Sijia Group Company Limited
思嘉集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1863)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012 AND CONTINUED SUSPENSION OF TRADING

FINANCIAL HIGHLIGHTS

- Revenue decreased by 13.5% to RMB1,035.1 million
- Gross profit decreased by 42.3% to RMB292.2 million
- Loss attributable to owners of the Company was RMB354.5 million
- Basic loss per share was RMB42.31 cents

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended since 14 February 2013 and will remain suspended until further notice.

ANNUAL RESULTS

The board of directors (the "Board") of Sijia Group Company Limited (the "Company") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012, together with the comparative figures for 2011 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
TURNOVER	5	1,035,130	1,197,085
Cost of sales		(742,933)	(690,964)
GROSS PROFIT		292,197	506,121
Other income and gains	6	5,945	4,776
Selling and distribution costs		(15,318)	(18,024)
Administrative expenses		(79,234)	(80,812)
Other expenses		(4,832)	(5,351)
PROFIT FROM OPERATIONS		198,758	406,710
Loss on dissolution of a subsidiary	7	(6,079)	–
Impairments of various assets		(522,476)	–
Finance costs	8	(12,136)	(3,130)
(LOSS)/PROFIT BEFORE TAX	9	(341,933)	403,580
Income tax expense	10	(12,728)	(75,790)
(LOSS)/PROFIT FOR THE YEAR		(354,661)	327,790
Other comprehensive expenses after tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of non-PRC operations		(225)	(1,752)
TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE YEAR		(354,886)	326,038
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		(354,488)	328,277
Non-controlling interests		(173)	(487)
		(354,661)	327,790
TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		(354,713)	326,525
Non-controlling interests		(173)	(487)
		(354,886)	326,038
(LOSS)/EARNINGS PER SHARE (RMB cents)	11		
– Basic		(42.31)	39.61
– Diluted		(42.31)	39.61

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment		887,585	776,389
Prepaid land lease payments		34,509	30,661
Intangible assets		4,550	5,761
Deposits paid for acquisition of property, plant and equipment		93,616	174,065
Available-for-sale investment		4,140	4,140
Deferred tax assets		34,331	3,754
Total non-current assets		1,058,731	994,770
Current assets			
Inventories		117,451	106,989
Trade and bills receivables	12	305,767	245,962
Prepayments, deposits and other receivables		126,567	115,984
Pledged deposits		70,502	25,956
Cash and cash equivalents		80,116	242,070
Total current assets		700,403	736,961
Current liabilities			
Trade and bills payables	13	250,731	104,635
Other payables and accruals		68,169	38,557
Interest-bearing bank borrowings		224,476	89,766
Deferred income		360	360
Tax payable		23,787	22,997
Due to a related party		125	119
Total current liabilities		567,648	256,434
Net current assets		132,755	480,527
Total assets less current liabilities		1,191,486	1,475,297
Non-current liabilities			
Interest-bearing bank borrowings		100,000	–
Deferred income		2,490	2,850
Deferred tax liabilities		14,293	14,293
Total non-current liabilities		116,783	17,143
NET ASSETS		1,074,703	1,458,154
Capital and reserves			
Equity attributable to owners of the Company			
Issued capital	14	747	728
Reserves		1,069,616	1,452,913
		1,070,363	1,453,641
Non-controlling interests		4,340	4,513
TOTAL EQUITY		1,074,703	1,458,154

1. General Information

The Company is a limited company incorporated in the Cayman Islands on 7 October 2009. The address of its registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal places of business is located at Unit F, 10th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and have been suspended for trading since 14 February 2013.

The Company acts as an investment holding company. The Company, through its major subsidiaries, is principally engaged in the design, development, manufacture and sale of (i) polymer processed high strength polyester fabric composite materials and other reinforced composite materials, (ii) conventional materials and (iii) downstream related inflatable and waterproof products targeting the outdoor leisure, recreation and sports consumer market.

In the opinion of the directors (the "Directors") of the Company, as at the date of issue of these consolidated financial statements, Hopeland International Holdings Company Limited ("Hopeland International") is the ultimate holding company and Mr. Lin Shengxiong ("Mr. Lin") is the ultimate controlling party. Hopeland International does not produce financial statements available for public use.

2. Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The Group incurred loss attributable to owners of the Company for two consecutive years for the year ended 31 December 2012 and 31 December 2013 and the Company's shares have been suspended for trading since 14 February 2013. Included in the banking facilities granted by the banks, an amount of approximately RMB47 million has been utilized and expired at the date of this report, the Company is in the progress of negotiating with the bank on the renewals. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the controlling shareholder, at a level sufficient to finance the working capital requirements of the Group. The controlling shareholder has agreed to provide adequate funds for the Group to meet its liabilities as they fall due. These financial statements have been prepared on a going concern basis, the validity of which depends upon the continued support of the Group's bankers. The Group is negotiating with its bankers for the renewal and increase of the banking facilities. The directors are confident that the banking facilities will be renewed and increased. The directors are therefore of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. Adoption of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2012. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current year and prior years.

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

HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10 Consolidated Financial Statements, HKFRS 11 Joint Arrangements and HKFRS 12 Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKAS 1 Amendments	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

The early adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current year and prior years except as stated below:

(a) Amendments to HKAS 1 "Presentation of Financial Statements"

Amendments to HKAS 1 titled "Presentation of Items of Other Comprehensive Income" introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

(b) HKFRS 12 "Disclosure of Interests in Other Entities"

HKFRS 12 "Disclosure of Interests in Other Entities" specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new disclosure requirements for unconsolidated structured entities.

The adoption of HKFRS 12 only affects the disclosures relating to the Group's subsidiaries in the consolidated financial statements. HKFRS 12 has been applied retrospectively.

The Group has not early applied any other new and revised HKFRSs that have been issued but are not yet effective except those as stated above. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. Segment Information

There is only one operating segment which is principally engaged in the design, development, manufacture and sale of (i) polymer processed high strength polyester fabric composite materials and other reinforced composite materials, (ii) conventional materials and (iii) downstream related inflatable and waterproof products targeting the outdoor leisure, recreation and sports consumer market.

Geographical information

	Revenue from external customers Year ended 31 December		Non-current assets As at 31 December	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
PRC	795,143	967,510	1,020,260	986,876
Others	239,987	229,575	–	–
	1,035,130	1,197,085	1,020,260	986,876

In presenting the geographical information, the revenue information is based on the locations of the customers while the non-current asset information is based on the location of assets and excludes financial instruments and deferred tax assets. No revenue from transactions with a single country other than PRC amounted to 10% or more of the Group's total sales for the year (2011: Nil).

Information about major customers

No revenue from transactions with a single customer amounted to 10% or more of the Group's total sales for the year (2011: Nil).

5. Turnover

The Group's turnover which represents sales of goods to customers is as follows:

	2012 RMB'000	2011 RMB'000
Sales of goods	1,035,130	1,197,085

6. Other Income and Gains

	2012 RMB'000	2011 RMB'000
Bank interest income	1,992	2,067
Government subsidies (note)	2,362	2,319
Gain on disposals of property, plant and equipment	–	11
Gross rental income	181	136
Dividend income from available-for-sale investment	60	4
Sundry income	1,350	239
	5,945	4,776

Note: Government subsidies are received and used for development of new products and implementation of environmental protection development programmes. These government subsidies are not attributable to any non-current assets and there were no other specific conditions attached to the subsidies. Therefore, the Group recognised the subsidies upon receipt during the years ended 31 December 2012 and 2011.

7. Loss on Dissolution of a Subsidiary

On 31 August 2012, the Directors resolved to dissolve Sichuan Jiajie Environmental Protection Technology Co., Ltd. ("Sichuan Jiajie"), an indirect wholly-owned subsidiary of the Company. On 13 December 2012, the progress of deregistration of Sichuan Jiajie was completed and a loss on dissolution of approximately RMB6,079,000 was recognised during the year ended 31 December 2012, being calculated as follows:

	2012 **RMB'000**
Net assets of Sichuan Jiajie at the date of disposal of were as follows:	
Carrying amount of property, plant and equipment	2,759
Trade receivables	3,315
Other receivables	2
Bank and cash balances	3
	6,079
Loss on dissolution	(6,079)
Total consideration	–
Net cash outflow arising on dissolution:	
Cash and cash equivalents of the subsidiary dissolved of	(3)

8. Finance Costs

	2012 **RMB'000**	**2011** **RMB'000**
Interest on bank loans wholly repayable within five years	13,741	3,130
Less: interests capitalised	(1,605)	–
	12,136	3,130

9. (Loss)/Profit Before Tax

The Group's (loss)/profit before tax is stated after charging:

	2012 RMB'000	2011 RMB'000
Cost of inventories sold	742,933	690,964
Depreciation of property, plant and equipment	58,709	28,677
Amortisation of intangible assets	1,211	1,125
Loss/(gain) on disposals of property, plant and equipment	125	(11)
Staff costs (including directors' remuneration):		
Wages and salaries	42,616	30,581
Retirement benefits scheme contributions	1,824	6,747
Staff welfare expenses	2,627	2,416
	47,067	39,744
Operating lease charges on land and buildings	2,282	1,763
Research and development costs	38,122	45,339
Exchange losses, net	3,774	5,092
Impairment of property, plant and equipment	198,602	–
Impairment of prepaid land lease payments	8,896	–
Impairment of deposits paid for acquisition of property, plant and equipment	169,552	–
Impairment of trade receivables	63,039	–
Impairment of advances to suppliers	82,387	–
Auditors' remuneration	2,200	2,699

10. Income Tax (Credit)/Expense

	2012 RMB'000	2011 RMB'000
Current tax – the PRC		
Charge for the year	43,305	70,731
Deferred tax	(30,577)	5,059
	12,728	75,790

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands or the British Virgin Islands.

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% for the year ended 31 December 2012 on the estimated assessable profits arising in Hong Kong during the period. No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong for each of the years ended 31 December 2011 and 2012.

11. (Loss)/Earnings Per Share Attributable to owners of the Company

(Loss)/earnings per share

The calculation of basic (loss)/earnings per share attributable to owners of the Company is the loss for the year attributable to owners of the Company of approximately RMB354,488,000 (2011: profit of approximately RMB328,277,000) and the weighted average number of approximately 837,862,000 ordinary shares (2011: approximately 828,831,000 ordinary shares) in issue during the year.

Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for the years ended 31 December 2012 and 2011 is the same as the basic (loss)/earnings per share as the Company did not have any dilutive potential ordinary shares during the years.

12. Trade and Bills Receivables

	2012 RMB'000	2011 RMB'000
Trade receivables	300,667	245,962
Bills receivable	5,100	–
	305,767	245,962

The Group's trading terms with customers mainly comprise credit and cash on delivery. The credit terms generally range from 30 to 90 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management.

The aging analysis of trade receivables as at the end of the reporting period, based on the date the Group is entitled to receive, and net of allowance, is as follows:

	2012 RMB'000	2011 RMB'000
Within 3 months	209,910	220,038
More than 3 months but within 6 months	30,725	24,727
More than 6 months but within 1 year	59,943	1,197
More than 1 year	5,189	–
	305,767	245,962

For the year ended 31 December 2012, a impairment of trade receivables was made of approximately RMB63,039,000 (2011: Nil).

13. Trade and Bills Payables

	2012 RMB'000	2011 RMB'000
Trade payables	90,008	20,457
Bills payables	160,723	84,178
	250,731	104,635

The aging analysis of trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2012 RMB'000	2011 RMB'000
Within 3 month	194,970	74,538
More than 3 months but within 6 months	49,699	30,097
More than 6 months but within 1 year	4,431	–
More than 1 year	1,631	–
	250,731	104,635

14. Share Capital

	2012 RMB'000	2011 RMB'000
Authorized:		
2,000,000,000 ordinary shares of HK$0.001 each	1,760	1,760
Issued and fully paid:		
852,612,470 ordinary shares of HK$0.001 each (2011: 828,831,000 ordinary shares)	747	728

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Movement of the number of shares issued and the share capital during the year is as follows:

	Number of shares issued '000	Share Capital RMB'000
At 1 January 2011 and 1 January 2012	828,831	728
Allotment and issue of new shares in respect of scrip dividend scheme (note (i))	23,781	19
At 31 December 2012	852,612	747

Notes:

(i) Scrip dividend

On 22 May 2012, the Company adopted a scrip dividend scheme to offer the right to the shareholders to elect to receive the final dividend wholly or partly by allotment of new shares credited as fully paid in lieu of cash dividend. On 15 August 2012, the Company allotted and issued 23,781,470 shares of HK$2 each under the scrip dividend scheme. Accordingly, the Company's issued share capital was increased by approximately HK$24,000 (equivalent to approximately RMB19,000) and its share premium account was increased by approximately HK$47,539,000 (equivalent to approximately RMB38,825,000).

(ii) Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 33 to the financial statements of annual report.

(iii) Unlisted warrants

On 17 November 2010, 35,000,000 unlisted warrants of HK$0.01 each (the "Warrant(s)") for cash had been issued. The total proceeds and net proceeds from the placing of warrants after deducting all related expenses, were approximately HK$350,000 (equivalent to approximately RMB300,000) and approximately HK$188,000 (equivalent to approximately RMB161,000), respectively. The Company has utilised the net proceeds as general working capital. During the year, no warrant was exercised (2011: Nil) and the subscription rights under the Warrant(s) will be expired on 16 November 2013.

(iv) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

ZHONGHUI ANDA CPA Limited has expressed qualified opinion on the audited consolidated financial statements of our Group for the financial year ended 31 December 2012, an extract of which is as follows:

Basis for qualified opinion

"1. Opening balances and corresponding figures

The consolidated financial statements of the Group for the year ended 31 December 2011 which form the basis for the corresponding figures presented in the current year's consolidated financial statements were not audited by us. There were no satisfactory audit procedures to ascertain the existence, accuracy, presentation and completeness of opening balances and corresponding figures shown in the current year's consolidated financial statements. Included in the impairment loss for the year ended 31 December 2012 was an amount of approximately RMB223 million relating to balances brought forward from 31 December 2011. We have not been provided with sufficient appropriate audit evidence whether the impairment loss should be recorded in the current year or prior years.

2. Sales, Cost of sales

Up to the date of this report we have not yet obtained sufficient appropriate audit evidence for us to verify whether the sales and cost of sales for the year were properly stated in the consolidated financial statements.

3. Inventories

We were appointed as auditor of the Company subsequent to the Company's end of the reporting period of 31 December 2012. In consequence, we were unable to attend the Group's physical count of inventories as at that date. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the carrying amount of inventories of approximately RMB117,451,000 as at that date. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the existence, quantities and conditions of these inventories as at that date.

4. Trade receivables

Up to the date of this report, we have not yet obtained sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the trade receivables of approximately RMB21.8 million as at 31 December 2012. There are no other satisfactory audit procedures that we could adopt to determine whether any allowance for non-recovery of the amounts should be made in the financial statements.

Any adjustments to the matters as described from points 1 to 4 above might also have consequential effects on the Group's results for the year ended 31 December 2012, the Group's cash flows for the year ended 31 December 2012 and the financial position of the Group as at 31 December 2012, and the related disclosures thereof in the consolidated financial statements.

Qualified opinion

In our opinion, except for the possible effects of the matters as described in the basis for qualified opinion paragraphs, the financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2012, and of the Group's results 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.

Emphasis of Matter – Going Concern Basis

Without further qualifying our opinion, we draw attention to notes 1 and 2 to the consolidated financial statements which indicate the Group incurred a loss of approximately RMB354,661,000 for the year ended 31 December 2012 and the Company's shares have been suspended for trading since 14 February 2013. Included in the banking facilities granted by the banks, an amount of approximately RMB47 million has been utilized and expired at the date of this report, the Group is in the progress of negotiating with the bank on the renewals. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern."

Management Discussion and Analysis

Year 2012 marked a year of challenge and development of the Group's foundation. Although the Group's results was affected by various impairment adjustments on its assets, reported an audited consolidated net loss of approximately RMB354.5 million, its business development throughout the year had basically remained at a steady level.

Market Overview

Year of 2012 was a challenging year for global economies. The Eurozone sovereign debt crisis and the United States' weaker-than-expected economic recovery cast a shadow on the People's Republic of China (the "PRC" or "China") exports. In addition, China adopted a tight monetary policy to curtail the property market. As a result, the China's economic growth fell from 9.2% in 2011 to 7.8% in 2012. Consumer sentiment in China was affected by the uncertainty about the country's economic outlook and consumer spending growth in China experienced a slowdown during the year under review.

Business Review

The Group is a recognised industry leader in the PRC for providing reinforced new materials in a wide spectrum of industries, such as modern transportation, construction, renewable energy, agriculture, healthcare, sports, outdoor leisure and daily supplies. The management team of the Group has vast experience in proprietary technology, product innovation and marketing. With the experienced management, the Group implemented a market-focused strategy. The Group also engaged in the manufacturing and sales of novel products developed by the research and development ("R&D") team and academic institutions. Various novel products and production techniques of the Group possess independent intellectual property rights and national patents on technology.

The Group's reinforced materials (the "Reinforced Materials") business, located in Fuzhou and Shanghai, utilises self-developed facilities and techniques, which has acquired national patents on innovation, to produce new materials, including architectural membrane, waterproofing membrane, thermoplastic polyurethane ("TPU") materials, air tightness materials, inflatable materials, biogas tank materials, tarpaulin materials, wader and protective garment materials, etc. Such materials exhibit nine characteristics, including high tensile strength, anti-tearing, anti-stripping, flame retardancy, anti-bacteria, anti-corrosive, durable, low temperature resistance and sunlight resistance. Meanwhile, the Group has also expanded into downstream end products (the "End Products") business, with factories located in Xiamen and Wuhan, which develops and manufactures clean energy products such as biogas tank; and outdoor leisure sports consumer products such as wader and protective clothing, inflatable boats, and large inflatable toys.

Given the diverse applications of the Reinforced Materials and End Products, the Group's products can be applied in 11 major markets including outdoor, sports, renewable energy, protection, construction, logistic, packaging, medical use, safety, advertising and daily supplies.

Revenue of the Group for the year under review was approximately RMB1,035.1 million, representing a decrease of approximately RMB162.0 million, or 13.5%, compared to revenue of approximately RMB1,197.1 million for last year. The decrease was primarily attributable to a decrease in selling price of certain products due to increased market competition.

For the year under review, the Group's products can be categorised into three types : (i) Reinforced Materials; (ii) Conventional materials; and (iii) End Products. The Group generated most of its revenue from the Reinforced Materials which accounted for approximately 44.0% (2011: approximately 53.7%) of total revenue. Local sales continued to be its major source of revenue, representing approximately 76.8% (2011: approximately 80.8%) of the total revenue while export sales only accounted for approximately 23.2% (2011: approximately 19.2%) of the total revenue.

The table below sets forth the Group's revenue by products:

	For the year ended 31 December			
	2012		2011	
	(RMB million)	%	(RMB million)	%
Reinforced Materials	455.8	44.0	642.8	53.7
Conventional Materials	196.3	19.0	141.8	11.8
End Products	383.0	37.0	412.5	34.5
	1,035.1	100.0	1,197.1	100.0

The table below sets forth the Group's revenue by geographical locations:

	For the year ended 31 December	
	2012	2011
PRC	795.1	967.5
Others	240.0	229.6
	1,035.1	1,197.1

Reinforced Materials

For the year under review, in respect of the Reinforced Materials, the Group delivered the most in inflatable materials, followed by air-tightness materials and wader and protective garment clothing materials. With its effort to build up its brand image and reputation, the Group started to deliver inflatable and air-tightness materials to serve its high-end overseas customers. The Group's strategy is to leverage its leading marketing position and offer products at a competitive price.

As at 31 December 2012, the Group owned a total of 75 patents with 18 on innovations, 19 on new applications and 18 on exterior designs.

For the year under review, the Group's revenue generated from the Reinforced Materials amounted to approximately RMB455.8 million (2011: approximately RMB642.8 million) which accounted for approximately 44.0% (2011: approximately 53.7%) of total revenue, representing a decrease in sales of 29.1%. The decrease in revenue from Reinforced Material is mainly attributable to the reduction in sales of wader and protective garment clothing materials, as well as biogas tank materials due to intensifying market competition.

Conventional Materials

For the year under review, the Group's revenue generated from the Conventional Materials amounted to approximately RMB196.3 million (2011: approximately RMB141.8 million) which accounted for approximately 19.0% (2011: approximately 11.8%) of total revenue, representing an increase in sales of approximately 38.4%.

End Products

For the year under review, the Group's revenue generated from the End Products amounted to approximately RMB383.0 million (2011: approximately RMB412.5 million) which accounted for approximately 37.0% (2011: approximately 34.5%) of total revenue, representing a decrease in sales of approximately 7.2%. As at 31 December 2012, the Group has 18 local sales offices mainly for the promotion of the End Products.

The decrease was primarily due to an increase in competition in the wader and protective garment clothing market (which represents the largest share of the Group's End Products business).

Financial Review

Financial Results

Revenue

The Group's revenue for the year ended 31 December 2012 was approximately RMB1,035.1 million, representing a decrease of approximately RMB162.0 million, or 13.5%, compared to the revenue of approximately RMB1,197.1 million for last year. For the year ended 31 December 2012, the Group's major sales segments, namely, (1) Reinforced Materials reported a revenue of approximately RMB455.8 million (2011: approximately RMB642.8 million); (2) Conventional Materials recorded a revenue of approximately RMB196.3 million (2011: approximately RMB141.8 million); and (3) End Products recorded a revenue of approximately RMB383.0 million (2011: approximately RMB412.5 million).

The overall decrease in revenue was primarily attributable to a decrease in selling price of certain products due to intensifying market competition.

Gross Profit and Gross Margin

Gross profit was approximately RMB292.2 million for the year under review (2011: approximately RMB506.1 million), with gross profit margin of approximately 28.2% (2011: 42.3%). The reduction in gross margin was mainly due to higher depreciation cost of the Group's new production facilities for Reinforced Materials and the general decrease in selling price of its products.

The table below sets forth the Group's gross profit margin by products:

	2012	**2011**
	%	**%**
Reinforced Materials	35.0	41.9
Conventional Materials	14.7	15.4
End Products	27.1	52.3
Overall	28.2	42.3

Selling and Distribution Costs

For the year under review, selling and distribution costs decreased by approximately RMB2.7 million or 15.0% to approximately RMB15.3 million, or 1.5% of revenue for the year under review, from approximately RMB18.0 million, or 1.5% of revenue for the last year. The decrease in selling and distribution costs was primarily due to decreased exhibition expenses amounted to approximately RMB0.4 million (2011: approximately RMB3.3 million) and staff costs decreased amounted to approximately RMB4.0 million (2011: approximately RMB4.9 million) for the year under review, which was partially offset by an increase in transportation expenses amounted to approximately RMB6.5 million (2011: approximately RMB5.4 million).

Administrative Expenses

For the year under review, administrative expenses decreased by approximately RMB1.6 million or 2% to approximately RMB79.2 million, or 7.7% of revenue for the year under review, from approximately RMB80.8 million, or 6.8% of revenue for last year. The decrease in administrative expenses was mainly attributable to decreased R&D expenses amounted to approximately RMB38.1 million (2011: approximately RMB45.3 million) which was partially offset by an increase in legal and professional fee amounted to approximately RMB11.4 million (2011: approximately RMB8.0 million.

Research and Development

For the year under review, R&D costs amounted to approximately RMB38.1 million, or 3.7% of revenue (2011: approximately RMB45.3 million, or 3.8% of revenue). The Group believes that its on-going R&D efforts are critical in maintaining long-term competitiveness, retaining existing customers, enhancing our ability to attract new customers and developing new markets. The Group plans to continue dedicating resources to the R&D activities aiming to lower the cost of raw materials, streamline manufacturing processes, increase production capacities, and develop high value-added New Materials.

Impairments and Write-Offs

The Group's management took a prudent approach in assessing the values of its assets and collectability of accounts receivable. This includes taking into consideration valuation by independent professional valuer, the credit history of the customers and prevailing market condition.

For the year under review, impairments have been recognised in respect of:

(i) advances to suppliers in the amount of approximately RMB82.4 million, mainly for development of products (either jointly or solely), which subsequently not approved/adopted by the Group.

(ii) trade receivables in the amount of approximately RMB63.0 million due to either delivery of defective products or long aging of more than 12 months; and

(iii) property, plant and equipment of the Group in the amount of approximately RMB377.1 million. The impairment was mainly due to (a) customised plant and equipment used by the Group; (b) prepayment of land cost for sum of approximately RMB80.0 million (to local government) which were later utilised as compensation to previous land occupiers following the land acquisition (征地賠償); (c) prepayment of construction costs in the sum of approximately RMB42.0 million for a joint construction and development of a laboratory building; (d) joint development of production line with a supplier which was later aborted by the Group due to costs inefficient. As these amounts were generally non-recoverable and/or not capitalized, the Directors, after taking into consideration, amongst others, the valuation conducted by independent valuers, have adopted a prudent approach and recognised the sum for impairment accordingly.

For comparison purpose, no impairment and write-off was made for the financial year ended 31 December 2011.

Finance Costs

Finance costs for the year under review was approximately RMB12.1 million (2011: approximately RMB3.1 million). This equates to approximately 1.2% of revenue for 2012 (2011: approximately 0.3%). The increase in finance cost for the year under review compared to last year was mainly attributable to increase in bank borrowings.

Interest Income

Interest income amounted to approximately RMB2.0 million for the year under review (2011: approximately RMB2.1 million).

Loss for the Year

Notwithstanding the loss attributable mainly to the impairment of assets for approximately RMB522.5 millions, the Directors, after taking into account the gross profit of approximately RMB292.2 million for the financial year ended 31 December 2012, the confirmed orders to date and prospects of the Group's future sales, are of the view that the Group's business is viable and sustainable.

Dividends

The Board did not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: HK10 cents per ordinary Share).

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds amounted to approximately RMB1,074.7 million as at 31 December 2012, as compared to approximately RMB1,458.1 million as at 31 December 2011, representing a decrease of 26.3%.

Financial Position

As at 31 December 2012, the Group had total current asset of approximately RMB700.4 million and total current liabilities of approximately RMB567.6 million, with net current assets of approximately RMB132.8 million. Taking into account the financial support of the controlling shareholder as set out under note 2 of this results announcement, the Directors are of the view that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future.

As at 31 December 2012, the Group's net gearing, expressed as a percentage of total interest-bearing liabilities to total assets, was at 18.4% as compared to 5.2% as at 31 December 2011.

Cash and Cash Equivalents

As at 31 December 2012, the Group had cash and cash equivalents of approximately RMB80.1 million (31 December 2011: approximately RMB242.0 million), most of which were denominated in Renminbi.

Bank Borrowings

The Group had interest-bearing bank borrowings of approximately RMB324.5 million (31 December 2011: approximately RMB89.8 million) while total banking facilities amounted to approximately RMB673.4 million (31 December 2011: approximately RMB310.0 million).

Capital Expenditure

For the year under review, the Group incurred capital expenditure of approximately RMB373.1 million mainly for the purchase of production facilities and the construction of Shanghai Jinshan factory with workshops, warehouses and offices. Deposit paid for property, plant and equipment was made mainly for the purchase of production facilities including laminating machine which will be delivered to the second phase factory in Fuzhou. All of the capital expenditure for the year under review were financed by the Group's internal resources.

Human Resources

As at 31 December 2012, the Group employed a total of 1,050 employees (31 December 2011: 1,022 employees).

The Group regards human capital as vital for our continuous growth and profitability. It remains committed to improve the quality, competence and skills of all employees. The Group provided job related training throughout the organisation. The Group will continue to offer competitive remuneration packages and bonuses to eligible staff, based on our performance and the individual employees.

PROSPECTS

Looking forward, the Group intends to focus on, amongst others, (i) the development of the Shanghai factory to produce materials for tarpaulins and truck covers, materials for automotives' windows and membrane for double membrane gas holders including plans to increase the plant and equipment in order to achieve the economies of scale; (ii) the development of business in Fuzhou by gradually expanding and developing the production of inflated materials, materials for waterproof trousers, TPU materials, ethylene vinyl acetate ("EVA") materials and new materials; (iii) the improvement of sales and production strategies, to cut down the number of products with high labour costs and to develop high value-added products related to labour protection and; (iv) the establishment of overseas sales offices or agents in order to attract more potential customers from the overseas market. Accordingly, the Group, apart from continuing its strength in products such inflatable materials, inflatable boats and materials for waterproof trousers, also plans to develop products with high profit margins such as materials for broaden tarpaulins and truck covers, materials for membrane structures and membrane for double membrane gas holders and etc.

Compliance with Code on Corporate Governance Practices

The Company has complied the principles and complied with the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (the "Code") contained in Appendix 14 of the Listing Rules for the year ended 31 December 2012.

Non-compliance with the Listing Rules

Pursuant to Rules 13.46(2) and 13.49(1) of the Listing Rules, the Company is required to dispatch to every shareholder of the Company and other holders of its listed securities its annual report not more than four months and to make announcement of its annual results not more than three months after the year ended 31 December 2012. However due to observations raised by the Company's previous auditors, Ernst & Young and the subsequent changes in auditors of the Company, the Company was unable to dispatch its annual report and to make announcement of its annual results for the year ended 31 December 2012 within the prescribed time limit as set out in the relevant Listing Rules. The Board acknowledges that the delay in the dispatch of the annual report and announcement of its annual results constitute non-compliance with Rules 13.46(2) and 13.49(1) respectively.

Compliance with the Model Code for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the standard for securities transactions by Directors. The Company has made specific enquiries to all the Directors and all the Directors have confirmed their compliance with the required standards set out in the Model Code for the year ended 31 December 2012.

Purchase, Sale or Redemption of Listed Shares of the Company

Neither the Company nor any of the subsidiaries purchased, sold or redeemed any of the Company's listed shares for the year ended 31 December 2012.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

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 2012 as set out in this preliminary announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited. These figures were the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by ZHONGHUI ANDA CPA Limited in respect of this announcement did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

Audit Committee

The audit committee, comprises three independent non-executive directors of the Company, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Group's audited consolidated financial statements for the year ended 31 December 2012 have been reviewed by the audit committee, who is of the opinion that such accounts have complied with the applicable accounting standards, the Listing Rules and all legal requirements, and that adequate disclosures have been made.

Suspension of Trading

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended since 14 February 2013 and will remain suspended until further notice.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE

This annual results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.sijia.hk). The annual report for the year ended 31 December 2012 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and available on the above websites in due course.

By Order of the Board
Sijia Group Company Limited
Lin Shengxiong
Chairman

Hong Kong, 28 May 2014

As at the date of this announcement, the executive Directors are Mr. Lin Shengxiong, Mr. Zhang Hongwang and Mr. Huang Wanneng, and the independent non-executive Directors are Mr. Chong Chi Wah, Mr. Cai Weican and Mr. Wu Jianhua.