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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2015
AND
CONTINUAL SUSPENSION OF TRADING**

The board of directors (the “Board”) of Sijia Group Company Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2015, together with the comparative figures for the corresponding period in 2014. The interim results had been reviewed by the audit committee of the Company and approved by the Board.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
	Notes	(Unaudited) RMB'000	(Unaudited) RMB'000
REVENUE	5	279,999	357,532
Cost of sales		<u>(235,836)</u>	<u>(294,772)</u>
GROSS PROFIT		44,163	62,760
Other income and gains, net	5	4,213	7,359
Selling and distribution costs		(7,920)	(11,286)
Administrative expenses		(35,260)	(30,918)
Other expenses		<u>(878)</u>	<u>(1,246)</u>
PROFIT FROM OPERATIONS		4,318	26,669
Impairment of trade receivables		(19,898)	—
Finance costs	6	<u>(8,836)</u>	<u>(8,571)</u>
(LOSS)/PROFIT BEFORE TAX	7	(24,416)	18,098
Income tax expense	8	<u>(54)</u>	<u>(7,213)</u>
(LOSS)/PROFIT FOR THE PERIOD		(24,470)	10,885
Other comprehensive expenses after tax:			
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences on translation of non-PRC operations		<u>(973)</u>	<u>(92)</u>
TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE PERIOD		<u><u>(25,443)</u></u>	<u><u>10,793</u></u>
(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		(24,278)	10,692
Non-controlling interests		<u>(192)</u>	<u>193</u>
		<u><u>(24,470)</u></u>	<u><u>10,885</u></u>
TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		(25,251)	10,600
Non-controlling interests		<u>(192)</u>	<u>193</u>
		<u><u>(25,443)</u></u>	<u><u>10,793</u></u>
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (RMB cents)	9		
— Basic		<u><u>(2.85)</u></u>	<u><u>1.25</u></u>
— Diluted		<u><u>(2.85)</u></u>	<u><u>1.25</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

		30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
	Notes		
Non-current assets			
Property, plant and equipment		846,384	875,797
Prepaid land lease payments		28,366	28,740
Intangible assets		2,176	2,742
Deposits paid for acquisition of property, plant and equipment		14,474	26,488
Available-for-sale investment		4,140	4,140
Deferred tax assets		24,810	24,810
Total non-current assets		920,350	962,717
Current assets			
Inventories		98,282	112,758
Trade receivables	10	331,369	268,221
Prepayments, deposits and other receivables		125,420	97,926
Pledged deposits		83,417	70,075
Cash and cash equivalents		32,363	69,940
		670,851	618,920
Non-current assets classified as held for sale		—	108,212
Total current assets		670,851	727,132
Current liabilities			
Trade and bills payables	11	331,477	328,101
Other payables and accruals		101,101	129,629
Interest-bearing bank borrowings		224,325	203,000
Deferred income		360	360
Tax payable		15,826	15,957
		673,089	677,047
Liabilities associated with assets classified as held for sale		—	42,666
Total current liabilities		673,089	719,713
Net current (liabilities)/assets		(2,238)	7,419
Total assets less current liabilities		918,112	970,136

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Non-current liabilities		
Interest-bearing bank borrowings	50,000	60,000
Deferred income	1,590	1,770
Deferred tax liabilities	14,293	14,293
Total non-current liabilities	65,883	76,063
NET ASSETS	852,229	894,073
Capital and reserves		
Equity attributable to owners of the Company		
Issued capital	747	747
Reserves	851,482	876,733
	852,229	877,480
Non-controlling interests	—	16,593
TOTAL EQUITY	852,229	894,073

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2015

1. GENERAL INFORMATION

Sijia Group Company Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on 7 October 2009. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company acts as an investment holding company.

In the opinion of the directors (the “Directors”) of the Company, as at the date of issue of these condensed 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.

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and have been suspended for trading since 14 February 2013.

The Group is principally engaged in the design, development, manufacture and sales 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.

2. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These unaudited condensed consolidated financial statements should be read in conjunction with the 2014 annual consolidated financial statements of the Company and its subsidiaries (together, the “Group”). The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements of the Group for the year ended 31 December 2014, except for the accounting policy changes that are expected to be reflected in the 2015 annual consolidated financial statements. Details of any changes in accounting policies are set out in note 3.

3. CHANGES IN ACCOUNTING POLICIES

In the current accounting period, the Group has applied, for the first time, the following new and revised standards and amendments issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2015.

Amendments to HKAS19 Defined Benefit Plans: Employee Contributions
Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. SEGMENT INFORMATION

There is only one operating segment which is principally engaged in the design, development, manufacture and sales 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.

5. REVENUE, OTHER INCOME AND GAINS, NET

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

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Sales of goods	279,999	357,532
Other income and gains, net		
Bank interest income	480	748
Government subsidies (<i>note</i>)	1,632	495
Gross rental income	27	21
Dividend income from available-for-sale investment	—	232
Reversal of allowance for receivables	—	4,509
Sundry income	175	1,354
Gain on disposal of a subsidiary (<i>Note 12</i>)	1,471	—
Exchange gain, net	428	—
	4,213	7,359

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 specific conditions attached to the subsidies. Therefore, the Group recognised the subsidies upon receipt during the periods ended 30 June 2015 and 2014.

6. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank loans	8,836	12,067
Less: interests capitalised	—	3,496
	<u>8,836</u>	<u>8,571</u>

7. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Depreciation of property, plant and equipment	30,247	29,967
Amortisation of prepaid land lease payments	374	407
Amortisation of intangible assets	566	605
Impairment of trade receivables		
— Allowance	17,915	—
— Bad debts	1,983	—
Loss on disposals of property, plant and equipment	114	275
	<u>114</u>	<u>275</u>

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax — the PRC		
Charge for the period	—	3,036
Under-provision in prior year	54	1,866
Deferred tax	—	2,311
	<u>54</u>	<u>7,213</u>

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which the group entities 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”), Hong Kong profits tax is subject to a rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period. No provision for income tax has been made as the Group had no assessable profits arising in Hong Kong.

In accordance with the Corporate Income Tax Law of the People’s Republic of China (“PRC”), the profits of the following PRC subsidiaries are subject to the following tax rates:

	<i>Notes</i>	Six months ended 30 June	
		2015	2014
Fujian Sijia Industrial Material Co., Ltd. (“Fujian Sijia”) [#]	<i>(a)</i>	15%	15%

[#] The English name is for identification only

Notes:

- (a) Pursuant to the approval of the tax bureau, Fujian Sijia, being a high-tech enterprise, was levied at the tax rate of 15% for the six months ended 30 June 2015 and 2014 according to the Corporate Income Tax Law.
- (b) Other subsidiaries are subject to a corporate income tax rate of 25% for the six months ended 30 June 2015 and 2014.

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic and diluted earnings per share is based on the following:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
(Loss)/Earnings		
(Loss)/Profit attributable to owners of the Company, used in the basic and diluted (loss)/earnings per share calculation	(24,278)	10,692
Number of shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculations	852,612,470	852,612,470

Diluted earnings per share for the periods ended 30 June 2015 and 2014 is the same as the basic (loss)/earnings per share as the Company did not have any dilutive potential ordinary shares during the periods.

10. TRADE RECEIVABLES

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Trade receivables	331,369	268,221

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

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within 3 months	63,570	50,084
More than 3 months but within 6 months	72,955	24,444
More than 6 months but within 1 year	102,276	43,355
More than 1 year	92,568	150,338
	331,369	268,221

11. TRADE AND BILLS PAYABLES

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Trade payables	138,799	128,397
Bills payables	192,678	199,704
	331,477	328,101

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

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within 3 months	223,870	181,769
More than 3 months but within 6 months	55,162	128,749
More than 6 months but within 1 year	43,765	10,859
More than 1 year	8,680	6,724
	<u>331,477</u>	<u>328,101</u>

12. GAIN ON DISPOSAL OF A SUBSIDIARY

On 4 December 2014, a wholly-owned subsidiary of the Company, Sijia International Holding Limited, entered into an equity transfer agreement with an independent third party to dispose of its 51% equity interest in a subsidiary, Hubei Sijia Outdoor Products Co., Ltd., at a consideration of RMB18,000,000. The disposal was completed on 3 March 2015 and the net assets disposed of as at the date of disposal were as follows:

	(Unaudited) RMB'000
Property, plant and equipment	80,505
Prepaid land lease payment	4,608
Deposits paid for acquisition of property, plant and equipment	2,821
Inventories	13,040
Trade receivables	1,170
Other receivables	12,933
Cash and cash equivalents	1,244
Trade payables	(3,614)
Other payables	(44,544)
Amount due to the Group	(35,221)
Tax payables	(12)
	<u>32,930</u>
Net assets disposed of	32,930
Non-controlling interests	(16,401)
Gain on disposal of a subsidiary (Note 5)	1,471
	<u>18,000</u>
Satisfied by:	
Cash	18,000
	<u>18,000</u>
Net cash inflow arising on disposal:	
Cash consideration	18,000
Bank balances and cash disposed of	(1,244)
	<u>16,756</u>

13. BANK BORROWINGS

During the period under review, the Group obtained new bank loans amounting to RMB103,325,000 (six months ended 30 June 2014: RMB195,344,000) as additional working capital and made repayments of bank loans of RMB102,000,000 (six months ended 30 June 2014: RMB166,574,000). The new bank loans of RMB103,325,000 are bearing fixed interest at rates ranging from 5.66% to 7.28% per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is a recognised industry leader in the People's Republic of China (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. With the experienced management team, the Group implemented a market-focused strategy. The Group also engages 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 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 also manufactured downstream end products (the "End Products"), including biogas tank, 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 eleven major markets including outdoor, sports, renewable energy, protection, construction, logistic, packaging, medical use, safety, advertising and daily supplies.

Revenue for the period under review was approximately RMB279.9 million, representing a decrease of approximately RMB77.6 million, or 21.7%, compared to revenue of approximately RMB357.5 million for the same period last year. The decrease was primarily attributable to the intensifying market condition and a change in product mix to offer less End Products to the market.

For the period 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 82.1% (30 June 2014: approximately 50.0%) of total revenue. Local sales continued to be the Group's major source of revenue, representing approximately 66.1% (30 June 2014: approximately 65.6%) of the total revenue while export sales only accounted for approximately 33.9% (30 June 2014: approximately 34.4%) of the total revenue.

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

	For the six months ended 30 June			
	2015		2014	
	(RMB million)	%	(RMB million)	%
Reinforced Materials	229.8	82.1	178.7	50.0
Conventional Materials	24.5	8.8	74.8	20.9
End Products	25.6	9.1	104.0	29.1
	<u>279.9</u>	<u>100.0</u>	<u>357.5</u>	<u>100.0</u>

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

	For the six months ended 30 June	
	2015	2014
PRC	184.9	234.5
Others	<u>95.0</u>	<u>123.0</u>
	<u>279.9</u>	<u>357.5</u>

Reinforced Materials

For the period under review, in respect of the Reinforced Materials, the Group delivered the most in inflatable, airtightness and tarpaulin materials. The strategy of the Group is to innovate more new products and to leverage its leading marketing position and offer products at a competitive price.

As at 30 June 2015, the Group owned a total of 83 patents with 26 on innovations, 39 on new applications and 18 on exterior designs for Reinforced Materials.

For the period under review, the Group's revenue generated from Reinforced Materials amounted to approximately RMB229.8 million (30 June 2014: approximately RMB178.7 million) which accounted for approximately 82.1% (30 June 2014: approximately 50.0%) of the Group's total revenue, representing an increase in sales of approximately 28.6%. An increase in revenue generated from Reinforced Material is mainly attributable to the fully operation of the production facilities of the Group's Shanghai plant that lead to both an increase in production volume and sales in the tarpaulin materials, as well in changing of the product mix of the Group.

Conventional Materials

For the period under review, the Group's revenue generated from the Conventional Materials amounted to approximately RMB24.5 million (30 June 2014: approximately RMB74.8 million) which accounted for approximately 8.8% (30 June 2014: approximately 20.9%) of total revenue, representing a decrease in sales of approximately 67.2%.

End Products

For the period under review, the Group's revenue generated from the End Products amounted to approximately RMB25.6 million (30 June 2014: approximately RMB104.0 million) which accounted for approximately 9.1% (30 June 2014: approximately 29.1%) of total revenue, representing a decrease in sales of approximately 75.4% as compared to the same period last year. As at 30 June 2015, the Group had closed down all its local sales offices of the promotion of the End Products and stopped the manufacturing of End Products.

The decrease was mainly due to the Group's strategy to withdraw from the labour intensive End Products business which encountered increasing labour cost and fierce competition. Such factors have also caused a decrease of the business of Conventional Materials. In the future, the Group will focus more on its Reinforced Materials business with higher barrier of entry and better profit margin. To cope with this strategy, the Group had completed the disposal of 51% equity interest in Hubei Sijia Outdoor Products Co., Ltd., which was in the business of the production of the highly labour intensive End Products on 6 March 2015 and its manufacturing plant of End Products in Xiamen has stopped production since February 2015. Hence, it is expected that there will be a significant reduction in the sales of the End Products of the Group in the second half of 2015.

Financial Review

Financial Results

Revenue

The Group's revenue for the six months ended 30 June 2015 was approximately RMB279.9 million, representing a decrease of approximately RMB77.6 million, or 21.7%, compared to revenue of approximately RMB357.5 million for the same period last year. For the period under review, the Group's major sales segments, namely, (1) Reinforced Materials reported revenue of approximately RMB229.8 million (30 June 2014: approximately RMB178.7 million); (2) Conventional Materials recorded a revenue of approximately RMB24.5 million (30 June 2014: approximately RMB74.8 million); and (3) End Products recorded a revenue of approximately RMB25.6 million (30 June 2014: approximately RMB104 million).

Gross Profit and Gross Margin

Gross profit was approximately RMB44.2 million for the period under review (30 June 2014: approximately RMB62.8 million), with the gross profit margin of approximately 15.8% (30 June 2014: approximately 17.6%). The reduction in gross margin was mainly due to a general decrease in selling price of the Group's products arisen from intense market competition.

	2015 %	2014 %
Reinforced Materials	16.8	13.6
Conventional Materials	0.2	0.5
End Products	(1.2)	3.5
Overall	<u>15.8</u>	<u>17.6</u>

Selling and Distribution Costs

For the period under review, selling and distribution costs decreased by approximately RMB3.4 million or 30% to approximately RMB7.9 million, or 2.8% of revenue for the period under review, from approximately RMB11.3 million, or 3.2% of revenue for the same period last year. A reduction in selling and distribution costs was mainly due to the Group's strategy to withdraw from the End Products business in 2015 and that it had closed down all local sales offices of the promotion of the End Products as at 30 June 2015.

Administrative Expenses

For the period under review, administrative expenses increased by approximately RMB4.3 million or 14.0% to approximately RMB35.3 million, or 12.6% of revenue for the period under review, from approximately RMB30.9 million, or 8.7% of revenue for last period. The increase in administrative expenses was mainly due to an increase in R&D and depreciation expenses.

Research and Development

For the period under review, R&D costs amounted to approximately RMB19.0 million, or 6.8% of revenue (30 June 2014: approximately RMB13.8 million, or 3.9% 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. The Group continues to dedicate resources to the R&D activities in its Fuzhou and Shanghai plants 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 assets and collectability of accounts receivable. This includes taking into consideration the credit history of the Group's customers and the prevailing market condition.

For the period under review, impairments have been recognised in respect of trade receivables in the amount of approximately RMB19.9 million (30 June 2014: Nil).

Finance Costs

Finance costs for the period under review was approximately RMB8.8 million (30 June 2014: approximately RMB8.6 million). This equates to approximately 3.2% and approximately 2.4% of revenue for the six months ended 2015 and 2014, respectively.

Interest Income

Interest income amounted to approximately RMB0.5 million for the period under review (30 June 2014: approximately RMB0.7 million).

Income Tax

For the period under review, the Group had an overall income tax expense of approximately RMB54,000 (30 June 2014: approximately RMB7.2 million). It was mainly due to under-provision of income tax in prior year of approximately RMB54,000 (30 June 2014: approximately RMB1.9 million).

Loss for the Period

For the period ended 30 June 2015, the Group recorded a loss attributable to owners of the Company approximately RMB24.3 million, or RMB2.85 cents for basic loss per share. As at the same period last year, the Group recorded a profit attributable to owners of the Company of approximately RMB10.7 million, or RMB1.25 cents for basic earnings per share. The weighted average number of ordinary shares outstanding was 852,612,470 as at 30 June 2015 (30 June 2014: 852,612,470).

Dividends

The Board has resolved not to pay any interim dividend for the six months ended 30 June 2015 (30 June 2014: Nil)

Liquidity and Financial Resources

Total Equity

As at 30 June 2015, total equity amounted to approximately RMB852.2 million, representing a decrease of 4.7%, compared to approximately RMB894.1 million as at 31 December 2014.

Financial Position

As at 30 June 2015, the Group had total current asset of approximately RMB670.9 million and total current liabilities of approximately RMB673.1 million, with net current liabilities of approximately RMB2.2 million.

As at 30 June 2015, the Group's net gearing (expressed as a percentage of total interest-bearing liabilities to total assets) was at 17.2%, compared to 15.5% as at 31 December 2014.

Cash and Cash Equivalents

As at 30 June 2015, the Group had cash and cash equivalents of approximately RMB32.4 million (31 December 2014: approximately RMB69.9 million), most of which were denominated in Renminbi ("RMB").

Bank Borrowings

As at 30 June 2015, the Group had interest-bearing bank borrowings of approximately RMB274.3 million (31 December 2014: approximately RMB263 million) while total banking facilities amounted to approximately RMB423 million (31 December 2014: approximately RMB484.0 million).

Contingent Liabilities

As at 30 June 2015, the Group did not have any significant contingent liabilities (31 December 2014: Nil).

Capital Commitments

As at 30 June 2015, capital commitment of the Group amounted to approximately RMB12.0 million (31 December 2014: approximately 43.3 million). The capital commitment will be funded partly by internal resources and partly by bank borrowings.

Human Resources

As at 30 June 2015, the Group employed a total of 398 employees (31 December 2014: 586 employees). The reduction of staff headcount was mainly due to the Group's strategy to withdraw from the End Products business during the period under review.

The Group regards human capital as vital for its continuous growth and profitability and 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 staffs, based on the performance of the individual employee.

Exposure to fluctuations in exchange rates and related hedge

Most business transactions of the Group are settled in RMB since the operations of the Group are mainly carried out in the PRC, and the major subsidiaries of the Group are operating in a RMB environment and the functional currency of the major subsidiaries is RMB. The reporting currency of the Group is RMB.

The Group's cash and bank deposits are predominantly in RMB. Based on the aforesaid, the Group does not enter into any agreement to hedge against any foreign exchange risk. The Company will pay dividends in Hong Kong Dollars if dividends are declared and it will continue to monitor the fluctuation of RMB closely and will introduce suitable measures as and when appropriate.

Save as disclosed above in this announcement, there has been no material change in the development or future developments of the Group's business and financial position, and no important event affecting the Group has occurred since the publication of the annual report of the Company for the year ended 31 December 2014.

PROSPECTS

Facing the continuing downturn of Eurozone economy and the slowing down of China's economy, the Group will actively adapt to the national policy of "adjusting economic structure; transforming traditional manufacturing industries into new manufacturing industries". It will adhere to the development principles of "stay on its original business, steady development, structure optimisation and continuous innovation", and have implemented a series of adjustment measures:

1. to stabilise the business development of new materials, and to actively develop new products;
2. to further explore new business relationship with domestic and foreign customers, and to expand the Group's market share;
3. to establish more stable and reasonable strategic cooperation relationship with suppliers, so as to significantly decrease the procurement costs;
4. to close all of the labour intensive subsidiary companies, so as to avoid loss arising from the continuous increase of labour cost; and

5. all staff of the Group should participate in the internal control of the optimisation process in relation to different areas of procurement, production, sales, and finance in order to enhance the operation efficiency of the Group.

Through the effort of the existing management, the Group has achieved the below good results:

1. Fujian Sijia Industrial Material Co., Ltd* has been rated as the “Key High-Tech Enterprise under the State Torch Program” (國家火炬計劃重點高新技術企業), “National Credible Enterprise”(國家守合同重信用企業), “Top ten enterprises in the modified industries in China”(中國改性行業十佳企業), and “Intelligent Property Dominating Enterprise in Fujian Province”(福建省智慧財產權優勢企業). Its products have been listed in the State Torch Program Projects twice, and received a number of awards such as “China Well-known Trademark”(中國馳名商標), “Famous Branded Product in Fujian Province”(福建省名牌產品), “The First Prize of Fujian Province Patent Awards”(福建省專利獎一等獎), and “The Second Prize of the Excellent New Products in Fujian Province”(福建省優秀新產品獎二等獎).
2. Sijia New Material (Shanghai) Co., Ltd.* has been recognised as Shanghai High-tech Enterprises, with the registration number of GR201431000521.

Looking forward, once the Group has been successful in applying for the resumption of trading of its shares on the Stock Exchange, the Group will upgrade its business and operation by capitalising on its innovative technologies and its professional technical team, which is well-recognised both in domestic and foreign industries:

1. the second and third production lines will be added to the Shanghai plants to engage in the research, development, production and sales of materials for high-end broaden automobiles’ windows, double membrane gas holders materials, architectural membrane structure materials, marquees materials, inflatable materials and materials for auto-rolling curtains, in order to create economies of scale;
2. Fuzhou plants will adjust its production and service business, and be engaged in the production and sales of inflatable materials, inflatable boats materials, water pools materials, air tightness materials for water sports and leisure, swimsuit materials and packaging materials, so as to create scale operation;
3. to continue the R&D of new products, apply for invention patents for projects, increase products’ additional values, establish as one of the most innovative technology enterprise in the industry, and create values for the shareholders of the Company; and
4. to continue to strengthen the cooperation with the technical experts in Europe and the United States of America, and to further increase its sales share in the international market.

* *The English name is for identification only*

Compliance with Code on Corporate Governance Practices of the Listing Rules

The Board has established procedures on corporate governance that comply with the requirements of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules. The Board has reviewed and taken measures to adopt the CG Code as the Company’s code of corporate governance practices. During the six-month period ended 30 June 2015, the Company has complied with the code provisions under the CG Code, save and except for the following:

Code provision A.6.3 stipulates that executive directors, independent non-executive directors and other non-executive directors should attend general meeting and develop a balanced understanding of the views of shareholders. Two executive directors and two independent non-executive directors of the Company were unable to attend the annual general meeting (“AGM”) of the Company held on 6 June 2015 due to their other business engagements. Each director of the Company (“Director(s)”) has been reminded of his duty and each of them has indicated that he will use his best endeavors to attend the general meetings to be held in the future.

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 during the six months ended 30 June 2015.

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 during the six months ended 30 June 2015.

Audit Committee

The Audit Committee, comprises three independent non-executive Directors, 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 unaudited condensed consolidated financial statements for the six months ended 30 June 2015 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

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 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.sijia.hk>). The 2015 interim report of the Company will be despatched to the shareholders of the Company and will be available on the same websites in due course.

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

Hong Kong, 28 August 2015

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