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

**(Stock Code: 1418)**

**FURTHER ANNOUNCEMENT  
OF AUDITED ANNUAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2019; AND  
DATE OF ANNUAL GENERAL MEETING AND  
CHANGE OF BOOK CLOSURE PERIOD**

Reference is made to the announcement of Sinomax Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) dated 27 March 2020 in connection with the unaudited annual results of the Group for the year ended 31 December 2019 (the “**Unaudited Annual Results Announcement**”). Capitalised terms used herein, unless otherwise defined, shall have the same meanings as those defined in the Unaudited Annual Results Announcement.

## **AUDITOR’S AGREEMENT ON THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019**

The board of directors (the “**Board**”) of the Company announces that the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, has completed its audit of the annual results of the Group for the year ended 31 December 2019 in accordance with Hong Kong Standards on Auditing (“**HKSA**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), including the financial figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto as set out thereto. The audited annual results for the year ended 31 December 2019 were reviewed by the audit committee of the Company and were approved by the Board both on 24 April 2020, details of which are set out below. Certain disclosures and figures have been revised in this further announcement with no impact on the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position of the Group as disclosed in the Unaudited Annual Results Announcement.

Since more time is required to finalise and arrange for the bulk-printing of the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”) after the completion of the auditing process, the Board hereby announces that the 2019 Annual Report is expected to be published on or before 15 May 2020.

## AUDITED ANNUAL RESULTS

The audited annual results of the Group for the year ended 31 December 2019, together with the comparative figures for the previous financial year ended 31 December 2018, are set out as follows:

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

FOR THE YEAR ENDED 31 DECEMBER 2019

		<b>2019</b>	2018
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	<b>2,997,321</b>	4,263,322
Cost of sales		<u><b>(2,392,045)</b></u>	<u>(3,491,279)</u>
Gross profit		<b>605,276</b>	772,043
Other income		<b>58,479</b>	66,931
Impairment losses under expected credit loss model, net of reversal		<b>(6,107)</b>	(5,923)
Other gains and losses		<b>(67,140)</b>	356
Selling and distribution costs		<b>(393,686)</b>	(453,362)
Administrative expenses		<b>(209,588)</b>	(217,491)
Finance costs		<b>(48,522)</b>	(40,096)
Other expenses		<u><b>(84,714)</b></u>	<u>(94,872)</u>
(Loss) profit before taxation	4	<b>(146,002)</b>	27,586
Income tax expense	5	<u><b>(66,000)</b></u>	<u>(22,744)</u>
(Loss) profit for the year		<u><b>(212,002)</b></u>	<u>4,842</u>

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

FOR THE YEAR ENDED 31 DECEMBER 2019

	<i>NOTES</i>	<b>2019</b> <b>HK\$'000</b>	2018 <i>HK\$'000</i>
Other comprehensive expense			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>(6,699)</b>	(59,937)
Reclassification of cumulative exchange differences to profit or loss upon disposal of subsidiaries		<u><b>(9,623)</b></u>	<u>(67)</u>
Other comprehensive expense for the year		<u><b>(16,322)</b></u>	<u>(60,004)</u>
Total comprehensive expense for the year		<u><b>(228,324)</b></u>	<u>(55,162)</u>
(Loss) profit for the year attributable to:			
Owners of the Company		<b>(216,509)</b>	(5,801)
Non-controlling interests		<u><b>4,507</b></u>	<u>10,643</u>
		<u><b>(212,002)</b></u>	<u>4,842</u>
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		<b>(224,578)</b>	(58,777)
Non-controlling interests		<u><b>(3,746)</b></u>	<u>3,615</u>
		<u><b>(228,324)</b></u>	<u>(55,162)</u>
Loss per share	7		
– Basic and diluted ( <i>HK cents</i> )		<u><b>(12.37)</b></u>	<u>(0.33)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 31 DECEMBER 2019*

	<i>NOTES</i>	<b>2019</b>	2018
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>569,836</b>	682,084
Right-of-use assets		<b>249,110</b>	–
Investment properties		<b>33,376</b>	90,224
Prepaid lease payments		–	62,479
Deposits paid for acquisition of property, plant and equipment		<b>4,533</b>	13,182
Goodwill		–	61,409
Intangible assets		<b>15,374</b>	122,399
Other receivables	<i>8</i>	<b>132,444</b>	23,365
Deferred tax assets		<b>8,409</b>	25,451
		<b><u>1,013,082</u></b>	<u>1,080,593</u>
<b>CURRENT ASSETS</b>			
Prepaid lease payments		–	1,638
Inventories		<b>491,845</b>	531,071
Trade and other receivables	<i>8</i>	<b>559,476</b>	843,359
Bills receivables	<i>9</i>	<b>55,553</b>	91,960
Trade receivables at fair value through other comprehensive income	<i>10</i>	<b>44,696</b>	87,769
Pledged bank deposits		<b>1,791</b>	–
Fixed bank deposits		–	32,394
Bank balances and cash		<b>240,320</b>	234,435
		<b><u>1,393,681</u></b>	<u>1,822,626</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<i>11</i>	<b>532,053</b>	600,258
Bills payables	<i>12</i>	<b>47,649</b>	86,181
Contract liabilities		<b>466</b>	893
Unsecured bank borrowings		<b>622,863</b>	584,369
Lease liabilities		<b>59,429</b>	–
Taxation payable		<b>23,267</b>	19,825
		<b><u>1,285,727</u></b>	<u>1,291,526</u>

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

*AT 31 DECEMBER 2019*

	<i>NOTES</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
NET CURRENT ASSETS		<u>107,954</u>	<u>531,100</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,121,036</u>	<u>1,611,693</u>
NON-CURRENT LIABILITIES			
Lease liabilities		226,154	–
Unsecured bank borrowings		–	289,388
Deferred tax liabilities		<u>29,874</u>	<u>96,462</u>
		<u>256,028</u>	<u>385,850</u>
NET ASSETS		<u><u>865,008</u></u>	<u><u>1,225,843</u></u>
CAPITAL AND RESERVES			
Share capital		175,000	175,000
Reserves		<u>679,962</u>	<u>904,429</u>
Equity attributable to owners of the Company		854,962	1,079,429
Non-controlling interests		<u>10,046</u>	<u>146,414</u>
TOTAL EQUITY		<u><u>865,008</u></u>	<u><u>1,225,843</u></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

## 1. GENERAL

Sinomax Group Limited (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 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its immediate and ultimate holding company is Sinomax Enterprises Limited (“**Sinomax Enterprises**”), a company incorporated in the British Virgin Islands (the “**BVI**”).

The addresses of the registered office and the principal place of business of the Company are P.O. Box 309, Uglan 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 consolidated financial statements are presented in Hong Kong dollar (“**HK\$**”), which is also the functional currency of the Company.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

### **New and Amendments to HKFRSs that are mandatorily effective for the current year**

The Company and its subsidiaries (the “**Group**”) has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## 2.1 HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* (“HKAS 17”), and the related interpretations.

### *Definition of a lease*

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

### *As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on a lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. used hindsight based on facts and circumstances as at date of initial application, in determining the lease term for the Group’s leases with extension and termination options.



When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied by the relevant group entities ranged from 5% to 10%.

	<b>At 1 January 2019 HK\$'000</b>
Operating lease commitments disclosed as at 31 December 2018	<b>295,537</b>
Lease liabilities discounted at relevant incremental borrowing rates	<b>262,644</b>
<i>Add: Purchase option reasonably certain to be exercised (Note)</i>	<b>79,104</b>
<i>Less: Recognition exemption – short-term leases</i>	<b>(14,630)</b>
<i>Recognition exemption – low value assets</i>	<b>(95)</b>
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	<b>327,023</b>
Analysed as	
Current	<b>219,849</b>
Non-current	<b>107,174</b>
	<b>327,023</b>

*Note:* According to the operating lease agreement entered into by the Group in 2015, a purchase option exercisable within 3 years from the date of lease agreement was granted to the Group to acquire a property in the United States (the “US”) leased by the Group at a pre-determined purchase consideration. As of the date of initial application of HKFRS 16, the directors of the Company (the “Directors”) considered that continuing negotiation with the lessor since 2018 and the recent property market in the US, and concluded that purchase option is reasonably certain to be exercised during the year ended 31 December 2019. As a result, the lease liabilities have been adjusted and such adjustment represented the difference between the present value of the relevant lease commitment amounting to HK\$112,901,000 and the expected lease payments for such operating lease up to the date of exercising the purchase option with the pre-determined purchase consideration.

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	<i>Notes</i>	Right-of-use assets <i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		327,023
Reclassified from prepaid lease payments	<i>(a)</i>	64,117
Adjustments on rental deposits at 1 January 2019	<i>(b)</i>	2,923
<i>Less:</i> Accrued lease liabilities relating to rent free period at 1 January 2019	<i>(c)</i>	(17,359)
Provision for onerous leases	<i>(d)</i>	<u>(2,935)</u>
		<u><u>373,769</u></u>

*(a)* Upfront payments for leasehold lands in the People's Republic of China (the "PRC") were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK\$1,638,000 and HK\$62,479,000 respectively were reclassified to right-of-use assets.

*(b)* Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK\$2,923,000 was adjusted to refundable rental deposits paid and right-of-use assets.

*(c)* *Rent free period*

These relate to accrued lease liabilities for leases of properties in which the lessors provided rent-free period. The carrying amount of the lease incentive liabilities under trade and other payables as at 1 January 2019 was adjusted to right-of-use assets at transition.

*(d)* *Provision for onerous leases*

These relate to provision for onerous leases for several retail shops. The carrying amount of the provision as at 1 January 2019 was adjusted to right-of-use assets at transition.

*As a lessor*

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

- (e) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.
- (f) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under trade and other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and the discounting effect is insignificant at transition.
- (g) Effective on 1 January 2019, the Group has applied HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

		<b>Carrying amounts previously reported at 31 December 2018</b>	<b>Adjustments</b>	<b>Carrying amounts under HKFRS 16 at 1 January 2019</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current Assets</b>				
Right-of-use assets		–	373,769	373,769
Prepaid lease payments	<i>(a)</i>	62,479	(62,479)	–
Trade and other receivables	<i>(b)</i>	23,365	(2,923)	20,442
<b>Current Assets</b>				
Prepaid lease payments	<i>(a)</i>	1,638	(1,638)	–
<b>Current Liabilities</b>				
Trade and other payables				
– Accrued lease liabilities	<i>(c)</i>	17,359	(17,359)	–
– Provision for onerous leases	<i>(c)</i>	2,935	(2,935)	–
Lease liabilities		–	219,849	219,849
<b>Non-current liabilities</b>				
Lease liabilities		–	107,174	107,174

*Note:* For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

## **New and amendments to HKFRSs in issue but not yet effective**

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

HKFRS 17	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>4</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>2</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Except for the amendments to HKFRSs mentioned below, the directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### **Amendments to HKAS 1 and HKAS 8 Definition of Material**

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of “obscuring” material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from “could influence” to “could reasonably be expected to influence”; and
- include the use of the phrase “primary users” rather than simply referring to “users” which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group’s annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

### 3. REVENUE AND SEGMENT INFORMATION

The Group sells health and household products, including quality visco-elastic pillows, mattress toppers and mattresses, to wholesalers and retailers and also directly to customers both through its retail network comprising self-operated stand-alone retail shops and concession counters in department stores and through internet sales. The Group also sells polyurethane foam to furniture manufacturers. The Group recognised product sales at the sales value of goods less estimated discounts, rebates and sales related taxes.

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

- China market – manufacture and sale of health and household products and polyurethane foam for customers located in the PRC, Hong Kong and Macau
- North American market – manufacture and sale of health and household products for customers located in the US, Canada and other North American countries
- Europe and other overseas markets – manufacture and sale of health and household products for customers located in overseas except for those customers located in the China Market and North American market

The executive directors of the Company, being the chief operating decision maker (“CODM”), make decisions about resource allocation based on the revenue from different geographical markets and review reports on the financial performance of the Group as a whole. No other discrete financial information is reviewed by the CODM for the assessment of performance of the Group. Accordingly, only entity-wide disclosures, major customers and geographical information are presented.

## Disaggregation of revenue from contracts with customers

### *Type of major products*

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Sales of health and household products	1,775,802	2,509,206
Sales of polyurethane foam	<u>1,221,519</u>	<u>1,754,116</u>
Total	<u><u>2,997,321</u></u>	<u><u>4,263,322</u></u>

### **Geographical markets**

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 wholesales and internet sales.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
China market		
– The PRC	1,459,149	2,077,427
– Hong Kong, Macau and others	389,979	476,857
North American market		
– The US	941,840	1,533,580
– Others	122,680	124,553
Europe and other overseas markets	<u>83,673</u>	<u>50,905</u>
Total	<u><u>2,997,321</u></u>	<u><u>4,263,322</u></u>

## Geographical information

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

	<b>2019</b>	2018
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
The US	<b>446,127</b>	491,232
The PRC	<b>328,954</b>	531,176
Hong Kong	<b>22,034</b>	9,354
Vietnam	<b>74,493</b>	–
Macau	<b>621</b>	15
	<b><u>872,229</u></b>	<u>1,031,777</u>

## *Information about major customers*

Revenue from a customer in the North American market contributing over 10% of the total revenue to the Group during the year is as follows:

	<b>2019</b>	2018
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Customer A	<b><u>361,790</u></b>	<u>589,939</u>



#### 4. (LOSS) PROFIT BEFORE TAXATION

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
(Loss) profit before taxation has been arrived at after charging:		
Directors' remuneration	10,279	11,710
Other staff costs	388,591	419,785
Retirement benefit scheme contributions for other staff	30,887	38,220
Share based payment expenses, excluding those of directors	84	480
	<hr/>	<hr/>
Total staff costs	429,841	470,195
	<hr/>	<hr/>
Amortisation of intangible assets	6,772	6,772
Depreciation of investment properties	5,031	4,002
Depreciation of property, plant and equipment	71,848	73,572
Depreciation of right-of-use assets	73,934	–
	<hr/>	<hr/>
Total depreciation and amortisation	157,585	84,346
	<hr/>	<hr/>
Cost of inventories recognised as expenses including provision for inventories of HK\$10,327,000 (2018: reversal of provision for inventories of HK\$5,670,000)	2,392,045	3,491,279
Release of prepaid lease payments	–	1,647
	<hr/> <hr/>	<hr/> <hr/>

## 5. INCOME TAX EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax ( <i>Note i</i> )	1,950	2,613
PRC EIT ( <i>Note ii</i> )	37,819	30,568
PRC withholding tax on distributed profits from PRC subsidiaries	24,102	1,418
US income tax ( <i>Note iii</i> )	385	419
	<u>64,256</u>	<u>35,018</u>
Overprovision in prior years:		
Hong Kong Profits Tax	(215)	(184)
PRC EIT	(2,738)	(2,500)
	<u>(2,953)</u>	<u>(2,684)</u>
Deferred taxation	4,697	(9,590)
	<u>66,000</u>	<u>22,744</u>

*Notes:*

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

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

- (ii) Under the Law of the People’s Republic of China on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, PRC EIT is calculated based on the statutory rate of 25% of the assessable profit of those subsidiaries established in the PRC for both years, except for certain PRC subsidiaries being approved as High and New Technology Enterprise by the relevant government authorities which are subject to a preferential tax rate of 15%.
- (iii) The US corporate tax rate is 21% for the year ended 31 December 2019 in accordance to the Tax Cuts and Jobs Act of 2017. The US income tax includes (a) federal income tax calculated at a fixed rate of 21% for the year ended 31 December 2019 (2018: a fixed rate of 21%) on the estimated US federal taxable income and (b) state income tax calculated at various state income tax rates for both periods on the estimated state taxable income for the respective states. The income subject to tax in a specific state (i.e. state taxable income) is calculated based on the federal taxable income with state tax adjustments, which is then allocated or apportioned to the respective states (i.e. percentage of taxable income that should be apportioned or specially allocated to the respective states in which the Group operates) based on the apportionment factors provided from the state tax returns in previous year.
- (iv) Under the law of Vietnam on Corporate Income Tax (the “**Vietnam CIT**”), Vietnam CIT is calculated based on the statutory rate of 20% of the assessable profit of those subsidiaries established in Vietnam and these companies had no assessable profit during the year ended 31 December 2019.

## 6. DIVIDENDS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2018 Final – no dividend declared (2018: 2017 Final – HK1.0 cent per share)	<u>–</u>	<u>17,500</u>

No dividend has been proposed for ordinary shareholders of the Company subsequent to the year ended 31 December 2019.

## 7. LOSS PER SHARE

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<i>Loss for the purpose of basic and diluted loss per share:</i>		
Loss for the year attributable to owners of the Company	<u>(216,509)</u>	<u>(5,801)</u>
	2019 <i>'000</i>	2018 <i>'000</i>
<i>Number of shares for the purpose of basic and diluted loss per share:</i>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>1,750,002</u>	<u>1,750,002</u>

The computation of diluted loss per share for the years ended 31 December 2019 and 2018 does not assume the exercise of the share options as the exercise prices of those share options are higher than the average market price of shares during the years ended 31 December 2019 and 2018.

## 8. TRADE AND OTHER RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables	437,611	717,660
<i>Less: allowance for credit losses</i>	<u>(30,751)</u>	<u>(24,913)</u>
	406,860	692,747
Deposits, prepayments and other receivables	<u>285,060</u>	<u>173,977</u>
Total trade and other receivables	<u><b>691,920</b></u>	<u><b>866,724</b></u>
<i>Analysed of reporting purposes as:</i>		
Non-current assets	132,444	23,365
Current assets	<u>559,476</u>	<u>843,359</u>
	<u><b>691,920</b></u>	<u><b>866,724</b></u>

Rental deposits were adjusted upon the initial application of HKFRS 16. Details of the adjustments are set out in note 2.

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate net carrying amount of HK\$126,779,000 (2018: HK\$269,620,000) which are past due as at the reporting date. Out of the past due balances, HK\$20,849,000 (2018: HK\$19,705,000) has been past due 90 days or more and is not considered as in default by considering the background of the trade receivables and historical payment arrangement of these trade receivables. The Group does not hold any collateral over these balances.

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

	<b>2019</b>	2018
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 30 days	<b>217,711</b>	448,714
31 to 60 days	<b>124,367</b>	149,877
61 to 90 days	<b>38,876</b>	56,832
91 to 180 days	<b>23,394</b>	34,030
181 to 365 days	<b>2,512</b>	3,294
	<u><b>406,860</b></u>	<u>692,747</u>

## 9. **BILLS RECEIVABLES**

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

	<b>2019</b>	2018
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 30 days	<b>8,832</b>	13,166
31 to 60 days	<b>7,996</b>	18,877
61 to 90 days	<b>9,840</b>	17,878
91 to 180 days	<b>28,208</b>	41,578
181 to 365 days	<b>677</b>	461
	<u><b>55,553</b></u>	<u>91,960</u>

As at 31 December 2019, bills receivables amounting to HK\$9,365,000 (2018: HK\$24,220,000) are held by the Group for future settlement of trade payables by endorsement of bills or held to maturities for collecting cash. All bills receivables of the Group are with a maturity period of less than one year.

For the year ended 31 December 2019 and 2018, the Group performed impairment assessment on bill receivables and concluded that the probability of defaults of the counterparties is insignificant and accordingly, no allowance for credit losses is provided.

**10. TRADE RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (“FVTOCI”)**

As part of the Group’s cash flow management, the Group has the practice of factoring some of the trade receivables to financial institutions before the trade receivables are due for repayment and derecognises factored trade receivables on the basis that the Group has transferred substantially all risks and rewards to the relevant counterparties.

As at 31 December 2019, the effective interest rates of the factored trade receivables at FVTOCI ranged from 3.13% to 4.35% per annum (2018: 3.38% to 4.38% per annum). As at 31 December 2019 and 2018, the fair value changes on trade receivables at FVTOCI are insignificant and accordingly, no fair value changes are recognised in equity as FVTOCI reserve.

**11. TRADE AND OTHER PAYABLES**

	<b>2019</b>	2018
	<b>HK\$’000</b>	HK\$’000
Trade payables	<b>342,597</b>	363,303
Other payables and accrued expenses	<u><b>189,456</b></u>	<u>236,955</u>
Total trade and other payables	<u><b>532,053</b></u>	<u>600,258</u>

Included in the trade and other payables above amounting to HK\$39,549,000 (2018: HK\$67,740,000) had been settled by endorsed bills for which the maturity dates of the bills receivables are not yet fallen due as at the end of the reporting period.

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

	<b>2019</b>	2018
	<b>HK\$’000</b>	HK\$’000
Within 30 days	<b>204,285</b>	227,429
31 to 60 days	<b>94,940</b>	62,015
61 to 90 days	<b>19,081</b>	19,766
91 to 180 days	<b>17,746</b>	45,399
Over 180 days	<u><b>6,545</b></u>	<u>8,694</u>
	<u><b>342,597</b></u>	<u>363,303</u>

## 12. BILLS PAYABLES

Bills payables were secured by pledged bank deposits of HK\$1,791,000 (2018: HK\$Nil) as at 31 December 2019 and guaranteed by the Company and certain of its subsidiaries. The following is the aging analysis of bills payables at the end of the reporting period presented based on bills issue date:

	<b>2019</b>	2018
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 30 days	<b>6,107</b>	15,319
31 to 60 days	<b>11,639</b>	1,333
61 to 90 days	<b>6,481</b>	15,735
91 to 180 days	<b>15,712</b>	53,794
181 to 365 days	<b>7,710</b>	–
	<b><u>47,649</u></b>	<b><u>86,181</u></b>

## 13. CAPITAL COMMITMENTS

	<b>2019</b>	2018
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<b><u>6,040</u></b>	<b><u>11,485</u></b>



## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this further announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year as approved by the Board on 24 April 2020. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with HKSA, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this further announcement.

## **DATE OF ANNUAL GENERAL MEETING AND CHANGE OF BOOK CLOSURE PERIOD**

As more time is required to finalize the 2019 Annual Report, the annual general meeting of the Company ("**the AGM**") will be held on 18 June 2020.

In order to determine entitlements of shareholders of the Company to attend and vote at the AGM to be held on 18 June 2020, the period of closure of the register of members of the Company will be changed from "9 June 2020 to 12 June 2020 (both days inclusive)" to "15 June 2020 to 18 June 2020 (both days inclusive)", and during such period, no transfer of shares will be registered. To be eligible to attend and vote at the AGM, all properly completed transfer forms, accompanied by the relevant share certificates, must be lodged for registration with the branch share register of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 12 June 2020.

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

Hong Kong, 24 April 2020

*As at the date of this announcement, the executive Directors are Mr. Lam Chi Fan (Chairman of the Board), Mr. Cheung Tung (President), Mr. Chen Feng, Mr. Lam Kam Cheung (Chief Financial Officer and Company Secretary) and Ms. Lam Fei Man; and the independent non-executive Directors are Mr. Wong Chi Keung, Professor Lam Sing Kwong Simon, Mr. Fan Chun Wah Andrew, J.P., Mr. Zhang Hwo Jie and Mr. Wu Tak Lung.*