immediately before the date on which the share options are exercised during the year ended 31 December 2014 was HK$1.06.

(c) During the Reporting Period, one holder of pre-IPO share options exercised the right to purchase an aggregate of 2,000 Shares.

(d) Other details of the Pre-IPO Share Option Scheme are set out in note 29 to the consolidated financial statements.

(ii) The Post-IPO Share Option Scheme

On 4 March 2014, a share option scheme was conditionally adopted by the shareholders of the Company (the "**Post-IPO Share Option Scheme**"). Details of the Post-IPO Share Option Scheme are set out in note 29 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

The Articles of Association of the Company and the Companies Law (2013 Revision) of the Cayman Islands do not entitle any Shareholder to any pre-emptive right or other similar rights to subscribe for the Shares.

PURCHASE, SALES OR REDEMPTION OF SHARES

During the year, neither the Company nor any of its subsidiaries has purchased or sold any of the ordinary shares of the Company. In addition, the Company has not redeemed any of its ordinary shares during the year ended 31 December 2014.

NON-COMPETITION UNDERTAKINGS

The Company has received an annual confirmation from its controlling shareholders, namely, Sinomax Enterprises, Mr. Lam Chi Fan, Mr. Cheung Tung, Mr. Chen Feng and Ms. Cheung Shui Ying, in respect of their compliance with the terms of the deed of non-competition as set out in the Prospectus during the period from the Listing Date up to and including 31 December 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to the guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

Details of the use of proceeds from the global offering are set out in the section headed "Management Discussion and Analysis" on page 14 of this report.

MAJOR SUPPLIERS AND CUSTOMERS

During the Reporting Period, the aggregate purchases from the Group's five largest suppliers was approximately 46.7% of the Group's total purchases. The Group's largest supplier accounted for approximately 13.3% of the Group's total purchases.

During the Reporting Period, the aggregate sales to the Group's five largest customers was approximately 45.8% of the Group's total revenue. The Group's largest customer accounted for approximately 31.1% of the Group's total revenue.

None of the Directors or any of their close associates or any Shareholder (which to the knowledge of the Directors own more than 5% of the issued share capital of the Company) had any beneficial interests in the Group's five largest customers or suppliers.

PROFESSIONAL TAX ADVICE

If any Shareholders has any doubt about the taxation implication of purchasing, holding, disposing of, dealing in, or exercise of any rights in relation to the shares of the Company, they are advised to consult their own professional advisers.

AUDITOR

The Group's consolidated financial statements have been audited by Messrs. Deloitte Touche Tohmatsu, Certified Public Accountants, who will retire and offer themselves for re-appointment at the forthcoming annual general meeting.

AUDIT COMMITTEE

The annual results for the year have been reviewed by the Audit Committee. Information on the work of Audit Committee and its composition are set out in the paragraph headed "Corporate Governance Report" on pages 22 to 23 of this report.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out in the paragraph headed "Corporate Governance Report" on pages 18 to 28 of this report.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on information publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, are held by the public at all times as of the date of this report.

This report is signed for and on behalf of the Board.

Lam Chi Fan
Chairman

Hong Kong, 16 March 2015

* *English translated name is for identification purpose only*

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF SINOMAX GROUP LIMITED
盛諾集團有限公司
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sinomax Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 43 to 115, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report (continued)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
16 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Revenue	5	**2,683,408**	2,369,539
Cost of sales		**(1,947,024)**	(1,748,912)
Gross profit		**736,384**	620,627
Other income	6	**43,152**	27,882
Other gains and losses	7	**(3,673)**	(5,497)
Selling and distribution costs		**(331,756)**	(280,750)
Administrative expenses		**(155,519)**	(124,498)
Finance costs	8	**(8,779)**	(6,879)
Other expenses		**(32,942)**	(41,307)
Profit before taxation	9	**246,867**	189,578
Income tax expenses	12	**(43,920)**	(44,545)
Profit for the year		**202,947**	145,033
Other comprehensive income that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**571**	10,323
Total comprehensive income for the year		**203,518**	155,356
Profit for the year attributable to:			
Owners of the Company		**194,393**	135,761
Non-controlling interests		**8,554**	9,272
		202,947	145,033
Total comprehensive income for the year attributable to:			
Owners of the Company		**194,793**	145,261
Non-controlling interests		**8,725**	10,095
		203,518	155,356
Earnings per share	14		
– Basic		**HK12.37 cents**	HK9.05 cents
– Diluted		**HK12.35 cents**	N/A

Consolidated Statement of Financial Position

At 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Investment properties	15	**22,274**	28,830
Property, plant and equipment	16	**221,392**	202,241
Prepaid lease payments	17	**23,630**	24,258
Deposits paid for acquisition of property, plant and equipment		**7,791**	17,415
Rental deposits	18	**18,482**	17,657
Deferred tax assets	19	**18,230**	16,143
		311,799	306,544
CURRENT ASSETS			
Inventories	20	**398,050**	346,037
Prepaid lease payments	17	**607**	608
Trade and other receivables	21	**584,740**	508,519
Bills receivables	22	**10,422**	14,809
Amounts due from related parties	23	**–**	31,532
Tax recoverable		**6,426**	–
Pledged bank deposits	24	**14,786**	14,916
Fixed bank deposits	24	**15,156**	–
Structured bank deposits	24	**25,260**	40,452
Bank balances and cash	24	**254,020**	165,248
		1,309,467	1,122,121
CURRENT LIABILITIES			
Trade and other payables	25	**275,730**	328,538
Bills payables	26	**92,335**	113,547
Dividend payable		**–**	60,000
Amounts due to related parties	23	**–**	77,302
Taxation payable		**97,060**	102,557
Unsecured bank borrowings	27	**233,016**	162,532
		698,141	844,476
NET CURRENT ASSETS		**611,326**	277,645
TOTAL ASSETS LESS CURRENT LIABILITIES		**923,125**	584,189

Consolidated Statement of Financial Position (continued)

At 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
NON-CURRENT LIABILITY			
Deferred tax liabilities	19	**10,012**	8,933
		10,012	8,933
NET ASSETS		**913,113**	575,256
CAPITAL AND RESERVES			
Share capital	28	**165,000**	5
Reserves		**711,320**	540,266
Equity attributable to owners of the Company		**876,320**	540,271
Non-controlling interests		**36,793**	34,985
TOTAL EQUITY		**913,113**	575,256

The consolidated financial statements on pages 43 to 115 were approved and authorised for issue by the Board of Directors on 16 March 2015 and are signed on its behalf by:

CHEUNG Tung
DIRECTOR

LAM Kam Cheung
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Equity attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000 (Note (i))	Statutory reserve HK$'000 (Note (ii))	Capital reserve HK$'000 (Note (iii))	Share option reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2013	11	–	–	5,093	1,515	–	31,829	416,562	455,010	24,890	479,900
Profit for the year	–	–	–	–	–	–	–	135,761	135,761	9,272	145,033
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	9,500	–	9,500	823	10,323
Total comprehensive income for the year	–	–	–	–	–	–	9,500	135,761	145,261	10,095	155,356
Group reorganisation (note 1)	(11)	403,846	(403,835)	–	–	–	–	–	–	–	–
Dividend recognised as distribution (note 13)	–	(60,000)	–	–	–	–	–	–	(60,000)	–	(60,000)
Issue of shares (note 28)	5	–	–	–	(5)	–	–	–	–	–	–
Transfers	–	–	–	1,500	–	–	–	(1,500)	–	–	–
At 31 December 2013	5	343,846	(403,835)	6,593	1,510	–	41,329	550,823	540,271	34,985	575,256
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**194,393**	**194,393**	**8,554**	**202,947**
Exchange differences arising on translation of foreign operations	**-**	**-**	**-**	**-**	**-**	**-**	**400**	**-**	**400**	**171**	**571**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**400**	**194,393**	**194,793**	**8,725**	**203,518**
Dividend recognised as distribution (note 13)	**-**	**(16,500)**	**-**	**-**	**-**	**-**	**-**	**-**	**(16,500)**	**(6,917)**	**(23,417)**
Issue of shares (note 28(e))	**15,000**	**144,000**	**-**	**-**	**-**	**-**	**-**	**-**	**159,000**	**-**	**159,000**
Cost of issuing new shares	**-**	**(8,676)**	**-**	**-**	**-**	**-**	**-**	**-**	**(8,676)**	**-**	**(8,676)**
Capitalisation issue (note 28(d))	**149,995**	**(149,995)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Recognition of share based payment expense	**-**	**-**	**-**	**-**	**-**	**7,431**	**-**	**-**	**7,431**	**-**	**7,431**
Issue of shares upon exercise of share options	**-**	**2**	**-**	**-**	**-**	**(1)**	**-**	**-**	**1**	**-**	**1**
Transfers	**-**	**-**	**-**	**1,921**	**-**	**-**	**-**	**(1,921)**	**-**	**-**	**-**
At 31 December 2014	**165,000**	**312,677**	**(403,835)**	**8,514**	**1,510**	**7,430**	**41,729**	**743,295**	**876,320**	**36,793**	**913,113**

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2014

Notes:

(i) *The merger reserve represented the difference between the total equity of those subsidiaries (which were transferred from the Individual Shareholders (defined in note 1) to Treasure Range Holdings Limited ("**Treasure Range**"), a wholly owned subsidiary of the Company, attributable to the owners of the Company and the aggregated share capital of the relevant subsidiaries pursuant to the group reorganisation where the transfer of the relevant subsidiaries to Treasure Range as satisfied by issue of new shares from Treasure Range to the Company and from the Company to Sinomax Enterprises (defined in note 1), the immediate holding company of the Company.*

(ii) *According to the relevant requirements in the memorandum of association of the Company's PRC subsidiaries, a portion of their profits after taxation has to be transferred to the statutory reserve. The transfer had been made before the distribution of a dividend to equity owners. The reserve can be applied either to set off accumulated losses, if any, or to increase capital. The statutory reserve fund is non-distributable other than upon liquidation.*

In accordance with the provisions of the Macao Commercial Code, the subsidiary of the Company incorporated in Macau is required to transfer a minimum of 25% of annual net profit to statutory reserve until the accumulated amount equals half of its quota capital. This reserve is not distributable to the shareholder.

(iii) *During the year ended 31 December 2011, the Individual Shareholders acquired an additional 34% interest in Trade Sincere Limited ("**Trade Sincere**"), a non-wholly owned subsidiary of the Company, from a non-controlling shareholder for a consideration of US$998,012 (equivalent to HK$7,755,000) and the Group's interest in Trade Sincere was then increased from 51% to 85%. Simultaneously, Trade Sincere disposed of its 40% equity interest in Sinomax Kuka (Zhejiang) Foam Co. Limited ("**Sinomax Kuka**") to a non-controlling shareholder for a consideration of US$1,174,132 (equivalent to HK$8,855,000). Sinomax Kuka became a 60% owned subsidiary of Trade Sincere after this partial disposal. The Group's effective interest in Sinomax Kuka remained unchanged. The difference between the consideration received by the Group and the increase in non-controlling interests after these transactions amounting to approximately HK$1,515,000 is recorded in capital reserve.*

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**246,867**	189,578
Adjustments for:		
Net allowance for doubtful debts	**322**	7,070
Reversal of allowance for inventories	**(5,120)**	(7,824)
Amortisation of prepaid lease payments	**603**	601
Depreciation of investment properties	**905**	1,446
Depreciation of property, plant and equipment	**25,980**	17,761
Finance costs	**8,779**	6,879
Interest income	**(3,093)**	(1,884)
Loss on disposal and written off of property, plant and equipment	**–**	17
Share-based payment expense	**7,431**	–
Operating cash flows before movements in working capital	**282,674**	213,644
Increase in rental deposits	**(825)**	(7,049)
Increase in inventories	**(47,000)**	(53,426)
Increase in trade and other receivables	**(76,857)**	(101,029)
Decrease (increase) in bills receivables	**4,387**	(2,397)
Decrease in amounts due from related parties	**–**	4,252
(Decrease) increase in trade and other payables	**(27,434)**	31,503
(Decrease) increase in bills payables	**(21,212)**	43,000
(Decrease) increase in amounts due to related parties	**(56,195)**	33,603
Settlement of financial asset at fair value through profit or loss ("**FVTPL**")	**–**	87
Cash generated from operations	**57,538**	162,188
Hong Kong Profits Tax paid	**(5,061)**	(7,157)
PRC Enterprise Income Tax paid	**(32,581)**	(23,001)
US Income Tax paid	**(20,198)**	(7,803)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(302)**	124,227
INVESTING ACTIVITIES		
Repayments from related parties	**31,532**	65,357
Net withdrawal of structured bank deposits	**15,156**	3,569
Interest received	**3,093**	1,884
Net withdrawal (placement) of pledged bank deposits	**117**	(10,367)
Payment for property, plant and equipment	**(29,999)**	(39,628)
Net placement of fixed bank deposits	**(15,156)**	–
Additions to investment properties	**–**	(2,980)
Advances to related parties	**–**	(1,893)
Proceeds from disposal of property, plant and equipment	**–**	60
NET CASH FROM INVESTING ACTIVITIES	**4,743**	16,002

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
FINANCING ACTIVITIES		
New bank borrowings raised	**459,363**	479,990
Issue of shares, net of share issue expenses	**127,120**	–
Net proceeds on exercise of share option	**1**	–
Repayments of bank borrowings	**(388,792)**	(510,133)
Dividends paid	**(83,417)**	–
Repayments to related parties	**(21,107)**	(110,179)
Interest paid	**(8,779)**	(6,879)
Advances from related parties	**–**	1,174
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**84,389**	(146,027)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**88,830**	(5,798)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**165,248**	168,523
Effect of foreign exchange rate changes	**(58)**	2,523
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**254,020**	165,248

1. GENERAL AND BASIS OF PREPARATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 5 June 2012. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 10 July 2014. Its ultimate holding company is Sinomax Enterprises Limited ("**Sinomax Enterprises**"), a company incorporated in the British Virgin Islands (the "**BVI**") which is currently legally owned as to 50%, 16.67%, 16.67% and 16.67% by Chi Fan Holding Limited, Wing Yiu Investments Limited, The James' Family Holding Limited and Venture Win Holdings Limited, respectively, and beneficially owned in the same proportion by The Frankie Trust, The Cheung's Family Trust, The James' Family Trust and The Feng Chen's Family Trust, respectively.

The address of the registered office and the principal place of business of the Company are P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands and Units 2005-2007, Level 20 Tower 1, MegaBox Enterprise Square Five, 38 Wang Chiu Road, Kowloon Bay, Hong Kong, respectively.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 37.

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

Basis of preparation

Prior to a group reorganisation, the Company and its current subsidiaries (the "**Group**") were ultimately controlled by the shareholders of Sinomax Enterprises (the "**Individual Shareholders**"). Except for Trade Sincere and its subsidiaries, Sinomax Kuka and Haining Sinomax Trading Co., Ltd. ("**Haining Sinomax**"), the companies now comprising the Group were beneficially and wholly owned by the Individual Shareholders. Sinomax Kuka is a 60% owned subsidiary of Trade Sincere. Trade Sincere is owned by a company beneficially owned by the Individual Shareholders collectively and a non-controlling shareholder as to 85% and 15% equity interests, respectively. Sinomax Kuka established Haining Sinomax as its wholly owned subsidiary in December 2012.

In the preparation for the listing of the Company's shares on the Stock Exchange, the companies now comprising the Group underwent a group reorganisation. On 31 July 2013, the group reorganisation was completed by interspersing the Company and its wholly owned subsidiary, Treasure Range, between the Individual Shareholders and the remaining companies now comprising the Group. Part of the group reorganisation also involved business combinations under common control and these combinations are accounted for under merger accounting.

The consolidated statement of profit or loss and other comprehensive income which include the financial results of the companies now comprising the Group for the year ended 31 December 2013 have been prepared as if the Company had always been the holding company of the Group.

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

Amendments to HKFRSs and the new Interpretation that are mandatorily effective for the current year

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation Hedge Accounting
HK(IFRIC) – Int 21	Levies

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

New or revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 1	Disclosure Initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[5]

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

New or revised HKFRSs issued but not yet effective *(Continued)*

1. *Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.*
2. *Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.*
3. *Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.*
4. *Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.*
5. *Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.*
6. *Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.*

The directors of the Company anticipate that the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis and in accordance with the following accounting policies which conform to HKFRSs issued by the HKICPA. In addition, the consolidated financial statements includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the Hong Kong Companies Ordinance (Cap. 32).

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies of the Group set out below are the same as the accounting policies of the Group's reportable segments. These policies have been consistently applies to all the years presented, unless otherwise stated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the Individual Shareholders.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the Individual Shareholders' interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts, returns and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's policy for recognition of revenue from operating leases is described in the accounting policy below.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

When an owner-occupied property becomes an investment property because its use has changed as evidenced by end of owner-occupation, the transfer is made at the carrying amount.

When there is a change of use of an investment property as evidenced by commencement of owner-occupation, the transfer is made at the carrying amount.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes (i.e. construction in progress) are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bills receivables, amounts due from related parties, rental deposits, pledged bank deposits, structured bank deposits, fixed bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of loans and receivables below).

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of loans and receivables (Continued)

Objective evidence of impairment of loans and receivables could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by a group entity are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities of the Group, including trade and other payables, bills payables, amounts due to related parties and bank borrowings, are subsequently measured at amortised cost using effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or, when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("**CGU**") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Foreign currencies

In preparing the financial statements of each individual entity comprising the Group, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs

Payments to defined contribution retirement benefit plans, government-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Equity-settled share-based payment transactions

The fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity under the heading of share option reserve.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any).

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of their assets and liabilities.

Current and deferred tax are recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated allowance for inventories

Inventories are valued at the lower of cost and net realisable value. The Group regularly reviews its inventory levels in order to identify slow-moving and obsolete inventories. When the Group identifies items of inventories which have a realisable value that is lower than its carrying amount, the Group estimates the amount of write-down of inventories as allowance for inventories. If the realisable value of inventories of the Group becomes much lower than its carrying amount subsequently, additional allowance may be required.

Details of the Group's inventories are set out in note 20.

Estimated allowance for trade receivables

Management regularly reviews the recoverability of trade receivables. Allowance for these receivables is made based on evaluation of collectability and on management's judgment by reference to the estimation of the future cash flows discounted at an effective interest rate to calculate the present value. A considerable amount of judgment is required in assessing the ultimate realisation of these debtors, including their current creditworthiness. If the actual future cash flows were less than expected, additional allowance may be required.

Details of the Group's trade receivables are set out in note 21.

Estimated provision for the income tax and related obligations

As detailed in note 12, the Hong Kong Inland Revenue Department ("**IRD**") has initiated a tax audit on certain subsidiaries of the Company. The tax audit covers the years of assessment from 2005/06 onwards. The directors of the Company are of the opinion that the Group has made the best estimate of the provisions for Hong Kong Profits Tax and related potential penalty and/or interest for the tax audit in the consolidated financial statements. Provision for potential penalty and/or interest is recognised in other expenses on the consolidated statements of profit or loss and other comprehensive income and included in other payables. If the final payment required for the settlement of the tax audit is more or less than expected, additional impact to profit or loss may arise.

5. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the business of manufacture and sale of health and household products and polyurethane foam. Health and household products mainly represent quality visco-elastic pillows, mattress toppers and mattresses.

The Group mainly sells its visco-elastic products on a wholesale basis primarily to retailers in the United States of America (the "**US**"), who typically resell the products to consumers through their own country-wide retail networks. The products are sold under own, licensed or third-party brands.

The Group also sells its products under "SINOMAX" brand through its retail network comprising stand-alone retail shops and concession counters in department stores in the People's Republic of China (other than Hong Kong and Macau) (the "**PRC**"), Hong Kong and Macau. In addition to the retail network, the Group also conducts direct sales to corporates in Hong Kong and the PRC, and maintains online sales.

As a separate business line, the Group also supplies quality polyurethane foam tailored to customers' specific needs and requirements under "Tung Ah" (東亞) brand primarily to furniture manufacturers in the PRC on a wholesale basis.

Taking into account the different types of products, the Group's operating segments, based on information reported to the chief operating decision maker ("**CODM**") (i.e. the executive directors of the Company) for the purposes of resource allocation and performance assessment, are as follows:

Export sales	–	wholesales of products to overseas customers;
Retail and corporate sales	–	sales of products through self-operated retail network, third-party distributors, direct sales to corporates and other customers and e-commerce sales channel; and
Polyurethane foam sales	–	wholesales of polyurethane foam to furniture manufacturers in the PRC.

These operating segments also represent the Group's reportable segments.

The accounting policies of the operating segments are the same as the Group's accounting policies.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating segments:

For the year ended 31 December 2014

	Export sales HK$'000	Retail and corporate sales HK$'000	Polyurethane foam sales HK$'000	Consolidated HK$'000
SEGMENT REVENUE				
External sales	**1,374,634**	**380,522**	**928,252**	**2,683,408**
Segment profit	**354,571**	**70,638**	**112,556**	**537,765**
Unallocated other income				**16,314**
Unallocated costs and expenses				**(307,212)**
Profit before taxation				**246,867**

For the year ended 31 December 2013

	Export sales HK$'000	Retail and corporate sales HK$'000	Polyurethane foam sales HK$'000	Consolidated HK$'000
SEGMENT REVENUE				
External sales	1,254,223	284,057	831,259	2,369,539
Segment profit	264,653	52,123	111,354	428,130
Unallocated other income				26,212
Unallocated costs and expenses				(264,764)
Profit before taxation				189,578

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

There were no inter-segment sales during both years.

In the preparation of the segment profit, certain other income items, costs of goods sold and expenses are unallocated and not included in the profit earned by each segment. Unallocated costs and expenses mainly represent unallocated costs of goods sold (representing manufacturing overhead attributable to manufacturing process undertaken in certain of the subsidiaries and allowance made for inventories), unallocated selling and distribution costs, corporate and headquarter expenses and other expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

No further analysis is presented for certain amounts included or excluded in the measure of segment profit or loss or segment assets and liabilities as the information are not regularly provided to the CODM for review.

Geographical information:

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

	2014 **HK$'000**	2013 HK$'000
The US	**1,280,811**	1,143,165
The PRC	**1,137,157**	986,202
Hong Kong	**164,403**	118,364
Macau	**7,406**	9,958
Europe	**47,594**	56,613
Other Asian countries	**19,780**	41,872
Other American countries	**22,828**	10,703
Others	**3,429**	2,662
	2,683,408	2,369,539

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information: *(Continued)*

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

	2014 **HK$'000**	2013 HK$'000
The PRC	**264,464**	269,770
Hong Kong	**17,218**	14,596
The US	**9,211**	6,004
Macau	**2,676**	31
	293,569	290,401

Information about major customers:

An analysis of revenue from a customer in the segment of export sales contributing over 10% of the Group's total revenue during the years is as follows:

	2014 **HK$'000**	2013 HK$'000
Customer A	**833,673**	685,344

6. OTHER INCOME

	2014 HK$'000	2013 HK$'000
Interest income	**3,093**	1,884
Rental income	**5,299**	3,898
Scrap sales (Note a)	**28,077**	19,573
Government subsidy (Note b)	**3,757**	1,400
Others	**2,926**	1,127
	43,152	27,882

Notes:

(a) The corresponding cost of scrap inventories is inseparable from cost of sales.

(b) During the year ended 31 December 2013, a subsidiary of the Company in the PRC received an unconditional government subsidy of approximately HK$1,400,000 for setting up a new subsidiary in the PRC. The local government will then unconditionally grant to the newly set up subsidiary with amounts equivalent to a certain percentage of the tax paid to the local government for the first five years after its establishment. During the year ended 31 December 2014, the newly set up subsidiary received the unconditional government subsidy of approximately HK$1,198,000 (2013: nil).

The remaining HK$2,559,000 (2013: nil) represented the subsidies on export insurance expense incurred in the year.

7. OTHER GAINS AND LOSSES

	2014 HK$'000	2013 HK$'000
Allowance for doubtful debts	**(18,634)**	(7,350)
Reversal of allowance for doubtful debts	**18,312**	280
Loss on disposal and written off of property, plant and equipment	**–**	(17)
Net exchange (losses) gains	**(3,351)**	1,590
	(3,673)	(5,497)

8. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest on bank borrowings wholly repayable within five years	**8,779**	5,979
Interest on amounts due to Individual Shareholders	**–**	900
	8,779	6,879

9. PROFIT BEFORE TAXATION

	2014 HK$'000	2013 HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Directors' remuneration (note 10)	**16,066**	5,975
Other staff costs	**215,105**	203,152
Retirement benefit scheme contributions for other staff	**29,816**	17,928
Share based payment expenses, excluding those of directors	**3,125**	–
Total staff costs	**264,112**	227,055
Amortisation of prepaid lease payments	**603**	601
Depreciation of investment properties	**905**	1,446
Depreciation of property, plant and equipment	**25,980**	17,761
Total depreciation and amortisation	**27,488**	19,808
Operating lease rentals in respect of		
– rented premises	**27,847**	23,264
– retail stores (included in selling and distribution costs)	**15,582**	6,217
	43,429	29,481
Department store counters concessionaire commission (included in selling and distribution costs) (Note a)	**58,279**	61,994
	101,708	91,475
Auditor's remuneration	**2,200**	1,800
Reversal of allowance for inventories (included in cost of sales) (Note b)	**(5,120)**	(7,824)
Cost of inventories recognised as expenses (included in cost of sales)	**1,952,144**	1,756,736
Research and development expenses (included in other expenses) (Note c)	**16,038**	5,809
Listing expenses (included in other expenses)	**2,392**	20,812

Notes:

(a) *Concessionaire commission in respect of department store counters is generally calculated by applying pre-determined percentages to actual sales made through respective counters.*

(b) *The reversal of allowance for inventories for both years was mainly resulted from the utilisation of the inventories of which allowance had previously been provided.*

(c) *Research and development expenses comprised staff salaries of HK$5,862,000 (2013: HK$4,713,000), which were also included in the staff costs disclosed above.*

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's emoluments comprise payments to the following directors, which include the chief executive of the Company, by the Group in connection with the management of the affairs of the Group. The amount paid to each director was as follows:

Name of Director	**Fees HK$'000**	**Salaries and allowances HK$'000**	**Performance related incentive payments HK$'000** (Note (i))	**Share based payment expense HK$'000**	**Retirement benefit scheme contributions HK$'000**	**Total HK$'000**
For the year ended 31 December 2014						
Mr. Lam Chi Fan *(Chairman)* ("**Mr. Lam**")	**–**	**1,860**	**480**	**1,416**	**17**	**3,773**
Mr. Cheung Tung *(President and the Chief Executive)* ("**Mr. Cheung**")	**–**	**1,925**	**650**	**1,357**	**17**	**3,949**
Mr. Chen Feng ("**Mr. Chen**")	**–**	**2,160**	**736**	**649**	**–**	**3,545**
Mr. Lam Kam Cheung	**–**	**1,420**	**500**	**426**	**17**	**2,363**
Ms. Lam Fei Man	**–**	**1,023**	**338**	**458**	**17**	**1,836**
Mr. Wong Chi Keung (Note ii)	**120**	**–**	**–**	**–**	**–**	**120**
Professor Lam Sing Kwong Simon (Note ii)	**120**	**–**	**–**	**–**	**–**	**120**
Mr. Fan Chun Wah Andrew (Note ii)	**120**	**–**	**–**	**–**	**–**	**120**
Mr. Zhang Hwo Jie (Note ii)	**120**	**–**	**–**	**–**	**–**	**120**
Mr. Wu Tak Lung (Note ii)	**120**	**–**	**–**	**–**	**–**	**120**
Total for the year ended 31 December 2014	**600**	**8,388**	**2,704**	**4,306**	**68**	**16,066**

Name of Director	Fees HK$'000	Salaries and allowances HK$'000	Performance related incentive payments HK$'000 (Note (i))	Share based payment expense HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
For the year ended 31 December 2013						
Mr. Lam *(Chairman)*	–	1,225	–	–	15	1,240
Mr. Cheung *(President and the Chief Executive)*	–	1,200	–	–	15	1,215
Mr. Chen	–	1,695	–	–	–	1,696
Mr. Lam Kam Cheung	–	1,123	–	–	15	1,138
Ms. Lam Fei Man	–	672	–	–	15	687
Total for the year ended 31 December 2013	–	5,915	–	–	60	5,975

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

Notes:

(i) Performance related incentive payments is recommended by the remuneration committee of the Company and is approved by the board of directors, with reference to the Group's operating results, individual performance and comparable market statistics.

(ii) These are the independent non-executive directors appointed on 4 March 2014.

(iii) No director nor the chief executive waived any emoluments in respect of the years ended 31 December 2014 and 2013.

11. EMPLOYEES' EMOLUMENTS

(a) Emoluments of senior management

Of the five senior management of the Company for the year ended 31 December 2013 and 2014, all of them are directors of the Company and their remuneration has been disclosed in note 10.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, four (2013: two) are directors of the Company whose emoluments are included in note 10. The total emoluments of the remaining one (2013: three) individual is as follows:

	2014	2013
	HK$'000	HK$'000
Salaries, other allowances and benefit-in-kinds	**1,395**	3,697
Performance related incentive payments	**155**	527
	1,550	4,224

The emoluments fell within the the following bands:

	Number of employees	
	2014	2013
HK$1,000,001 to HK$1,500,000	**–**	2
HK$1,500,001 to HK$2,000,000	**1**	1
	1	3

12. INCOME TAX EXPENSES

	2014 HK$'000	2013 HK$'000
Current tax		
Hong Kong Profits Tax (Note i)	**2,119**	11,419
PRC Enterprise Income Tax (the "**EIT**") (Note ii)	**31,756**	29,544
US income tax (Note iii)	**9,666**	10,405
	43,541	51,368
(Over) underprovision in prior years		
Hong Kong Profits Tax	**(157)**	(77)
PRC EIT	**1,429**	(48)
US income tax	**110**	443
	1,382	318
Deferred taxation (Note 19)	**(1,003)**	(7,141)
	43,920	44,545

Notes:

(i) *Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.*

(ii) *PRC EIT is calculated based on the statutory rate of 25% of the assessable profit for those subsidiaries established in the PRC for both years.*

The amounts include PRC withholding tax on distributed profits of a PRC subsidiary of HK$466,000 (2013: HK$1,357,000).

(iii) *The US income tax includes (a) federal income tax calculated at 34% on the estimated US federal taxable income and (b) state income tax calculated at various state income tax rates on the estimated state taxable income for both years. The income subject to tax in a specific state (i.e. state taxable income) is calculated from adjusting the federal taxable income with state modifications and apportionment (i.e. percentage of taxable income that should be allocated to each state in which the Group operates in).*

(iv) *Under Decree-Law no. 58/99/M, the Group's Macau subsidiary incorporated under the Decree-Law, is exempted from Macau Complementary tax as it satisfies the relevant conditions as specified in the Decree-Law, one of which being that it does not sell its products to any Macau resident company during both years.*

12. INCOME TAX EXPENSES *(Continued)*

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

	2014	2013
	HK$'000	HK$'000
Profit before taxation	**246,867**	189,578
Tax at Hong Kong Profits Tax rate of 16.5%	**40,733**	31,280
Tax effect of expenses not deductible for tax purposes	**7,548**	4,112
Tax effect of income not taxable for tax purposes	**(503)**	(27)
Under provision in prior years	**1,382**	318
Tax effect of deductible temporary difference not recognised	**3**	55
Utilisation of deductible temporary difference previously not recognised	**–**	(1,909)
Deferred tax on withholding tax on undistributed earnings of PRC subsidiaries	**1,537**	222
Tax effect of profit of a subsidiary under tax exemption in Macau	**(21,287)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**14,507**	10,494
Income tax expenses	**43,920**	44,545

The IRD commenced a tax audit on certain subsidiaries of the Company in prior period. The IRD has issued estimated profits tax assessments of HK$14,100,000, HK$24,000,000 and HK$26,725,000 to the Group relating to the years of assessment 2005/06, 2006/07 and 2007/08 for the financial years ended 31 December 2005, 2006 and 2007, respectively. The Group has lodged objection with the IRD against the assessments and the IRD agreed that the relevant subsidiaries can completely holdover all the tax demanded for the said years of assessment, except for amounts of HK$2,275,000 which were required to be paid during the current year by one of the subsidiaries concerned for the year of assessment 2007/08 (2013: HK$175,000 paid for the year of assessment 2006/07).

The Group has provided various information and supporting documents to address the enquiries raised by the IRD and to defend its tax position (i.e. offshore claim in relation to certain of its profits, as well as the tax deductibility of various expenses). The IRD is still in the process of reviewing the case and has not expressed any formal opinion on the potential tax liability.

In the opinion of the directors of the Company and based on their best estimate, the Group has made adequate provisions for Hong Kong Profits Tax and related potential penalty and/or interest for the tax audit as at 31 December 2014 and 2013.

13. DIVIDENDS

	2014 HK$'000	2013 HK$'000
Interim, paid – HK1.0 cent per share for 2014 (2013: Note a)	**16,500**	60,000
Final, proposed – HK2.5 cents per share for 2014 (Note b) (2013: nil)	**41,250**	–
	57,750	60,000

Notes:

(a) *An interim dividend with aggregate amount of HK$60,000,000 was declared to the then sole shareholder of the Company on 19 September 2013, the amount has been paid to the then shareholder in February 2014.*

(b) *Subsequent to the end of the reporting period, a final dividend of HK2.5 cents per share in respect of the year ended 31 December 2014, amounting to approximately HK$41,250,000 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.*

14. 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:

	2014 HK$'000	2013 HK$'000
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	**194,393**	135,761

	2014	2013
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,571,918,438**	1,500,000,000
Effect of dilutive potential ordinary shares in respect of outstanding share options	**2,015,487**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,573,933,925**	1,500,000,000

The number of ordinary shares for the purpose of basic and diluted earnings per share for both years has taken into account the shares issued pursuant to the group reorganisation as set out in note 1 and the capitalisation issue (as defined in note 28(d)).

No diluted earnings per share was presented for the year ended 31 December 2013 as there was no potential ordinary share outstanding during that year.

15. INVESTMENT PROPERTIES

	HK$'000
COST	
At 1 January 2013	34,932
Exchange adjustments	878
Additions	2,980
Transferred to property, plant and equipment	(6,004)
At 31 December 2013	32,786
Exchange adjustments	(91)
Transferred from property, plant and equipment	23,617
Transferred to property, plant and equipment	(32,532)
At 31 December 2014	23,780
DEPRECIATION	
At 1 January 2013	3,124
Exchange adjustments	90
Provided for the year	1,446
Transferred to property, plant and equipment	(704)
At 31 December 2013	3,956
Exchange adjustments	(21)
Provided for the year	905
Transferred from property, plant and equipment	591
Transferred to property, plant and equipment	(3,925)
At 31 December 2014	1,506
CARRYING VALUES	
At 31 December 2014	22,274
At 31 December 2013	28,830

15. INVESTMENT PROPERTIES *(Continued)*

The Group's investment properties are erected on land held under medium-term land use rights in the PRC and are depreciated on a straight-line basis over 20 years.

As at 31 December 2014, the fair values of the Group's investment properties were HK$43,508,000 (2013: HK$31,832,000). The fair values have been determined by the directors of the Company.

The directors of the Company determined the fair values of the investment properties at the end of each reporting period by reference to the depreciated replacement cost model of valuation. The inputs used by the directors of the Company in the fair value measurements mainly include the cost of replacement (re-production) of the improvements.

In the opinion of the directors, the current use of the investment properties is their highest and best use.

The Group's investment properties represent industrial properties located in Zhejiang Province, the PRC and their fair values are measured with unobservable inputs, which is categorised within level 3 of the fair value hierarchy.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Leasehold, improvements, furniture and fixtures	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST						
At 1 January 2013	79,151	54,423	35,240	5,191	51,593	225,598
Exchange adjustments	2,701	1,531	297	103	806	5,438
Additions	420	24,560	3,951	1,936	–	30,867
Construction expenditure capitalised	–	–	–	–	3,573	3,573
Disposals and written off	–	(284)	(11)	–	–	(295)
Transfers	50,028	–	1,652	–	(51,680)	–
Transferred from investment properties (Note)	6,004	–	–	–	–	6,004
At 31 December 2013	138,304	80,230	41,129	7,230	4,292	271,185
Exchange adjustments	(52)	73	6	10	7	44
Additions	10	21,805	10,689	2,067	–	34,571
Construction expenditure capitalised	–	–	–	–	5,052	5,052
Transfers	1,538	2,024	–	–	(3,562)	–
Transferred from investment properties (Note)	32,532	–	–	–	–	32,532
Transferred to investment properties (Note)	(23,617)	–	–	–	–	(23,617)
At 31 December 2014	148,715	104,132	51,824	9,307	5,789	319,767
DEPRECIATION						
At 1 January 2013	12,905	15,954	19,177	1,675	–	49,711
Exchange adjustments	402	431	118	35	–	986
Provided for the year	5,048	6,955	4,938	820	–	17,761
Eliminated on disposals and write off	–	(207)	(11)	–	–	(218)
Transferred from investment properties (Note)	704	–	–	–	–	704
At 31 December 2013	19,059	23,133	24,222	2,530	–	68,944
Exchange adjustments	57	42	14	4	–	117
Provided for the year	7,344	9,937	7,509	1,190	–	25,980
Transferred from investment properties (Note)	3,925	–	–	–	–	3,925
Transferred to investment properties (Note)	(591)	–	–	–	–	(591)
At 31 December 2014	29,794	33,112	31,745	3,724	–	98,375
CARRYING VALUES						
At 31 December 2014	118,921	71,020	20,079	5,583	5,789	221,392
At 31 December 2013	119,245	57,097	16,907	4,700	4,292	202,241

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group's buildings are erected on land held by the Group under medium-term land use rights in the PRC.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method and at the following rates per annum:

Buildings	Over the shorter of the term of the lease or 20 years
Plant and machinery	10% – 20%
Leasehold improvements, furniture and fixtures	20% – $33\frac{1}{3}$% or over the term of the lease, whichever is shorter
Motor vehicles	20%

Note: Property, plant and equipment were transferred to investment properties evidenced by end of owner-occupation.

Investment properties were transferred to property, plant and equipment evidenced by commencement of owner-occupation.

17. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise leasehold land interests in the PRC held under medium-term land use rights.

	2014	2013
	HK$'000	HK$'000
Analysed for reporting purposes as:		
Non-current asset	**23,630**	24,258
Current asset	**607**	608
	24,237	24,866

18. RENTAL DEPOSITS

The balances represent rental deposits placed by the Group in connection with its rented premises, retail stores and department store counters. The relevant leases will either expire after one year from the end of the reporting period, or if the remaining lease term is less than one year, the Group has the positive intention to renew the leases upon expiry. Therefore, the balances are classified as non-current.

19. DEFERRED TAXATION

The following are the deferred tax (liabilities) assets recognised and movements thereon during the reporting period:

	Undistributed profits of PRC subsidiaries HK$'000	Unrealised profit in inventories HK$'000	Tax losses HK$'000	Allowance for inventories and doubtful debts HK$'000	Inventory costing HK$'000	Others HK$'000	Total HK$'000
At 1 January 2013	(9,397)	2,078	216	3,674	2,451	912	(66)
Exchange adjustments	(13)	–	46	78	14	10	135
(Charged) credited to profit or loss	(222)	1,066	3,479	3,186	(2,465)	740	5,784
Released to profit or loss upon payment of dividends	1,357	–	–	–	–	–	1,357
At 31 December 2013	(8,275)	3,144	3,741	6,938	–	1,662	7,210
Exchange adjustments	(7)	–	(3)	13	–	2	5
(Charged) credited to profit or loss	(1,537)	(28)	(3,000)	5,844	–	(742)	537
Released to profit or loss upon payment of dividends	466	–	–	–	–	–	466
At 31 December 2014	(9,353)	3,116	738	12,795	–	922	8,218

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset.

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2014 **HK$'000**	2013 HK$'000
Deferred tax assets	**18,230**	16,143
Deferred tax liabilities	**(10,012)**	(8,933)
	8,218	7,210

19. DEFERRED TAXATION *(Continued)*

At 31 December 2014, the Group had unused tax losses of approximately HK$2,952,000 (2013: HK$14,967,000) available for offset against future profits. Deferred tax assets have been recognised in full in respect of such tax losses. The tax losses as at 31 December 2014 will be expired in various dates up to 2019.

As at 31 December 2014, the Group had deductible temporary differences mainly arising from allowance for inventories and doubtful debts and unrealised profits on inventories of HK$70,791,000 and (2013: HK$75,985,000). Deferred tax assets have been recognised in respect of such deductible temporary differences of HK$70,774,000 (2013: HK$51,688,000). No deferred tax asset has been recognised in relation to the remaining deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the PRC Enterprise Income Tax Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in respect of temporary differences attributable to the undistributed profit earned by certain of the PRC subsidiaries as at 31 December 2014 of Renminbi ("**RMB**") 59,327,000 (equivalent to HK$74,494,000) (2013: RMB47,567,000 (equivalent to HK$59,510,000)), as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. As at 31 December 2014, deferred tax has been provided in respect of remaining balance of the temporary difference to the undistributed profits earned by PRC subsidiaries from 1 January 2008 onwards.

The Group is liable to withholding tax on dividends distributed from Sinomax USA. As at 31 December 2014, the Group had temporary differences relating to the undistributed profits of Sinomax USA of United States dollars ("**US$**") 4,334,000 (equivalent to HK$33,636,000) (2013: US$3,772,000 (equivalent to HK$29,233,000)). Deferred taxation has not been provided for such temporary differences as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

20. INVENTORIES

	2014 **HK$'000**	2013 HK$'000
Raw materials	**87,805**	110,657
Work in progress	**25,530**	50,438
Finished goods	**284,715**	184,942
	398,050	346,037

21. TRADE AND OTHER RECEIVABLES

	2014 HK$'000	2013 HK$'000
Trade receivables	**552,264**	473,589
Less: allowance for doubtful debts	**(28,316)**	(32,133)
	523,948	441,456
Other receivables		
Prepayments for purchase of raw materials and operating expenses	**33,137**	35,286
Other taxes recoverable	**15,766**	17,518
Others	**11,889**	14,259
	60,792	67,063
Total trade and other receivables	**584,740**	508,519

The Group's retail sales are made through its retail network comprising stand-alone retail shops and concession counters in department stores. The Group also sells the health and household products directly to overseas wholesalers and retailers and the polyurethane foam to furniture manufacturers in the PRC. Sales at self-operated retail shops and sales through retailers in the PRC are transacted either by cash or credit cards. For sales made at concession counters, the department stores collect cash from the ultimate customers and then repay the balance after deducting the concessionaire commission to the Group. The credit period granted to department stores ranges from 30 days to 120 days. For sales to wholesalers, retailers and other manufacturers, the Group generally allows a credit period ranging from 7 days to 90 days.

The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the revenue recognition date at the end of each reporting period.

	2014 HK$'000	2013 HK$'000
Within 30 days	**244,454**	214,339
31 to 60 days	**133,808**	129,914
61 to 90 days	**52,783**	64,755
91 to 180 days	**49,513**	19,809
181 to 365 days	**35,126**	5,380
Over 365 days	**8,264**	7,259
	523,948	441,456

21. TRADE AND OTHER RECEIVABLES *(Continued)*

For sales to wholesalers, retailers and other manufacturers, before accepting any new customer, the Group will internally assess the potential customers' credit quality and define the credit limits based on results from investigation of historical credit records of these customers.

The management of the Group closely monitors the credit quality of trade receivables and considers the debts that are neither past due nor impaired to be of a good credit quality. Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no history of default.

Included in the Group's trade receivables balance are debtors with aggregate carrying amounts of HK$185,443,000 (2013: HK$124,557,000), which are past due at end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables which are past due but not impaired at the end of each reporting period.

	2014 **HK$'000**	2013 HK$'000
Within 30 days	**19,471**	11,316
31 – 60 days	**45,263**	56,564
61 – 90 days	**35,835**	32,954
91 – 180 days	**43,824**	11,084
181 – 365 days	**33,445**	5,380
Over 365 days	**7,605**	7,259
	185,443	124,557

Movement in the allowance for doubtful debts

	2014 **HK$'000**	2013 HK$'000
Balance at beginning of the year	**32,133**	25,648
Impairment loss recognised	**18,634**	7,350
Reversal of impairment loss recognised	**(18,312)**	(280)
Bad debts written off	**(4,151)**	(761)
Exchange adjustments	**12**	176
Balance at end of the year	**28,316**	32,133

21. TRADE AND OTHER RECEIVABLES *(Continued)*

Included in trade and other receivables are the following amounts denominated in currencies other than the functional currencies of the respective entities which they relate:

	2014	2013
	HK$'000	HK$'000
HK$	**17,012**	16,310
US$	**8,793**	9,210

22. BILLS RECEIVABLES

The amount represents bills receivables on hand which are not yet due at the end of the reporting period. The management considers the default rate is low based on past experience as the Group seldom encounters default on bills receivables.

The following is an aged analysis of bills receivables based on their time to maturity as at the respective reporting dates.

	2014	2013
	HK$'000	HK$'000
Within 30 days	**1,253**	3,534
31 to 60 days	**255**	5,557
61 to 90 days	**2,237**	4,197
91 to 180 days	**6,046**	1,385
181 to 365 days	**631**	136
	10,422	14,809

23. AMOUNTS DUE FROM/TO RELATED PARTIES

The amounts due from/to related parties comprised of amounts due from/to Individual Shareholders and related companies, details of which are set out below.

	2014	2013
	HK$'000	HK$'000
Amounts due from Individual Shareholders (Note a)	**–**	133
Amounts due from related companies (Note c)	**–**	31,399
Amounts due from related parties	**–**	31,532
Amounts due to Individual Shareholders (Note b)	**–**	15,000
Amounts due to related companies (Note d)	**–**	62,302
Amounts due to related parties	**–**	77,302

Notes:

(a) *Amounts due from Individual Shareholders*

The amounts as at 31 December 2013 were non-trade in nature, unsecured, interest-free and repayable on demand. The amounts were settled in the current year.

Particulars of the amounts are disclosed as follows:

		Maximum amounts outstanding during the year ended 31 December	
	2013	***2014***	*2013*
	HK$'000	***HK$'000***	*HK$'000*
Mr. Lam	*44*	***50***	*211*
Mr. Cheung Fung, Jackson	*82*	***82***	*1,017*
Mr. Chen	*7*	***9***	*7*
	133		

23. AMOUNTS DUE FROM/TO RELATED PARTIES *(Continued)*

Notes: (Continued)

(b) Amounts due to Individual Shareholders

The amounts as at 31 December 2013 were non-trade in nature, unsecured, interest-free and repayable on demand. The amounts were settled in the current year.

Particulars of the amounts due to shareholders as at 31 December 2013 are disclosed as follows:

	HK$'000
Mr. Lam	4,500
Mr. Lin Han Li	3,000
Mr. Cheung Fung, Jackson	1,500
Mr. Cheung	4,500
Mr. Chen	1,500
	15,000

(c) Amounts due from related companies

The amounts as at 31 December 2013 were non-trade in nature, unsecured, interest-free and repayable on demand. The amounts were settled during the current year. Particulars of the amounts are disclosed as follows:

		Maximum amounts outstanding during the year ended 31 December	
	2013	**2014**	2013
	HK$'000	**HK$'000**	HK$'000
Amounts due from the ultimate holding company	15,621	**15,621**	83,177
Amount due from a fellow subsidiary	15,778	**15,778**	15,778
	31,399		

23. AMOUNTS DUE FROM/TO RELATED PARTIES *(Continued)*

Notes: (Continued)

(d) Amounts due to related companies

The amounts due to related companies as at 31 December 2013 represented:

	2013 HK$'000
Non-trade in nature	
Amounts due to the immediate holding company	3,188
Amounts due to a fellow subsidiary	2,919
Trade in nature	
Amounts due to companies controlled by the Individual Shareholders	56,195
	62,302

Amounts for non-trade balances were unsecured, interest-free and repayable on demand.

Amounts for trade balances were either a trade deposit or aged over 365 days as at 31 December 2013.

All amounts were settled in the current year.

24. PLEDGED BANK DEPOSITS/STRUCTURED BANK DEPOSITS/BANK BALANCES AND CASH

(a) Pledged bank deposits

As at 31 December 2014, pledged bank deposits with original maturity of more than three months carried interest at fixed rates ranging from 2.80% to 3.05% (2013: 3.05% to 3.30%) per annum, respectively. The bank deposits have been pledged to secure the Group's general banking facilities and are therefore classified as current assets. The pledged bank deposits will be released upon the settlement of relevant bills payable.

(b) Structured bank deposits

As at 31 December 2014, structured bank deposits carried interest at variable rates ranging from 1.62% to 3.80% (2013: 1.49% to 5.80%) per annum. These deposits bear guaranteed minimum interest of 1.49% per annum, their principals are guaranteed and the deposits may be withdrawn by the Group at any time. Interest rates of these structured deposits vary depending on the movement of market interest rates and foreign exchange rates at the respective maturity dates and those features constitute embedded derivatives. Some of the embedded derivatives are closely related whereas some are not based on assessment of their risks and characteristics. For the non-closely related embedded derivatives, their fair values are assessed to be not significant during the reporting period.

24. PLEDGED BANK DEPOSITS/STRUCTURED BANK DEPOSITS/BANK BALANCES AND CASH *(Continued)*

(c) Fixed bank deposits

As at 31 December 2014, fixed bank deposits with original maturity of more than three months carried interest at fixed rates ranging from 4.55% to 5.10% (2013: nil) per annum, respectively.

(d) Bank balances

As at 31 December 2014, bank balances carried interest at market rates ranging from 0.01% to 3.30% (2013: 0.01% to 3.05%) per annum, respectively.

Included in bank balances and deposits above are the following amounts denominated in currencies other than the functional currencies of the respective group entities which they relate:

	2014	2013
	HK$'000	HK$'000
HK$	**5,201**	544
RMB	**36,065**	168
US$	**61,404**	62,070

25. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	HK$'000
Trade payables	**130,691**	196,518
Deposits received from customers	**6,441**	11,763
Accrued expenses/provision for expenses	**92,949**	81,139
Accrued listing expenses	**–**	7,354
Other taxes payable	**17,068**	18,622
Amount due to a non-controlling shareholder of a subsidiary (Note)	**6,543**	6,543
Others	**22,038**	6,599
	145,039	132,020
Total trade and other payables	**275,730**	328,538

Note: The amount was unsecured, interest-free and repayable on demand.

25. TRADE AND OTHER PAYABLES *(Continued)*

The credit period of trade payables is from 30 to 60 days.

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

	2014	2013
	HK$'000	HK$'000
Within 30 days	**75,329**	136,604
31 to 60 days	**50,342**	52,118
61 to 90 days	**1,120**	3,020
91 to 180 days	**1,568**	1,438
Over 180 days	**2,332**	3,338
	130,691	196,518

Included in trade and other payables are the following amounts denominated in currencies other than the functional currencies of the respective group entities which they relate:

	2014	2013
	HK$'000	HK$'000
HK$	**–**	145
US$	**31,783**	24,828

26. BILLS PAYABLES

All the bills payables of the Group are not yet due at the end of each reporting period. Bills payables as at 31 December 2014 were secured by pledged bank deposits of HK$14,786,000 (2013: HK$14,916,000).

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

	2014	2013
	HK$'000	HK$'000
Within 30 days	**34,724**	38,342
31 – 60 days	**19,014**	44,422
61 – 90 days	**12,624**	10,438
91 – 180 days	**22,057**	20,345
Over 180 days	**3,916**	–
	92,335	113,547

Included in bills payables are the following amounts denominated in a currency other than the functional currencies of the respective group entities which they relate:

	2014	2013
	HK$'000	HK$'000
US$	**7,285**	54,348

27. UNSECURED BANK BORROWINGS

	2014 HK$'000	2013 HK$'000
Trade loan	**21,957**	42,141
Term loan	**211,059**	120,391
	233,016	162,532
Variable-rate	**165,363**	129,160
Fixed-rate	**67,653**	33,372
	233,016	162,532
Carrying amounts repayable*		
Within one year	**226,266**	147,532
More than one year, but not more than two years	**6,750**	8,250
More than two years, but not more than five years	**–**	6,750
	233,016	162,532
Amounts shown under current liabilities:		
Bank borrowings that are repayable within one year from the end of the reporting period	**226,266**	147,532
Bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayable on demand clause	**6,750**	15,000
	233,016	162,532

* *The amounts due are based on scheduled repayment dates set out in the loan agreements.*

Variable-rate bank borrowings bear interest with reference to Hong Kong Interbank Offered Rate and Prime rate plus a specific margin of the relevant banks.

27. UNSECURED BANK BORROWINGS *(Continued)*

Included in bank borrowings are the following amounts denominated in a currency other than the functional currency of the corresponding group entity which it relates:

	2014	2013
	HK$'000	HK$'000
US$	**106,403**	33,372

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings, are as follows:

	2014	2013
Effective interest rates (per annum):		
Variable-rate borrowings	**1.75% – 6.44%**	1.74% – 6.90%
Fixed-rate borrowings	**2.67% – 3.29%**	2.16% – 3.35%

Details of bank borrowings guaranteed by related parties are set out in note 36. As at 31 December 2014, a non-controlling shareholder of a subsidiary had provided a guarantee to a bank to secure the bank facilities granted to that subsidiary to the extent of RMB38,500,000, out of which RMB12,000,000 (equivalent to HK$15,156,000) (2013: RMB19,000,000 (equivalent to HK$24,018,000)), were utilised.

28. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Authorised:		
At 1 January 2013 of US$1 each	50,000	389
Cancellation of shares of US$1 each (Note c)	(50,000)	(389)
Increase in authorised capital of HK$0.1 each (Note b)	10,000,000,000	1,000,000
At 31 December 2013 and 2014 of HK$0.1 each	10,000,000,000	1,000,000

28. SHARE CAPITAL *(Continued)*

	Number of shares	HK$
Issued and fully paid:		
At 1 January 2013 of US$1 each	10	77
Issue of shares of US$1 each (Note a)	17	132
Issue of shares of HK$0.1 each (Note b)	50,000	5,000
Repurchase of shares of US$1 each (Note c)	(27)	(209)
At 31 December 2013	50,000	5,000
Capitalisation issue (Note d)	1,499,950,000	149,995,000
Issue of shares on global offering (Note e)	150,000,000	15,000,000
Issue of shares upon exercise of share options	2,000	200
At 31 December 2014	1,650,002,000	165,000,200

	HK$'000
Shown in the consolidated statement of financial position	165,000

Notes:

(a) *On 5 September 2013, additional 17 shares of US$1 each were issued to the shareholder at par for the group reorganisation as set out in note 1.*

(b) *On 11 December 2013, the Company passed a written resolution pursuant to which the authorised share capital of the Company was increased by HK$1,000,000,000 by the creation of 10,000,000,000 shares of par value HK$0.1 each. 50,000 shares were issued and allotted to Sinomax Enterprises at par and credited as fully paid.*

(c) *Immediately after the issue and allotment of the 50,000 shares at par value of HK$0.1 each to Sinomax Enterprises, the Company repurchased the 27 shares at par value of US$1 each then held by Sinomax Enterprises and cancelled such shares. The authorised share capital was then reduced by US$50,000 by the cancellation of 50,000 unissued shares of par value of US$1 each.*

(d) *On 4 March 2014, the Company has approved the issuance of 1,499,950,000 shares standing to the credit of the share premium of the Company conditional on the share premium account of the Company being credited as a result of the global offering of the shares of the Company ("**Capitalisation Issue**"). The Capitalisation Issue was completed on 9 July 2014.*

(e) *On 10 July 2014, the shares of the Company were listed on the Stock Exchange. 150,000,000 ordinary shares at an offer price of HK$1.06 each ("**Offer Price**") have been issued to investors through global offering with a net proceeds of approximately HK$127,120,000.*

28. SHARE CAPITAL *(Continued)*

The share capital as at 1 January 2013 represented the combined share capital of following companies attributable to the owners of the Company:

	As at 1 January 2013 HK$
Name of companies	
The Company	78
Ascension International Development Limited	8
Fullelite Limited	78
Year Prosper Limited	78
Wonderful Health Limited	78
Trade Sincere	663
Sinomax International Investment Limited	78
Sinomax Health & Household Products Limited	10
Sinomax International Trading Limited	10,000
	11,071

	HK$'000
Shown in the consolidated statements of changes in equity	11

29. SHARE OPTION SCHEMES

(i) The Pre-IPO Share Option Scheme

On 13 December 2013, a share option scheme was adopted by the shareholders of the Company (the "**Pre-IPO Share Option Scheme**"). The Pre-IPO Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that the eligible participants under the scheme have or may have made to the Company.

The eligible participants include any full-time or part-time employees, executives or officers (including executive, non-executive and independent non-executive directors) of the Company or any of its subsidiaries and any suppliers, customers, consultants, agents and advisers who, in the opinion of the directors of the Company, will contribute or have contributed to the Company and/or any of its subsidiaries.

Upon acceptance of the share option, the grantee shall pay HK$1 to the Company by way of consideration for the grant.

On 13 December 2013, the Company has authorised to grant to 140 eligible participants to subscribe for an aggregate of 34,918,000 shares under the Pre-IPO Share Option Scheme. In February 2014, the Company granted share options to 137 eligible participants to subscribe for an aggregate of 34,903,000 shares.

The subscription price of a share in respect of any particular share option offered under the Pre-IPO Share Option Scheme shall be a price representing 30% discount to the Offer Price (as defined in note 28).

The share options granted to each grantee under the Pre-IPO Share Option Scheme shall be vested equally in five tranches commencing on 10 July 2014, the first date on which dealings in the shares of the Company commenced on the Stock Exchange (the "**Listing Date**") and on each of the first, second, third and fourth anniversary of the Listing Date. The grantees to whom a share option has been granted under the Pre-IPO Share Option Scheme will be entitled to exercise the share option any time after the share option has been vested but in any event on or before the date falling on the fifth anniversary of the Listing Date. The share options granted under the Pre-IPO Share Option Scheme are not transferable and share options not exercised within the exercise period will lapse and cease to be of further effect.

The Pre-IPO Share Option Scheme expired on 10 July 2014 and will cease to have effect after 10 July 2014. Share options granted prior to the expiration of the Pre-IPO Share Option Scheme but not yet exercised at that time shall continue to be valid and exercisable in accordance with the Pre-IPO Share Option Scheme.

29. SHARE OPTION SCHEMES *(Continued)*

(i) The Pre-IPO Share Option Scheme *(Continued)*

The following tables disclose details of movements of share options granted under the Pre-IPO Share Option Scheme:

Options	Vesting period	Granted on 10 Feb 2014	Lapsed during the year (Note (a))	Exercised during the year (Note (b))	Outstanding at 31 Dec 2014
Directors					
Tranche 1	10 Feb 2014 – 10 Jul 2014	4,045,240	–	–	4,045,240
Tranche 2	10 Feb 2014 – 10 Jul 2015	4,045,240	–	–	4,045,240
Tranche 3	10 Feb 2014 – 10 Jul 2016	4,045,240	–	–	4,045,240
Tranche 4	10 Feb 2014 – 10 Jul 2017	4,045,240	–	–	4,045,240
Tranche 5	10 Feb 2014 – 10 Jul 2018	4,045,240	–	–	4,045,240
		20,226,200	–	–	20,226,200
Senior management					
Tranche 1	10 Feb 2014 – 10 Jul 2014	1,037,560	(30,000)	–	1,007,560
Tranche 2	10 Feb 2014 – 10 Jul 2015	1,037,560	(30,000)	–	1,007,560
Tranche 3	10 Feb 2014 – 10 Jul 2016	1,037,560	(30,000)	–	1,007,560
Tranche 4	10 Feb 2014 – 10 Jul 2017	1,037,560	(30,000)	–	1,007,560
Tranche 5	10 Feb 2014 – 10 Jul 2018	1,037,560	(30,000)	–	1,007,560
		5,187,800	(150,000)	–	5,037,800
Employees					
Tranche 1	10 Feb 2014 – 10 Jul 2014	1,897,800	(56,000)	(2,000)	1,839,800
Tranche 2	10 Feb 2014 – 10 Jul 2015	1,897,800	(56,000)	–	1,841,800
Tranche 3	10 Feb 2014 – 10 Jul 2016	1,897,800	(56,000)	–	1,841,800
Tranche 4	10 Feb 2014 – 10 Jul 2017	1,897,800	(56,000)	–	1,841,800
Tranche 5	10 Feb 2014 – 10 Jul 2018	1,897,800	(56,000)	–	1,841,800
		9,489,000	(280,000)	(2,000)	9,207,000
		34,903,000	(430,000)	(2,000)	34,471,000

29. SHARE OPTION SCHEMES *(Continued)*

(i) The Pre-IPO Share Option Scheme *(Continued)*

Note:

(a) 16 eligible participants, who have been granted share options have ceased to become eligible participants upon termination of employment and the said share options have automatically lapsed.

(b) The closing price of the Company's shares immediately before the date on which the share options are exercised during the year ended 31 December 2014 was HK$1.06.

Details of the share options granted under the Pre-IPO Share Option Scheme are as follows:

	Date of grant	**Number of share options granted**	**Exercise period**	**Exercise price** HK$	**Fair value per share option** HK$
Tranche 1	10 Feb 2014	6,980,600	10 Jul 2014 – 10 Jul 2019	0.74	0.41
Tranche 2	10 Feb 2014	6,980,600	10 Jul 2015 – 10 Jul 2019	0.74	0.43
Tranche 3	10 Feb 2014	6,980,600	10 Jul 2016 – 10 Jul 2019	0.74	0.45
Tranche 4	10 Feb 2014	6,980,600	10 Jul 2017 – 10 Jul 2019	0.74	0.47
Tranche 5	10 Feb 2014	6,980,600	10 Jul 2018 – 10 Jul 2019	0.74	0.48

The fair value of the share options at the grant date, were calculated using the Binomial Model with different assumed holding period prior to the optional expected exercise of the options.

The inputs into the model were as follows:

Grant date	10 February 2014
Number of share options	34,903,000
Share price	HK$0.96
Risk-free rate	0.46%
Expected volatility	47.82%
Time-to-maturity	5.41 years

The risk-free rate is based on Hong Kong Dollar Sovereign Curve obtained from Bloomberg.

Expected volatility was determined by using five comparable companies' historical volatility quoted by Bloomberg. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

The fair value of the share options granted is approximately HK$15,662,000 in aggregate. The Group recognised a total expense of HK$7,431,000 for the year ended 31 December 2014 (2013: nil) in relation to the Pre-IPO Share Options granted by the Company.

29. SHARE OPTION SCHEMES *(Continued)*

(ii) The Post-IPO Share Option Scheme

On 4 March 2014, a share option scheme was conditionally adopted by the shareholders of the Company (the "**Post-IPO Share Option Scheme**").

The purpose of the Post-IPO Share Option Scheme is to provide incentive or reward to the eligible participants with an opportunity to acquire the equity interests in the Company, for their contributions to, and continuing efforts to promote the interest of the Group or for such other purposes as the board of directors of the Company may approve from time to time, linking their interests with the interests of the Group and thereby attracting and encouraging those parties to work better for the interests of the Group.

The eligible participants include any full-time or part-time employees, executives or officers (including executive, non-executive and independent non-executive directors) of the Company or any of its subsidiaries and any suppliers, customers, consultants, agents and advisers who, in the sole opinion of the directors of the Company, will contribute or have contributed to the Company and/or any of its subsidiaries.

The subscription price of a share of the Company in respect of any particular share option granted under the Post-IPO Share Option Scheme shall be such price as the directors of the Company in its absolute discretion shall determine, save that such price shall at least be the higher of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

The maximum number of shares in respect of which share options may be granted under the Post-IPO Share Option Scheme and under any other share option schemes of the Group must not in aggregate exceed 10% of the total number of shares of the Company in issue at the Listing Date (without taking into account any shares that may be issued upon the full exercise of the options granted pursuant to the Pre-IPO Share Option Scheme), being 165,000,000 Shares ("**Option Limit**"). Options which have lapsed in accordance with the terms of the Post-IPO Share Option Scheme (or any other share option schemes of the Company) will not be counted for the purpose of calculating the Option Limit. Subject to the approval of the shareholders of the Company, the Company may refresh the Option Limit at any time provided that (i) the Option Limit as refreshed does not exceed 10% of the shares of the Company in issue as at the date of the approval by the shareholders of the Company; and (ii) the options previously granted (including those outstanding, cancelled, lapsed in accordance with the provisions of the Post-IPO Share Option Scheme or exercised options) will not be counted for the purpose of calculating the Option Limit as refreshed. The Company may also, with the approval of the shareholders of the Company, grant share options in respect of shares of the Company in excess of the Option Limit (as refreshed from time to time) to eligible participants specifically identified by the Company before such approval is sought.

29. SHARE OPTION SCHEMES *(Continued)*

(ii) The Post-IPO Share Option Scheme *(Continued)*

Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of the Group at any time shall not exceed 30% of the issued shares of the Company from time to time. No share options shall be granted under any schemes of the Company (including the Post-IPO Share Option Scheme) if this will result in the 30% limit being exceeded.

The total number of shares issued and which fall to be issued upon exercise of the share options granted under the Post-IPO Share Option Scheme and any other share option schemes of the Group (including both exercised and outstanding options) to each grantee in any 12-month period up to the date of offer to grant shall not exceed 1% of the shares of the Company in issue as at the date of offer to grant. Any further grant of share options in excess of this 1% limit shall be subject to shareholders' approval in a general meeting.

In addition, any grant of share options to a director, chief executive or substantial shareholder of the Company or any of their respective associates is required to be approved by the independent non-executive directors (excluding any independent non-executive director who is proposed to be an option holder). If the Company proposes to grant share options to a substantial shareholder or any independent non-executive director of the Company or their respective associates which will result in the number of shares of the Company issued and to be issued upon exercise of share options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of offer of such grant representing in aggregate over 0.1% of the shares of the Company in issue; and having an aggregate value in excess of HK$5 million, based on the closing price of the Company's shares at the date of offer of each grant, such further grant of share options will be subject to, in addition to the approval of the independent non-executive directors, the approval of shareholders of the Company in general meeting.

No share option under the Post-IPO Share Option Scheme has been granted since its adoption.

30. CAPITAL RISK MANAGEMENT

The management of the Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of amounts due to related parties as disclosed in note 23 and bank borrowings disclosed in note 27, cash and cash equivalents, and equity attributable to the owners of the Company, comprising share capital, reserves and retained profits.

The management of the Group reviews the capital structure on a regular basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital, and takes appropriate actions to balance its overall capital structure.

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2014 HK$'000	2013 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**843,593**	708,413
Rental deposits	**18,482**	17,657
Financial liabilities		
Amortised cost	**481,220**	610,456

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bills receivables, amounts due from related parties, rental deposits, pledged bank deposits, structured bank deposits, fixed bank deposits, bank balances and cash, trade and other payables, bills payables, amounts due to related parties, dividend payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank deposits and bank borrowings (see notes 24 and 27 for details of these balances) due to the fluctuation of the prevailing market interest rate. The Group currently does not have a policy on hedging interest rate risk. However, management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group is also exposed to fair value interest rate risk in relation to the fixed-rate bank deposits and bank borrowings (see notes 24 and 27 for details of these balances). However, management considers the fair value interest rate risk is insignificant as they are relatively short-term.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to interest rates for variable-rate bank deposits and bank borrowings. The analysis is prepared assuming that the amount of assets and liabilities outstanding at the end of the reporting period were outstanding for the whole year. 25 basis point and 50 basis point increase or decrease represent the management's assessment of the reasonable possible change in interest rates of bank deposits and bank borrowings, respectively. Based on the sensitivity analysis, the directors of the Company consider that the impact to profit or loss for the respective years is insignificant.

31. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Foreign currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group currently does not have a formal foreign currency hedging policy but will use foreign currency contracts to hedge against the risk when it is foreseen to be significant.

The carrying amounts of the Group's monetary assets and monetary liabilities (excluding inter-company balances) denominated in currencies other than the respective group entities' functional currencies at the end of each reporting period are as follows:

	Assets		Liabilities	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**22,213**	16,854	**–**	145
RMB	**36,065**	168	**–**	–
US$	**70,316**	71,280	**145,471**	112,548

In addition, inter-company balances denominated in foreign currencies other than the respective group entities' functional currencies at the end of each reporting period are as follows:

	Assets		Liabilities	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**68,164**	26,124	**221,546**	235,560
RMB	**–**	–	**97,378**	34,312
US$	**431,771**	299,981	**–**	6,140

Sensitivity analysis

Subsidiaries of the Company carry out most of the transactions denominated in HK$, RMB or US$ and the Group is mainly exposed to the foreign exchange risk arising from these currencies when they are different from the functional currencies of the respective group entities. Under the pegged exchange rate system, the financial impact arising from changes in exchange rates between HK$ and US$ is not expected to be significant and therefore, the corresponding sensitivity analysis is not prepared.

31. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Foreign currency risk (Continued)

Sensitivity analysis *(Continued)*

The sensitivity analysis below details the Group's sensitivity to a 5% increase and decrease in HK$, RMB or US$ against the functional currencies of the respective group entities. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign currency rate. A positive (negative) number indicates an increase (decrease) in pre-tax profit for the year when HK$, RMB or US$ strengthen 5% against the functional currencies of the respective group entities. For a 5% weakening of HK$, RMB or US$, there would be an equal but opposite impact on the pre-tax profit for the year.

	2014 **HK$'000**	2013 HK$'000
HK$	**(6,558)**	(9,636)
RMB	**(3,066)**	(1,707)
US$	**(3,174)**	(1,015)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of the reporting period is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position; and
- the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in note 35.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures over the customers to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

31. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

The management of the Group considers that the Group's credit risk in relation to sales made at concession counters is limited as the Group only operates concession counters in leading and reputable department stores. For international and export sales, the customers are mainly leading retailers in the US and the credit risk is not expected to be significant by the management. For other customers, the management closely monitors settlement status and regularly updates their credit profile to ensure that the Group's credit risk is properly managed. For customers in the PRC, the Group would accept bills as alternate settlement means to reduce the exposure of credit risk.

The Group has concentration of credit risk in relation to its trade receivables as follows:

	2014	2013
Amount due from the largest debtor as a percentage to total trade receivables	**22%**	9%
Total amounts due from the five largest debtors as a percentage to total trade receivables	**40%**	32%

The Group keeps exploring new customers to diversify and strengthen its customer base to reduce the concentration of credit risk.

The credit risk on liquid funds, pledged, structured and fixed banks deposits is limited because majority of the counterparties are banks with good reputation.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

31. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity tables

	Weighted average interest rate	On demand or less than 1 month	1 – 3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amounts
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2014						
Trade and other payables	**–**	**102,278**	**53,275**	**316**	**155,869**	**155,869**
Bills payables	**–**	**25,480**	**27,614**	**39,241**	**92,335**	**92,335**
Bank borrowings						
– variable-rate	**2.62**	**150,287**	**8,955**	**6,468**	**165,710**	**165,363**
– fixed-rate	**2.94**	**158**	**28,766**	**39,554**	**68,478**	**67,653**
		278,203	**118,610**	**85,579**	**482,392**	**481,220**
At 31 December 2013						
Trade and other payables	–	125,789	71,286	–	197,075	197,075
Bills payables	–	40,973	53,014	19,560	113,547	113,547
Dividend payable	–	60,000	–	–	60,000	60,000
Amounts due to related parties						
– non-interest bearing	–	62,302	–	–	62,302	62,302
– interest bearing	6.00	15,000	–	–	15,000	15,000
Bank borrowings						
– variable-rate	2.77	105,270	9,107	15,901	130,278	129,160
– fixed-rate	2.90	81	161	34,097	34,339	33,372
Financial guarantee contracts	–	14,167	–	–	14,167	–
		423,582	133,568	69,558	626,708	610,456

31. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Bank loans with a repayment on demand clause while the scheduled repayment dates are over one month are also included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2014, the aggregate principal amounts of these bank loans amounted to HK$72,966,000 (2013: HK$48,346,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment.

The directors of the Company believe that the principal and interest will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

(c) Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

32. OPERATING LEASES

The Group as a lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2014 **HK$'000**	2013 HK$'000
Within one year	**39,367**	28,607
In the second to fifth year inclusive	**20,915**	24,239
	60,282	52,846

Included above are the following lease payments committed to a fellow subsidiary of the Company:

	2014 **HK$'000**	2013 HK$'000
Within one year	**10,540**	10,432
In the second to fifth years inclusive	**–**	10,432
	10,540	20,864

Operating lease payments represent rentals payable by the Group for the retail stores, offices, factory, staff quarters and warehouses. Leases are negotiated for initial terms ranging from one to ten years.

Certain retail stores include payment obligations with rental varied with gross revenue. The additional rental payable (contingent rents) is determined generally by applying pre-determined percentages to actual sales less the basic rentals of the respective leases. It is not possible to estimate in advance the amount of such contingent rents payable.

32. OPERATING LEASES *(Continued)*

The Group as lessor

At the end of each reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2014	2013
	HK$'000	HK$'000
Within one year	**3,837**	2,345
In the second to fifth years inclusive	**5,414**	480
Over five years	**3,710**	2,208
	12,961	5,033

The amounts represent rentals receivable by the Group for the leasing of unutilised factories and warehouses classified as investment properties. Leases are generally negotiated for initial terms ranging from a few months to two years.

33. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme ("**MPF Scheme**") for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at a rate of 5% specified in the rules, but subject to a cap. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes. No forfeited contribution is available to reduce the contribution payable in future years.

34. COMMITMENTS

	2014 HK$'000	2013 HK$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**7,075**	11,881

35. CONTINGENT LIABILITIES

As at 31 December 2013, certain subsidiaries of the Company had provided corporate guarantees to a bank to secure the banking facilities granted to a fellow subsidiary of the Company, and the utilisation of such facilities amounted to HK$39,793,000. In the opinion of the directors of the Company, the fair value of such guarantees was insignificant. The guarantees were released on 10 July 2014.

36. RELATED PARTY DISCLOSURES

In addition to the transactions, balances and commitments disclosed elsewhere in the consolidated financial statements, the Group had entered into the following related party transactions:

Relationship with the Group	**Nature of transactions**	**2014** **HK$'000**	2013 HK$'000
Fellow subsidiaries of the Company	Rental expenses	**10,468**	7,268
	Sales of health and household products	**–**	4,443
Companies controlled by the Individual Shareholders collectively	Sales of foam	**–**	51,244

In addition, certain trademarks owned by fellow subsidiaries of the Company were used by the Group free of charge during both periods.

During the year ended 31 December 2013 and 2014, four of the Individual Shareholders, Sinomax Enterprises and its subsidiaries and a company over which one of the Individual Shareholders has significant influence had provided corporate guarantees to banks in respect of the Group's bank borrowings. Two properties owned by one of the Individual Shareholders and a family member of one of the Individual Shareholders, respectively, were pledged against banking facilities granted to the Group. As at 31 December 2013, the utilisation of such facilities by the Group amounted to HK$171,582,000. These guarantees were released on 10 July 2014.

Details of the guarantees provided by the Group to a bank in respect of the banking facilities granted to a fellow subsidiary of the Company are set out in note 35.

36. RELATED PARTY DISCLOSURES *(Continued)*

Compensation of key management personnel

The remuneration of directors and other member of key management during the reporting period was as follows:

	2014 HK$'000	2013 HK$'000
Salaries and allowances	10,408	9,732
Performance related incentive payments	3,504	298
Retirement benefit schemes contributions	135	134
Share based payment expense	5,379	–
	19,426	10,164

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ operations/ establishment	Issued and fully paid share capital/ registered capital/ quota capital	Proportion of share/ registered/quota capital held by the Group At 31 December		Principal activities
			2013	2014	
Directly owned					
Treasure Range Holdings Limited	Hong Kong	Ordinary shares HK$27	100%	100%	Investment Holding
Indirectly owned					
Ascension International Development Limited 高晉國際發展有限公司	The BVI	Ordinary shares US$1	100%	100%	Investment Holding
Fullelite Limited 傑豐有限公司	The BVI	Ordinary shares US$10	100%	100%	Investment holding
Year Prosper Limited 盛年有限公司	The BVI	Ordinary shares US$10	100%	100%	Investment holding

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiary	Place of incorporation/ operations/ establishment	Issued and fully paid share capital/ registered capital/ quota capital	Proportion of share/ registered/quota capital held by the Group At 31 December 2013	2014	Principal activities
Indirectly owned (continued)					
Wonderful Health Limited	The BVI	Ordinary shares US$10	100%	**100%**	Investment holding
Trade Sincere Limited 貿誠有限公司	The BVI	Ordinary shares US$100	85%	**85%**	Investment holding
Sinomax International Investment Limited 聖諾盟國際投資有限公司	The BVI	Ordinary shares US$10	100%	**100%**	Investment holding and provision of treasury management services
Sinomax Health & Household Products Limited 聖諾盟健康家居用品有限公司	Hong Kong	Ordinary shares HK$10	100%	**100%**	Retail and wholesale of health and household products
Sinomax International Trading Limited 聖諾盟國際貿易有限公司	Hong Kong	Ordinary shares HK$10,000	100%	**100%**	Trading of health and household products
東莞賽諾家居用品有限公司 Dongguan Sinohome Limited*	The PRC	Registered capital HK$32,000,000	100%	**100%**	Manufacture of health and household products
賽諾家居用品(深圳)有限公司 Sinohome Household Products (Shenzhen) Limited*	The PRC	Registered capital HK$1,000,000	100%	**100%**	Retail and wholesale of health and household products
聖諾盟(浙江)聚氨酯家居用品有限公司 Sinomax (Zhejiang) Polyurethane Household Products Limited*	The PRC	Registered capital US$24,180,000 (2013: US$22,680,000)	100%	**100%**	Manufacture and sale of health and household products
浙江聖諾盟顧家海棉有限公司 Sinomax Kuka (Zhejiang) Foam Co. Limited*	The PRC	Registered capital US$2,100,000	51%	**51%**	Manufacture and sale of foam
海寧聖諾盟貿易有限公司 Haining Sinomax Trading Co., Ltd.*	The PRC	Registered capital RMB1,000,000	51%	**51%**	Trading of foam

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiary	Place of incorporation/ operations/ establishment	Issued and fully paid share capital/ registered capital/ quota capital	Proportion of share/ registered/quota capital held by the Group At 31 December 2013	2014	Principal activities
Indirectly owned (continued)					
Sinomax Macao Commercial Offshore Limited 聖諾盟澳門離岸商業服務有限公司	Macau	Quota capital MOP100,000	100%	**100%**	Wholesale of health and household products
Sinomax USA, Inc.	The US	100 shares of common stock of no par value	100%	**100%**	Wholesale of health and household products

None of the subsidiaries of the Company had any debt securities outstanding at the end of or any time during the reporting periods.

* *English translated name is for identification purpose only.*

38. MATERIAL NON-CONTROLLING INTERESTS

The amounts disclosed below represent the summarised consolidated financial information of Sinomax Kuka and its wholly owned subsidiary, Haining Sinomax, before the elimination of intragroup transactions. The non-controlling interests of Sinomax Kuka represent the majority of the non-controlling interests of the Group for the reporting period.

	Sinomax Kuka and Haining Sinomax	
	2014 HK$'000	2013 HK$'000
Current assets	**117,463**	135,541
Non-current assets	**15,413**	6,144
Current liabilities	**55,352**	64,642
Total equity	**77,524**	77,043
Total equity attributable to non-controlling interests	**37,987**	37,751

38. MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

	2014 **HK$'000**	2013 HK$'000
Revenue	**389,514**	367,355
Expenses	**372,034**	348,333
Profit for the year	**17,480**	19,022
Other comprehensive income for the year	**360**	1,983
Total comprehensive income for the year	**17,840**	21,005
Profit for the year attributable to non-controlling interest	**8,565**	9,321
Dividend paid to non-controlling interest	**6,917**	–
Net cash inflow from operating activities	**17,245**	31,624
Net cash outflow from investing activities	**325**	969
Net cash outflow from financing activities	**27,484**	9,631
Net cash (outflow) inflow	**(10,564)**	21,024

39. EVENTS AFTER THE REPORTING PERIOD

On 23 January 2015, an indirect wholly-owned subsidiary of the Company entered into an acquisition agreement (the "**Acquisition Agreement**") with Mil-ton Company Limited ("**Mil-ton**"), a company incorporated in Hong Kong with limited liability and wholly owned by a connected person of the Group, and Chori Co., Ltd. ("**Chori**") an independent third party incorporated in Japan with limited liability whose shares are listed on the Tokyo Stock Exchange. Pursuant to the Acquisition Agreement, the Group conditionally agreed to acquire and Mil-ton and Chori agreed to sell respectively 60% and 40% of the equity interest in Shanghai Luen Tai Polyurethane Co., Ltd* (上海聯大海綿有限公司) ("**Shanghai Luen Tai**"), a company established in the PRC with limited liability, and principally engage in the processing, manufacturing and sales of polyurethane foam and products including mattress, sofa and pillows. The cash consideration of the acquisition is RMB21,000,000 (equivalent to approximately HK$26,250,000) and RMB14,000,000 (equivalent to approximately HK$17,500,000), to Mil-ton and Chori, respectively.

The acquisition has not been completed before these consolidated financial statements are authorised for issuance. The net asset value of Shanghai Luen Tai as at 31 December 2013, based on the carrying amounts of the assets and liabilities recorded in the audited financial statements prepared in accordance with the PRC generally accepted accounting principles, is approximately RMB37.1 million. The directors of the Company are in the process of assessing the fair value of assets and liabilities of Shanghai Luen Tai being acquired by the Group at the completion date.

* *English translated name is for identification purpose only*

40. FINANCIAL INFORMATION OF THE COMPANY

Statement of financial position of the Company

	At 31 December	
	2014	2013
	HK$'000	HK$'000
TOTAL ASSETS		
Investments in subsidiaries	**403,846**	403,846
Other receivables	**357**	6,014
Amounts due from subsidiaries	**113,748**	231
Amounts due from related parties	**–**	410
Bank balances and cash	**1,149**	52
	519,100	410,553
TOTAL LIABILITIES		
Other payables	**1,065**	7,354
Amounts due to subsidiaries	**28,870**	20,259
Dividend payable	**–**	60,000
Bank borrowings	**42,500**	–
	72,435	87,613
NET ASSETS	**446,665**	322,940
CAPITAL AND RESERVES		
Share capital	**165,000**	5
Reserves (Note)	**281,665**	322,935
	446,665	322,940

40. FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

Note:

	Share premium HK$'000	Capital reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2013	–	–	–	(20)	(20)
Loss for the year	–	–	–	(20,886)	(20,886)
Group reorganisation (note 1)	403,846	–	–	–	403,846
Dividend recognised as distribution (note 13)	(60,000)	–	–	–	(60,000)
Issue of shares (note 28)	–	(5)	–	–	(5)
At 31 December 2013	343,846	(5)	–	(20,906)	322,935
Loss for the year	–	–	–	(17,531)	(17,531)
Dividend recognised as distribution (note 13)	(16,500)	–	–	–	(16,500)
Issue of shares (note 28e)	135,324	–	–	–	135,324
Capitalisation issue (note 28d)	(149,995)	–	–	–	(149,995)
Recognition of share based payment expense	–	–	7,431	–	7,431
Issue of shares upon exercise of share options	2	–	(1)	–	1
At 31 December 2014	312,677	(5)	7,430	(38,437)	281,665

4-Year Financial Summary

A summary of the results and the assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements and the Company's prospectus dated 30 June 2014, is set out below:

RESULTS

	Year ended 31 December			
	2011 HKD'000	2012 HKD'000	2013 HKD'000	**2014** **HKD'000**
Revenue	1,778,443	1,971,495	2,369,539	**2,683,408**
Profit before tax	120,230	154,676	189,578	**246,867**
Income tax expenses	(25,607)	(39,000)	(44,545)	**(43,920)**
Profit for the year	94,623	115,676	145,033	**202,947**
Attributable to:				
Owners of the Company	87,959	108,411	135,761	**194,393**
Non-controlling interest	6,664	7,265	9,272	**8,554**
	94,623	115,676	145,033	**202,947**

ASSETS AND LIABILITIES

	As at 31 December			
	2011 HKD'000	2012 HKD'000	2013 HKD'000	**2014** **HKD'000**
Total assets	1,177,603	1,283,111	1,428,665	**1,621,266**
Total liabilities	(814,617)	(803,211)	(853,409)	**(708,153)**
Total equity	362,986	479,900	575,256	**913,113**
Attributable to:				
Owners of the Company	345,459	455,010	540,271	**876,320**
Non-controlling interests	17,527	24,890	34,985	**36,793**
	362,986	479,900	575,256	**913,113**