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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 2013 AND CONTINUED SUSPENSION OF TRADING

FINANCIAL HIGHLIGHTS

- Revenue decreased by 11.9% to RMB911.6 million
- Gross profit decreased by 62.3% to RMB110.1 million
- Loss attributable to owners of the Company was RMB35.2 million
- Basic loss per share was RMB4.13 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 2013, together with the comparative figures for 2012 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
TURNOVER	5	911,550	1,035,130
Cost of sales		(801,430)	(742,933)
GROSS PROFIT		110,120	292,197
Other income and gains	6	6,673	5,945
Selling and distribution costs		(20,242)	(15,318)
Administrative expenses		(68,160)	(79,234)
Other expenses		(6,334)	(4,832)
PROFIT FROM OPERATIONS		22,057	198,758
Loss on dissolution of a subsidiary	7	–	(6,079)
Impairments of various assets		(32,613)	(522,476)
Finance costs	8	(18,094)	(12,136)
LOSS BEFORE TAX	9	(28,650)	(341,933)
Income tax expense	10	(6,976)	(12,728)
LOSS FOR THE YEAR		(35,626)	(354,661)
Other comprehensive income/(expenses) after tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of non-PRC operations		1,829	(225)
TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR		(33,797)	(354,886)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		(35,222)	(354,488)
Non-controlling interests		(404)	(173)
		(35,626)	(354,661)
TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		(33,393)	(354,713)
Non-controlling interests		(404)	(173)
		(33,797)	(354,886)
LOSS PER SHARE (RMB cents)	11		
– Basic		(4.13)	(42.31)
– Diluted		(4.13)	(42.31)

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment		987,224	887,585
Prepaid land lease payments		33,527	34,509
Intangible assets		3,332	4,550
Deposits paid for acquisition of property, plant and equipment		50,075	93,616
Available-for-sale investment		4,140	4,140
Deferred tax assets		28,562	34,331
Total non-current assets		1,106,860	1,058,731
Current assets			
Inventories		128,765	117,451
Trade and bills receivables	12	330,012	305,767
Prepayments, deposits and other receivables		194,327	126,567
Pledged deposits		100,569	70,502
Cash and cash equivalents		48,152	80,116
Total current assets		801,825	700,403
Current liabilities			
Trade and bills payables	13	457,962	250,731
Other payables and accruals		98,322	68,169
Interest-bearing bank borrowings		186,786	224,476
Deferred income		360	360
Tax payable		14,923	23,787
Due to a related party		–	125
Total current liabilities		758,353	567,648
Net current assets		43,472	132,755
Total assets less current liabilities		1,150,332	1,191,486
Non-current liabilities			
Interest-bearing bank borrowings		80,000	100,000
Deferred income		2,130	2,490
Deferred tax liabilities		14,293	14,293
Total non-current liabilities		96,423	116,783
NET ASSETS		1,053,909	1,074,703
Capital and reserves			
Equity attributable to owners of the Company			
Issued capital	14	747	747
Reserves		1,036,223	1,069,616
		1,036,970	1,070,363
Non-controlling interests		16,939	4,340
TOTAL EQUITY		1,053,909	1,074,703

Notes to the Financial Statements

For the year ended 31 December 2013

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 2013. 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 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.

(c) HKFRS 13 “Fair Value Measurement”

HKFRS 13 “Fair Value Measurement” establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the consolidated financial statements. HKFRS 13 has been applied prospectively.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. 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		Non-current assets	
	Year ended 31 December		As at 31 December	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
PRC	654,064	795,143	1,074,158	1,020,260
Others	257,486	239,987	–	–
	911,550	1,035,130	1,074,158	1,020,260

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 (2012: 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 (2012: Nil).

5. Turnover

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

	2013	2012
	RMB'000	RMB'000
Sales of goods	911,550	1,035,130

6. Other Income and Gains

	2013	2012
	RMB'000	RMB'000
Bank interest income	1,463	1,992
Government subsidies (note)	4,124	2,362
Gross rental income	95	181
Dividend income from available-for-sale investment	123	60
Sundry income	868	1,350
	6,673	5,945

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 2013 and 2012.

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
<hr/>	
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
	<hr/>
	6,079
Loss on dissolution	(6,079)
	<hr/>
Total consideration	–
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Net cash outflow arising on dissolution:	
Cash and cash equivalents of the subsidiary dissolved of	(3)
	<hr/>

8. Finance Costs

	2013	2012
	RMB'000	RMB'000
<hr/>		
Interest on bank loans wholly repayable within five years	25,556	13,741
Less: interests capitalised	(7,462)	(1,605)
	<hr/>	<hr/>
	18,094	12,136
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9. Loss Before Tax

The Group's loss before tax is stated after charging:

	2013	2012
	RMB'000	RMB'000
Cost of inventories sold	801,430	742,933
Depreciation of property, plant and equipment	64,650	58,709
Amortisation of prepaid land lease payments		
Amortisation of intangible assets	1,218	1,211
Loss on disposals of property, plant and equipment	1,769	125
Staff costs (including directors' remuneration):		
Wages and salaries	49,861	42,616
Retirement benefits scheme contributions	1,825	1,824
Staff welfare expenses	2,283	2,627
	53,969	47,067
Operating lease charges on land and buildings	2,250	2,282
Research and development costs	30,586	38,122
Exchange losses, net	3,566	3,774
Impairment of property, plant and equipment	4,106	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	7,948	63,039
Impairment of advances to suppliers	–	82,387
Impairment of inventories	20,559	–
Auditors' remuneration	2,317	2,200

10. Income Tax Expense

	2013	2012
	RMB'000	RMB'000
Current tax – the PRC		
Charge for the year	2,083	43,305
Over-provision in prior year	(876)	–
Deferred tax	5,769	(30,577)
	6,976	12,728

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 2013 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 2012 and 2013.

11. Loss Per Share Attributable to Owners of the Company

Loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately RMB35,222,000 (2012: approximately RMB354,488,000) and the weighted average number of approximately 852,612,000 ordinary shares (2012: approximately 837,862,000 ordinary shares) in issue during the year.

Diluted loss per share

Diluted loss per share for the years ended 31 December 2013 and 2012 is the same as the basic loss per share as the Company did not have any dilutive potential ordinary shares during the years.

12. Trade and Bills Receivables

	2013 RMB'000	2012 RMB'000
Trade receivables	329,992	300,667
Bills receivable	20	5,100
	330,012	305,767

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:

	2013 RMB'000	2012 RMB'000
Within 3 months	184,981	209,910
More than 3 months but within 6 months	45,732	30,725
More than 6 months but within 1 year	90,538	59,943
More than 1 year	8,761	5,189
	330,012	305,767

13. Trade and Bills Payables

	2013 RMB'000	2012 RMB'000
Trade payables	165,370	90,008
Bills payables	292,592	160,723
	457,962	250,731

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

	2013	2012
	RMB'000	RMB'000
Within 3 month	256,661	194,970
More than 3 months but within 6 months	188,000	49,699
More than 6 months but within 1 year	7,448	4,431
More than 1 year	5,853	1,631
	457,962	250,731

14. Share Capital

	2013	2012
	RMB'000	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	747	747

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	Share
	shares issued	Capital
	'000	RMB'000
At 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 and 31 December 2013	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 the 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 (2012: Nil) and the subscription rights under the Warrant(s) has been 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 2013

ZHONGHUI ANDA CPA Limited has expressed qualified opinion on the audited consolidated financial statements of our Group for the financial year ended 31 December 2013, an extract of which is as follow:

Basis for qualified opinion

“Opening inventories and corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2012, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was qualified because of the possible effects of the limitations on the scope of our audit, details of which are set out in the Company's 2012 result announcement dated 28 May 2014.

Because we were appointed as auditors of the Group subsequent to the end of its last reporting period at 31 December 2012, 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 opening inventories of approximately RMB117,451,000. Since the opening inventories enter into the determination of the Group's results, any adjustments to the figures might have consequential effects on the Group's results for the year ended 31 December 2013.

Trade receivables and deposits to suppliers

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 and deposits to suppliers of approximately RMB161.5 Million and RMB90.7 Million respectively as at 31 December 2013. 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 figures might have consequential effects on the Group's results for the year ended 31 December 2013, the financial positions of the Group as at 31 December 2013, 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 2013, 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 RMB35,626,000 for the year ended 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 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

Over the past two years, the Group has experienced tough and challenging moments. To uphold the Group's business, a series of measures were implemented to stabilize the development of its business, including repositioning of the products, focusing on the development of new materials business and actively liaising with customers, in order to restore and rebuild customers' confidence as well as the Group's reputation. During the period, the Group has also committed in strengthening the internal control systems, including the establishment of a centralised supervisory division to review, amongst others, the sales and purchases procedures of each of the members of the Group, so as to better regularise the management control system. Although the Group's results, affected by a number of impairment adjustments on its assets, reported an audited consolidated net loss of approximately RMB35.2 million, its business development throughout the year had basically remained at a steady level.

Market Overview

The growth in gross domestic product of the People's Republic of China (the "PRC") was 7.7% in 2013, the weakest growth rate in more than a decade. The general deceleration in China's economic growth and the uncertainties in the market outlook led to weak consumer confidence. This, together with inflationary pressure in labour and rental costs, clouded the economy during the year. Nonetheless, the series of reforms by the Chinese government to spur growth in domestic consumption, including further urbanisation and rising household income, should gradually offer steady growth in consumer demand in the future.

Business Review

The Group is a recognised industry leader in the PRC in providing reinforced new materials for 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 and insists on market-focused strategy and joint development, manufacturing, sales of novel products with 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 materials ("TPU"), 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.

For the year under review, revenue was approximately RMB911.6 million, representing a decrease of approximately RMB123.5 million, or 11.9%, compared to revenue of approximately RMB1,035.1 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 ("Conventional Materials"); and (iii) End Products. The Group generated most of its revenue from the Reinforced Materials which accounted for approximately 42.9% (2012: approximately 44.0%) of total revenue. For the year under review, local sales continued to be its major source of revenue, representing approximately 71.8% (2012: approximately 76.8%) of the total revenue while export sales only accounted for approximately 28.2% (2012: approximately 23.2%) of the total revenue.

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

	For the year ended 31 December			
	2013		2012	
	(RMB million)	%	(RMB million)	%
Reinforced Materials	390.9	42.9	455.8	44.0
Conventional Materials	168.1	18.4	196.3	19.0
End Products	352.6	38.7	383.0	37.0
	911.6	100.0	1,035.1	100.0

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

	For the year ended	
	31 December	
	2013	2012
PRC	654.1	795.1
Others	257.5	240.0
	911.6	1,035.1

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 the brand image and reputation, the Group started to deliver inflatable and air-tightness materials to serve our high-end overseas customers. The strategy of the Group is to leverage its leading marketing position and offer products at a competitive price.

In 2013, patents for the welding method for red mud membrane and red mud composite coiled materials for biogas tanks were officially granted to the Group. As at 31 December 2013, the Group owned a total of 76 patents with 19 its innovations, 19 on new applications and 18 on exterior designs.

For the year under review, the Group's revenue generated from our Reinforced Materials amounted to approximately RMB390.9 million (2012: approximately RMB455.8 million) which accounted for approximately 42.9% (2012: approximately 44.0%) of total revenue, representing a decrease in sales of 14.2%. The decrease in revenue from the Reinforced Material was mainly attributable to the reduction in sale of biogas tank materials, as well as bag 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 RMB168.1 million (2012: approximately RMB196.3 million) which accounted for approximately 18.4% (2012: approximately 19.0%) of total revenue, representing a decrease in sales of approximately 14.4%.

End Products

For the year under review, the Group's revenue generated from the End Products amounted to approximately RMB352.6 million (2012: approximately RMB383.1 million) which accounted for approximately 38.7% (2012: approximately 37.0%) of total revenue, representing a decrease in sales of approximately 8.0%. As at 31 December 2013, the Group had 19 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 (which represents the largest share of the Group's End Products business) in the overseas market.

Financial Review

Revenue

The Group's revenue for the year ended 31 December 2013 was approximately RMB911.6 million, representing a decrease of approximately RMB123.5 million, or 11.9%, compared to revenue of approximately RMB1,035.1 million for last year. For the year ended 31 December 2013, the Group's major sales segments, namely, (1) Reinforced Materials reported revenue of approximately RMB390.9 million (2012: approximately RMB455.8 million); (2) Conventional Materials reported a revenue of approximately RMB168.1 million (2012: approximately RMB196.3 million); and (3) End Products recorded a revenue of approximately RMB352.6 million (2012: approximately RMB383.0 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 RMB110.1 million for the year under review (2012: approximately RMB292.2 million), with gross profit margin of approximately 12.1% (2012: 28.2%). The reduction in gross margin was mainly due to higher depreciation cost of our new production facilities for Reinforced Materials and the general decrease in selling price of our products due to intense market competition.

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

	2013	2012
	%	%
Reinforced Materials	17.0	35.0
Conventional Materials	6.3	14.7
End Products	9.8	27.1
Overall	12.1	28.2

Selling and Distribution Costs

For the year under review, selling and distribution costs increased by approximately RMB4.9 million or 32.1% to approximately RMB20.2 million, or 2.2% of revenue for the year under review, from approximately RMB15.3 million, or 1.5% of revenue for the last year. The increase in selling and distribution costs was primarily due to an increase in transportation costs incurred which amounted to approximately RMB8.3 million (2012: approximately RMB6.6 million), staff costs amounted to approximately RMB4.5 million (2012: approximately RMB4.0 million) and custom declaration amounted to approximately RMB3.2 million (2012: approximately RMB2.1 million) for the year under review.

Administrative Expenses

For the year under review, administrative expenses decreased by approximately RMB11.1 million or 14.0% to approximately RMB68.2 million, or 7.5% of revenue for the year under review, from approximately RMB79.2 million, or 7.7% of revenue for last year. The decrease in administrative expenses was mainly attributable to a decrease in R&D expenses amounted to approximately RMB30.6 million (2012: approximately RMB38.1 million) and legal and professional fees amounted to approximately RMB8.3 million (2012: approximately RMB11.4 million).

Research and Development

For the year under review, R&D costs amounted to approximately RMB30.6 million, or 3.4% of revenue (2012: approximately RMB38.0 million, or 3.7% of revenue). The Group believes that its on-going R&D efforts are critical in maintaining long-term competitiveness, retaining existing customers, enhancing its ability to attract new customers and developing new markets. It plans to continue to dedicate its resources to the R&D activities for developing raw materials at lower costs, streamlining manufacturing processes, increasing production capacities, and developing high value-added New Materials.

Impairments and Write-Offs

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

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

- (i) inventories in the amount of approximately RMB20.6 million (2012: Nil) mainly attributable to write down of slow moving and obsolete End Products/stocks.
- (ii) trade receivables in the amount of approximately RMB7.9 million (2012: approximately RMB63.0 million); and
- (iii) property, plant and equipment of our Group in the amount of approximately RMB4.1 million (2012: approximately RMB377.1 million), after taking into account valuation conducted by independent valuers.

Finance Costs

Finance costs for the year under review was approximately RMB18.1 million (2012: approximately RMB12.1 million). This equates to approximately 2.0% and approximately 1.2% of revenue for 2013 and 2012, respectively. 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 RMB1.5 million for the year under review (2012: approximately RMB2.0 million).

Loss for the Year

As a combined effect of the above, during the year under review, the Group incurred a loss of approximately RMB35.6 million, as compared to a loss of approximately RMB354.5 million for last year. Notwithstanding the loss attributable mainly to the impairment of assets for RMB33 million, the Directors, after taking into account the gross profit of approximately RMB110 million for the financial year ended 31 December 2013, the confirmed orders to date and prospects of the Group's future sales, are of the view that its business is viable and sustainable.

Dividends

The Board did not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: nil).

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds amounted to approximately RMB1053.9 million as at 31 December 2013, as compared to approximately RMB1,074.7 million at 31 December 2012, representing a decrease of 1.9%.

Financial Position

As at 31 December 2013, the Group has total current asset of RMB 801.8 million and total current liabilities of RMB758.4 million, with net current assets of RMB 43.4 million. Taking into account the financial support of the controlling shareholder as set out under note 2 of this result 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 2013, the Group's net gearing, expressed as a percentage of total interest-bearing liabilities to total assets, was at 14.0% as compared to 18.4% as at 31 December 2012.

Cash and Cash Equivalents

As at 31 December 2013, the Group had cash and cash equivalents of approximately RMB48.2 million (31 December 2012: approximately RMB80.1 million), most of which were denominated in Renminbi.

Bank Borrowings

The Group had interest-bearing bank borrowings of approximately RMB266.8 million (31 December 2012: RMB324.5 million) while total banking facilities amounted to RMB680.0 million (31 December 2012: approximately RMB673.4 million).

Capital Expenditure

For the year under review, the Group incurred capital expenditure of approximately RMB175.9 million 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 2013, the Group employed a total of 1,076 employees (31 December 2012: 1,050 employees).

The Group regards human capital as vital for its continuous growth and profitability. It remains committed to improving 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 its 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 automobiles' 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 strengthen our effort to explore the overseas market. Accordingly, the Group, apart from continuing our 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 Corporate Governance Code

The Company has applied the principles and complied with the code provisions contained in the Corporate Governance Code (effective from 1 April 2012) (the “Code”) as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2013.

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 2013. However, due to the observations raised by the Company’s previous auditors, Ernst & Young and the subsequent changes in auditor of the Company, the Company was unable to dispatch its annual report and to make announcements of its annual results for the year ended 31 December 2013 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 Rule 13.46(2) and Rule 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 2013.

Purchase, Sale or Redemption of Listed Shares of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed shares for the year ended 31 December 2013.

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 2013 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 ended 31 December 2013. 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 the 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 2013 have been reviewed by the audit committee, who is of the opinion that such accounts comply 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 our Company, trading in the shares of our 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 2013 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.